GTAC/CBPEP/ EU project on employment-intensive rural land reform in South Africa: policies, programmes and capacities

Thematic study
Conceptualising finance to support labour-intensive land redistribution

Michael Aliber
University of Fort Hare

January 2020

Contents

Contents

Executive summary ... 1
1 Introduction and context ... 2
2 How smallholder and small-scale commercial farmers finance their operations ... 5
2.1 Self-financing ... 5
2.2 Loan finance ... 5
2.2.1 MAFISA ('Micro Agricultural Financial Institutions of South Africa') ... 6
2.2.2 Microfinance institutions (non-governmental) ... 7
2.2.3 The Land Bank ... 7
2.2.4 Commercial banks ... 9
2.3 Grant finance and in-kind project-based support ... 11
2.3.1 Comprehensive Agricultural Support Programme (CASP) ... 11
2.3.2 Ilima/Letsema ... 13
2.3.3 The Recapitalisation and Development Programme (RADP) ... 15
2.3.4 Commodity Trusts ... 17
2.3.5 Civil society interventions ... 18
3 Recent policy developments regarding farmer financing and support ... 18
4 The strengths and weaknesses of existing (and newly proposed) funding programmes ... 22
5 Other financial services and financing instruments ... 26
5.1 Insurance ... 26
5.2 E-money transactions ... 28
5.3 Input/equipment subsidies ... 29
6 Conclusions: the implications for employment-intensive land reform ... 30
References ... 33

List of tables

Table 1: Estimates of different types of government support to ... 3
non-subsistence black farming households ... 3
Table 2: Land Bank disbursements via its Retail Emerging Markets unit (millions of Rand) ... 8
Figure 1: Commercial bank lending to 'black agriculture' in 2016 and 2017 ... 10
Table 3: CASP indicators 2004/05 to 2018/19 ... 12
Table 4: Ilima/Letsema indicators, 2008/09 to 2018/19 ... 13
Table 5: Targets relating to Fetsa Tlala, Ilima/Letsema and CASP for 2018/19 ... 15

Table 6: RADP Statistics, 2009 - March 2014 16
Table 7: Order-of-magnitude estimates as to recent expenditure per annum supporting different categories of black farmers 22
Table 8: Strengths and weaknesses of existing funding mechanisms 24
Table 9: Overview of agricultural insurance in developing countries and regions 27

Executive summary

This paper seeks to provide an overview and understanding of how South Africa's smallholder farmers and small-scale black commercial farmers ('SFs & SSBCFs') presently finance their agricultural operations (excluding land acquisition), with a view to identifying where the current system could be improved so as to support an employment-intensive land reform premised on these types of farmers. As such, the paper seeks to identify what are the main sources of loan and grant finance to farmers, and to indicate what is known about the reach and effectiveness of these various institutions / products / programmes. The paper also briefly considers what we know about self-financing, while also touching on sundry other financial services and issues, in particular input subsidies, e-money and insurance. While doing so, the paper traces recent policy discussions and debates regarding the provision of agricultural finance. The most salient policy development in recent years is the emergence of a consensus that grant finance should be reduced in favour of loan finance, which has been followed by an abortive attempt to introduce 'blended finance'.

While it is difficult to develop a precise picture of the funding landscape on account of lack of or contradictory data, and the current flux within the sector, some patterns do emerge.

First, it is indeed the case that grant finance is almost on a par with loan finance, however there is an evident division of labour whereby loan finance is channelled more towards larger-scale black farmers, and the majority of beneficiaries of grant finance are towards the subsistence end of the spectrum. (Having said this, while subsistence producers are more numerous as beneficiaries of grant funding, it is not clear that, collectively, they receive most of this funding.) There is a logic to this state of affairs in that, to the extent government renders material support to subsistence farmers, it would not make sense for it to be in the form of loans unless the idea is for them to commercialise. On the other hand, much of the support to subsistence producers in principle is in fact meant to promote commercialisation, but appears unable to do so, suggesting that at least some of these grant programmes are ill-conceived. Moreover, among commercially oriented smallholder farmers, there is a woeful absence of both grant and loan finance, and arguably it would make sense to upscale the loan finance aspect.

Where SFs & SSBCFs are concerned, a particular problem is the absence of short-term production finance. MAFISA had tried to fill the vacuum, but at present is operating at an extremely low level and, it has been argued, its management challenges have not warranted recapitalisation. The Land Bank, meanwhile, has struggled to do business at scale with SFs & SSBCFs, and has struggled in particular to provide production credit, especially unsecured production credit. Of course, these concerns extend well beyond land reform.

Overall, the paper demonstrates that, while there are many financing tools in place to support black farmers in general as well as land reform beneficiaries in particular, their collective footprint is modest-to-small relative to current needs, and grossly inadequate relative to the needs implied by a significantly scaled up redistribution programme aiming to support meaningful numbers of SF and SSBCF beneficiaries.

What might a land reform-capable agricultural finance system look like? The paper ventures a few suggestions. First, taking a cue from the 'Integrated Agriculture Development Finance Policy Framework (IADFP) for Smallholder Farmers' of 2015, there may be a rationale for a 'land reform started-up' grant for newly settled small-scale beneficiaries to address the most urgent input, infrastructure and equipment needs in order to commence production. A further possibility is that, for the sake of simplicity, this grant could be a flat R80 000 per farm. At CASP's current budget level,

this would accommodate almost 12 500 SF / SSBCF beneficiaries per year, which would greatly exceed the current annual numbers of land redistribution beneficiaries. Moreover, making use of CASP for this purpose would make sense, not least because it was originally designed for more or less this purpose.

Second, at present it seems there is little doubt that government intends to pursue some kind of blended finance model, notwithstanding the mis-start mentioned above. The challenge is to ensure that SFs & SSBCFs get an appropriate share of the pie, which might imply setting clear rationing guidelines. At the same time, it could be suggested that what changes along the spectrum from smallholder to larger-scale commercial farmers is the nature of the blend, with larger-scale farmers required to have a larger loan element relative to a fixed grant element, e.g. the start-up grant mentioned above. The administration of a blended finance approach might prove challenging, especially if one is seeking to reach ever larger numbers of farmers. One possibility is to return to something like the 'agency agreement' that existed between the Land Bank and the Department of Land Affairs in the early days of LRAD. The arrangement in effect gave the Land Bank control over a certain quantum of grant finance to which it could match its own loan finance. However, while the purpose of that arrangement was to facilitate land purchase, in this case – i.e. for SFs & SSBCFs whose land acquisition costs would presumably be covered otherwise – it would be for improvements, equipment and machinery.

Most probably the focus of blended finance will be on medium and long-term loans, suggesting that there will remain a gap in terms of short-term production loans. Whether existing institutions can be reconfigured in order to address this shortcoming is unclear. The question is whether MAFISA should be resurrected, the Land Bank urged to greatly improve on its ability to meet the needs of SFs & SSBCFs, some combination of the two, or some other solution entirely. One possibility that should not be overlooked is some experimentation with non-traditional partners. South Africa is home to a variety of effective and innovative microfinance institutions which could perhaps be induced to venture into small-scale farmer production loans under the right circumstances.

Lastly, although the IADFP is adamant that input subsidies are taboo, based on the international experience, there are potentially some significant advantages of subsidies over grant or loan finance. The key consideration is the administration of the support; vetting large numbers of loan applications is onerous work, not to mention seeking to ensure repayment. An input subsidy might offer a lower degree of support for, say, purchasing seed, but one can imagine that it would be far simpler to manage, e.g. by striking agreements with agro-dealers and determining a way that subsidies are enjoyed by those for whom they are intended. Something like the system FAO has implemented in Zambia to facilitate access to agricultural inputs via agro-dealers could be the model if not the mechanism. More expensive farming needs such as fixed improvements or major machinery/equipment could still be catered for via loans and/or start-up grants.

1 Introduction and context

The focus of this paper is how smallholder farmers and small-scale black commercial farmers ('SFs & SSBCFs') in South Africa finance – and more importantly in principle could finance – their agricultural operations. Thus the paper principally considers source of loan finance, but also various forms of grant funding, including a common variation on grant funding that we might call 'in-kind project-based' funding. In terms of financing SFs & SSBCFs, we exclude consideration of land purchase, meaning that we are concerned here neither with the extent to which financial institutions presently

provide mortgage finance to SFs & SSBCFs, nor with land reform budgets for land acquisition.[1] However, apart from loan and grant finance for working capital and equipment, the paper also touches briefly on other financial services, in particular insurance, input subsidies, and transactional services.

To get a sense of the magnitude of what financial support to 'SFs & SSBCFs' entails, according to Stats SA's Living Conditions Survey of 2014/15, non-subsistence black farmers spent a total of about R200 million (in today's Rand) on agricultural inputs and services, *excluding* the purchase of livestock.[2] This works out to about R1000 per household on average. Given the manner in which loans and grants are administered to various types of small-scale farmers, we surmise that this R200 million is inclusive of most of the loan and grant funding that farmers receive, except that which goes to machinery and other assets, but it would not include in-kind project-based funding. Given that current funding levels are greatly in excess of this R200 000, we surmise that very little of what is on offer goes to 'SFs & SSBCFs'; some goes to subsistence producers, some (perhaps a lot) goes to larger-scale black farmers, and perhaps some goes where it is not meant to go.

Although we have some idea as to the magnitude of agricultural lending to black farmers as well as of grant and project-based funding (see below), it is more or less impossible to determine how much of this goes to SFs & SSBCFs, owing to the fact that we have only a very coarse idea as to how much of this loan financing is allocated to different types of black farmers. However, as a generalisation, it seems fairly clear that of the total loan finance going to black farmers, the majority goes to larger-scale black commercial farmers, that is, larger than our categories of smallholder farmers and small-scale black commercial farmers. Of grant and project-based funding, it is less clear where it is going, but at least for some grant mechanisms, the larger share appears to go to subsistence producers due to the fact that they are much more numerous, even though on a per farmer basis, it would seem that subsistence farmers who receive support, receive less than SFs & SSBCFs receiving support.

One way of appreciating the footprint of lending and non-lending financial support to small-scale farmers is via the General Household Survey, which gives us an order-of-magnitude idea as to how many farmers receive state and non-state support of different kinds. The table below shows the estimated numbers of black farmers who sell some of their produce who receive different types of support from government, where 'farmers who sell some of their produce' is taken to be more or less synonymous with SFs & SSBCFs.

Table 1: Estimates of different types of government support to

non-subsistence black farming households

	Est number	Est share
Training	13 948	6.6%
Extension	10 788	5.1%
Grants	2 484	1.2%

[1] As a means of promoting land reform, mortgage finance for land acquisition is an important consideration, but not particularly for SFs & SSBCFs.

[2] In general, expenditure on livestock purchases exceeds these other costs, but it is impossible to know how much of this expenditure on livestock constitutes agricultural investment versus consumption. It is also worth pointing out that in the same year, black subsistence farmers spent almost R900 million on agricultural inputs and services. The magnitude is larger than that for non-subsistence black farmers simply because there are many more of them; the average per household works out to about R500.

Loans	1 975	0.9%
Inputs as part of a loan	5 555	2.6%
Inputs for free	13 078	6.1%
Dipping, etc.	24 166	11.4%
Other	715	0.3%

Source: Stats SA 2019 (General Household Survey 2018)

The share of non-subsistence black farming households receiving either grants, loans, some form of inputs, or some combination of these, is 7.7%. This is quite different to large-scale white commercial farmers, of whom the majority rely on production credit (or bank overdrafts) on a more or less continuous basis. It makes even less sense for a category of farmers who have been identified as a priority for further development. Another useful point of contrast is Brazil, whose PRONAF programme reached approximately 35% to 40% of the country's 4.1 million 'family farmers' in 2005 (Guanziroli and Basco 2010).

The figures in the table above relate only to government support, or at least to what respondents perceive as government support. The GHS does not go into detail regarding support from non-government sources, but it does ask, 'Did your household find this agriculture-related assistance from any other entity than government?', to which about 4% of non-subsistence black farming households answered affirmatively. Assuming this figure is more or less correct, it suggests that non-government support is of a similar magnitude to government support where non-subsistence black farming households are concerned, but not greater than it. Unfortunately, the GHS offers no detail regarding the extent to which this assistance involves funding.

The FinScope SMME survey of 2010 could in principle have shed more light on the extent to which SFs & SSBCFs access loan finance, unfortunately that survey's estimates as to the number of such farmers is so different as to cast doubt on the usability of the data. Nonetheless, according to de Klerk et al.'s helpful summary:

> Following FinScope's 2010 Small Business Survey, 'small farmers' were defined to include only the roughly 700 000 who derived some degree of cash income from agriculture, i.e. 'emergent' and 'small commercial' farmers…. On this definition, a surprisingly high 46% of small farmers are to be found in formal or informal urban areas…. More than a half of urban small farmers use banks' services (53,4%), as against 38,4% of their rural counterparts, suggesting that ease of physical access is an important determinant of formal financial inclusion. Nearly half of small farmers used formal savings and/or transmission services and about 30% formal insurance services, but, as with [other] SMEs, only a small percentage credit services (5,6%), just 2,5% from a bank. In common with SMEs, family and friends were the most frequently tapped source of credit. Informal SCGs [savings and credit groups] more often serve as a vehicle for saving the funds required for annual agricultural inputs than as a source of loans for this purpose. (de Klerk *et al*. 2013: 8)

By contrast, according to the annual GHS survey, the number of black farming households who sell some of their produce is in the order of 200 000, of whom three quarters are rural.[3] Hopefully, however, the other statistics from the FinScope study are nonetheless meaningful, not least the fact that overall credit usage is just under 6%, of which over half is from family and friends.

---

[3] Possibly the non-comparability of the FinScope and GHS surveys is limited to the weights on the observations, meaning that the extrapolations are off; the author favours the GHS on the grounds that its extrapolated number of farmers is fairly consistent over time and the sampling/weighting scheme is well established.

Altogether, it is difficult to gauge the aggregate magnitude of government and non-government financing support to SFs & SSBCFs relative to farmers' self-financing (though in Section 4 we do attempt this). What one can say is that this support may well be significant in overall magnitude, but it is concentrated in a small minority of SFs & SSBCFs.

2 How smallholder and small-scale commercial farmers finance their operations

2.1 Self-financing

The main focus of Section 2 is on government and non-government programmes to finance SFs & SSBCFs, however, it is important to say something about self-financing, given that this appears to be the main way in which SFs & SSBCFs fund their farming operations at present.

The FinScope survey noted above found that a large proportion of farmers have savings accounts. While a savings account is not necessary in order to save up for self-financing one's farming activities, its existence is a form of financial inclusion which presumably works to the advantage of those who do self-finance. According to the General Household Survey data, about two thirds of black farming households have bank accounts, just slightly less than the share of non-farming black households; at the same time, about a third have informal savings of some kind – slightly more than non-farming black households.

More pertinent is the research that shows that rural people who participate in SaveAct's savings and credit groups use these groups to become more disciplined savers, and are apt to use their accumulated savings to finance entrepreneurial activities, including agricultural enterprises (Delany and Storchi 2012).[4] Moreover, members of these groups also have an opportunity to take out loans from these groups; about 7% to 9% of those who do so, use their loans to purchase agricultural inputs (Delany and Storchi 2012: 66). While SaveAct's savings and credit groups appear to operate on a higher plane than the average informal stokvel, they demonstrate the potential of both saving, and of local, group-based financial intermediation. For now, SaveAct's group members are relatively few in number at about 80 000 in KwaZulu-Natal and Eastern Cape (SaveAct 2019), versus an estimated 11.4 million stokvel members nationally (NASASA 2016), which itself is evidence of a widespread (but under-appreciated) inclination to save money.

2.2 Loan finance

The most important sources of loan finance to SFs & SSBCFs are DAFF's MAFISA programme and the Land Bank; commercial banks also lend to black farmers, but as explained below, it is unclear how much if any goes to SFs & SSBCFs.

---

[4] 'The considerable potential that SCG membership has for supporting agricultural activities is demonstrated by the ways in which several groups of active farmers have structured their SCG meetings to leverage their benefits for agriculture. Several groups, especially in the area of Bergville, set the date of their share-out meeting to coincide with the start of the planting season so that they have a lump sum available to invest in fertilizer and other agricultural inputs. Some farmers manage their seasonal capital requirements by belonging to more than one SCG and carefully plan their share-outs for maximum economic advantage.' (Delany and Storchi 2012: 82)

2.2.1 MAFISA (‘Micro Agricultural Financial Institutions of South Africa’)

The national department of agriculture launched MAFISA as a pilot in three provinces in 2004/05, and MAFISA officially started its post-pilot lending phase in 2009. MAFISA is regarded as by far the most significant institutional lender to farmers towards the smaller end of the spectrum (de Klerk *et al*. 2013; Business Enterprise at University of Pretoria 2016a), which is not to say that its reach has been great. The initial capitalisation of MAFISA was in principal R1 billion, spread out over four years, and it has never been recapitalised; in fact, it would appear that much of this money was never used, and/or some was used in ways that had little to do with MAFISA.[5]

The basic model is that the agriculture department manages the scheme through intermediaries, most of which are retail finance institutions. Initially there were 10 intermediaries, whereas now there are only five.[6] DAFF charges 7% on the capital, and in principle the intermediaries charge 8%, though de Klerk *et al*. suggest that it is unclear whether the on-lending rate is actually only 8%. During the pilot phase, the loan ceiling was R100 000, which in the post-pilot phase was raised to R500 000. Loans are unsecured, although the policy makes provision for requiring collateral from applicants with blemished credit histories. It is unclear exactly how many farmers have received ‘MAFISA loans’[7]; one recent DAFF report puts the number at 26 144 from 2009/10 through 2018/19 (DAFF 2019a), but it is not actually clear whether these are distinct farmers, or distinct loans; according to one former DAFF official, many MAFISA borrowers are repeat customers, which would be understandable. But also, according to a GTAC-commissioned analysis, there have been stark discrepancies depending on one’s source in key statistics such as numbers of borrowers.[8] A DPME-commissioned evaluation found that in general MAFISA loans have helped recipient farmers, and that, ‘A total of 16 080 job opportunities were created by 2 448 MAFISA loans; larger loan sizes and labour intensive farming activities positively influence the numbers of jobs created’ (Business Enterprise at University of Pretoria 2016a: v).

It is impossible to say to what extent MAFISA-based lending has been directed to land reform beneficiaries. Of the 12 case studies reported by Business Enterprise at University of Pretoria (2016a) in their evaluation of MAFISA, three were of land redistribution projects that had benefitted from MAFISA, and perhaps not coincidentally also from the RADP. The current status of MAFISA is that it still has outstanding loans through its intermediaries, but has no capital left with which to

---

[5] See CER 2014, especially Table 7 on page 26, which shows that, between 2008 and 2013, R537 million was transferred out of MAFISA’s accounts (which are held by the Land Bank) to entities that are not recognised intermediaries associated with the scheme, including R337 million to the Agricultural Research Council. DAFF (2019) reports that total loan disbursements to date (though excluding the pilot phase, which was capitalised with R150 million) have amounted to R407 million, and loans recovered to R254 million.

[6] An example of an intermediary that is not actually a retail finance institution is NERPO, which in a sense has *become* a retail finance institution, but that is not their original or core identity.

[7] ‘MAFISA loans’ is a misnomer in the sense that DAFF deliberately avoids branding these loans as such, lest borrowers perceive them to be government money which they do not need to repay.

[8] ‘According to the ENE expenditure figures, 24 804 MAFISA loans were issued between 2006/07 and 2011/12. However, information collected directly from the MAFISA financial intermediaries at the end of 2013 indicates that only about 4 208 MAFISA loans have been issued since the scheme’s inception. This is almost six times less than the figure reported in the ENE documents. According to DAFF officials the difference is due to an error in reporting: the higher numbers in the ENE documents are based on the number of drawdowns against loans issued and not on the actual number of individual loans issued.’ (CER 2014: 8) Similarly, a DPME-commissioned evaluation reported that ‘MAFISA’s loan book shows that 3 638 loans totalling R314 million were disbursed between January 2009 and December 2013’ (Business Enterprise at University of Pretoria 2016: 12), which does not accord even remotely with the figures reported by DAFF (DAFF 2019a). If the DPME study’s figures are/were correct, that would imply a still-modest average loan size of about R86 300.

extend new loans (Portfolio Committee for Agriculture, Land Reform and Rural Development 2019),[9] or at least not that which would in principle be possible with collections from the current loan book. Some reports however suggest that MAFISA no longer operates at all ('Stakeholders confirmed that the MAFISA programme was cancelled in 2013 due to irregularities in how the funds were being allocated, among other reasons'; Mtombeni *et al*. 2019: 17), contributing to some confusion.

2.2.2 Microfinance institutions (non-governmental)

'Micro-finance' can generally be divided between the private, market-driven 'cash loan' sector, and institutions that seek to deliver micro-finance as a means of boosting the SMME sector. The former is arguably of little or no relevance to this discussion, given that such lenders principally make high-interest, short-term loans to people who can produce payslips. It is widely acknowledged that these loans are mainly consumption-oriented, which does not preclude the possibility that some households may rely on cash loans as a source of finance for investing in enterprises, including agricultural enterprises.

The extent of developmental micro-finance to agricultural is also difficult to discern, but at least in principle, it is more beneficent. One of the longest-running and successful micro-finance institutions in South Africa is the Small Enterprise Foundation, whose loans are oriented to supporting rural SMMEs. As of November 2019 the SEF had outstanding loans totalling R818 million to 224 000 clients (SEF 2020), for an average loan size of around R4000. The lending model is mainly Grameen-style lending via groups, in which 'social solidarity' substitutes for the need for conventional forms of collateral. The SEF reports a bad debt rate of 0.2% (SEF 2020). It has a total staff of 900, of whom 730 are operational staff. The time-intensive, group-based lending approach presumably accounts for the low default rate. Most of the loans are for periods of 4 to 6 months, meaning that they are not geared particularly to the needs of farmers, though they do appear to have farmers among their clients.

An interesting contrast is Lulalend, a recent for-profit start-up which is also oriented to funding South African micro-entrepreneurs, but which uses a streamlined, online application process to keep operational costs low. The norm is loans of 6 to 12 months, at an annualised interest rate of about 34%. While collateral is not required, the applicants are required to submit bank statements as evidence of recent earnings and repayment ability. The virtue of Lulalend's approach is that it dispenses with the need for a branch network and large numbers of loan officers or community mobilisers; the question is whether one can dispense with these in order to reach farmers.

2.2.3 The Land Bank

Since 1994 the Land and Agricultural Development Bank of South Africa has experimented with various approaches and products aimed at financing 'emerging farmers'. During the late SLAG and early LRAD era, the Land Bank extended medium-term and short-term loans to land redistribution beneficiaries for machinery and inputs, but seemingly repayment was generally problematic (de Klerk *et al*. 2013).[10] Part of the problem apparently was that the Land Bank was not reorganised in

[9] 'Members were not pleased with MAFISA and said the funds should remain depleted as there is no certainty that it has been able to make any impact. For a start, the Department has no capacity to monitor these funds and the programme has not delivered the promised outcomes' (Portfolio Committee for Agriculture, Land Reform and Rural Development 2019a).

[10] The scale of this lending is difficult to discern. According to a 2018 presentation by the Land Bank's CEO, 'There is no reliable data available in the Bank to show clearly how much was disbursed to the Emerging sector during the period 1996 to 2011' (Nchocho 2018: 6).

any particular way to facilitate its catering to this new clientele, which seems to be why, in 2012, the Bank introduced the 'Retail Emerging Markets' (REM) unit with the idea of bringing a more careful focus on its transformation responsibilities. REM[11] operates according to two modalities: it provides for direct lending as well as wholesaling to intermediaries through the Wholesale Finance Facilities (WFF) window, which functions in a similar manner to MAFSIA. Where 'emerging farmers' are concerned, WFF-based lending far exceeds direct lending, however both have grown significantly since 2012.[12] WFF-based loans are heavily subsidised, thanks initially to a R150 million infusion from DAFF, of which R50 million was subtracted from MAFISA's capital. Altogether, over the past 5 years, the Bank has spent about R300 million on subsidies to smallholders and emerging farmers, enabling the Bank to charge prime rate less 2%, rather than the prime rate plus 6% to 8% that would have been chargeable given its cost of capital and perceived risk (personal communication, Land Bank).

Table 2: Land Bank disbursements via its Retail Emerging Markets unit (millions of Rand)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Gross Loans	101.7	247.5	391.2	489.2	504.8	964.0	967.2
- Wholesale Funding (WFF)	98.8	238.9	380.7	466.6	478.7	933.6	924.0
- Direct Lending	2.8	8.6	10.5	22.6	26.1	30.4	43.2

Source: Nchocho 2018: 7

However, lending via REM constitutes only a portion of what the Land Bank regards as 'developmental'. For 2018, for example, the total disbursements categorised by the Land Bank as 'transformational/developmental' was R5.3 billion (versus R38.7 billion disbursements regarded as 'commercial') (Nchocho 2018: 9), which is more than 5 times as much as disbursed in that year via REM. This other R4 billion of disbursements apparently funds about 20 empowerment transactions that involve shareholding in agri-businesses, for example a large farm worker share equity scheme in Citrusdal. It almost certainly has little to do with SFs & SSBCFs.

For the Land Bank as a whole, about half of outstanding debt is long-term (5 years and more), generally meaning the Bank's standard 25-year mortgage lending; another 15% is medium-term loans (1 to 5 years), suitable for instance for equipment, machinery, and breeding stock; and the remaining one third is short-term (1 year and less) lending for operational expenses, much of it in the form of revolving credit (Land Bank 2019: 143). While it is not clear from the data whether the maturity profile of the loan book for black farmers is similar, it appears that at least as large a proportion of the black loan book is in the form of mortgage debt. In general collateral has been required for Land Bank loans, with land obviously serving as collateral for longer-term loans, and for shorter loans either off-take agreements or the livestock or equipment being purchased through the loan. In general, short-term production loans have been problematic owing to the Land Bank's 'cumbersome' processes (personal communication, Land Bank). Documents required include a business plan and, where relevant to the purpose of the loan, proof of water rights.

---

[11] It should be noted that the REM unit as such no longer exists: 'During FY 2018 the Bank undertook an organisational review in which the previously reported segment "Business & Corporate Banking" was rebranded to "Corporate Banking", while the previously reported "Retail Commercial Banking" and "Retail Emerging Markets" were rolled up into a new segment "Commercial Development Banking' (Land Bank 2019: 141).

[12] About half of the Land Bank's commercial loan book goes by way of intermediaries, of which there are 11 (Mtombeni *et al*. 2019). It is a subset of these same intermediaries who serve emerging farmers through the WFF.

Recently, the Land Bank has sought to align its strategy to government's farmer categories as per the draft Comprehensive Producer Development Support Policy,[13] using the GHS and other sources to estimate the size of its various target markets. The segments very roughly corresponding to SFs and SSBCFs are 'market-oriented smallholder farmers' and 'medium farmers', respectively, where the former are defined as those producing 'as an additional source of income', and who number approximately 150 000 (Land Bank 2019: 29). As for the medium farmers, the detail is absent from the available public documentation, but presumably these are black farmers who produce as a main source of income, of whom according to the GHS there are about 40 000. However, the Land Bank has not yet begun to differentiate its loan book according to these categories, thus is it not able to report how many clients it has of different types, their average loan size, etc. (personal communication, Land Bank). According to a 2015 report, 'It is estimated that about one third of the [Land] bank's clients, or 7000 clients, are previously disadvantaged farmers with total loans of R876 million (2012)' (DAFF 2015: 23), but it is unclear how many of these 7000 could be categorised as SFs or SSBCFs. As of the end of 2019, it appears that the Bank had about 1700 medium and small-scale black farmer clients through its direct lending, with outstanding loans of about R1.5 billion, implying an average (outstanding) loan size of R880 000; as well as about 800 black 'smallholders' through WFF-based lending, which would work out to an average loan per smallholder of over R1.1 million (personal communication, Land Bank). So very roughly, there appear to be approximately 2500 SFs or SSBCFs with Land Bank loans.

In any case, the Land Bank acknowledges that reaching smallholders in particular is still a work-in-progress. According to its recent annual report, in fiscal year 2020 the Land Bank will seek to 'support the development of the agricultural sector by providing R3.0 billion in financing to develop smallholder farmers' – which would seemingly be an enormous leap from where it was in 2018/19, given that total REM disbursements in 2018 were less than R1 billion – while acknowledging that this will require steep learning: 'During FY2020 the Bank will continue its operations based on the existing funding model; the emphasis will be on establishing pilot projects to test our ability to provide sustainable funding to smallholder farmers' (Land Bank 2019: 49).[14] It is difficult to know what to make of this; the acknowledgement of the need to learn is laudable, but how does one treble current disbursement levels through pilots within such a short period of time? Either the Land Bank is being grossly unrealistic, or there is a lot they are not divulging about their current footprint and evolving strategy.

2.2.4 Commercial banks

It is well known that South Africa's commercial banks lack enthusiasm to lend to the smaller end of the farmer spectrum, even while they do try to support 'transformation' of agriculture through financing selected black commercial farmers and empowerment projects. The key considerations are risk and transactions costs (personal communication, ABSA); unlike MAFISA and the Land Bank, the

[13] 'During FY2019 we updated our client segmentation to align more closely with the DALRRD criteria in the draft Policy on Comprehensive Producer Development Support and the Amended AgriBEE code. We considered our transformation ambitions for each client segment as transformation occurs at all levels in the value chain and our financial solutions should support farmers across the segments.' (Land Bank 2019: 28)

[14] The Land Bank's own examples of how the Land Bank supports smallholders may or may not be indicative:

> The Bank supports smallholder farmers to expand operations through transactions. For example, in the Eastern Cape a legal entity with a sole director and shareholder, a Black individual, has been assisted with a loan of R4.2 million to purchase a farm in Kei Road. The client has been farming on communal land with cattle and sheep and is expanding his farming venture to be more sustainable. It has also resulted in the creation of five new job opportunities. (Land Bank 2018: 40)

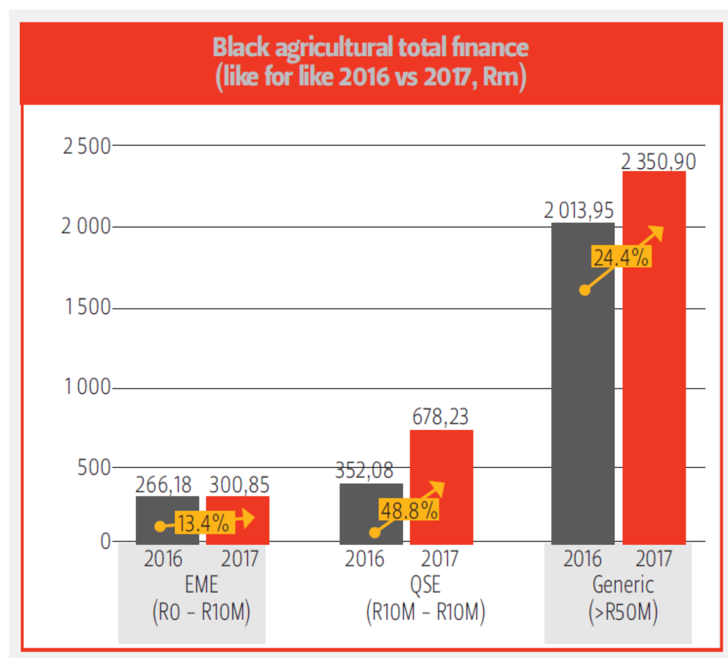
commercial banks have not endeavoured to get into wholesaling to retailers, which appears to be the only viable strategy for reaching reasonable numbers of smaller farmers.

A concise overview of the banks' exposure to 'black agriculture' is provided by the annual transformation report produced by the Banking Association of South Africa (BASA). According to the 2019 report,

> Spending on financing black farmers increased across all three size categories including exempted micro enterprises (EMSs), qualifying small enterprises (QSEs) and generic enterprises. Growth was particularly substantial in the middle tier, which includes farming businesses with annual revenue of R10m to R50m. Only the four large banks reported funding figures in this category. (BASA 2019: 24)

The chart below illustrates a dramatic change between 2016 and 2017 in terms of new loan disbursements, but for our purposes what is especially revealing is the segmentation, whereby clearly the banks greatly favour larger black farmers (and presumably majority black-owned enterprises). As usual, there is no indication of the numbers of clients associated with these different categories; moreover, it is notable that the relatively little-funded exempted micro-enterprise (EME) category has an upper cut-off of R10 million in annual turnover, leading one to wonder whether *any* of these borrowers would quality as SFs or even SSBCFs.

Figure 1: Commercial bank lending to 'black agriculture' in 2016 and 2017



Source: BASA 2019: 24

To a limited extent the above-mentioned lending by commercial banks is facilitated by the Land Reform Empowerment Facility (LREF). The LREF was established in 2000 by the then Department of Land Affairs. The idea was to make it easier for commercially-oriented land reform applicants to take advantage of commercial finance by enabling them to defer repayment. Initially, the Facility was administered by Khula Enterprise Finance Ltd, which was later incorporated into the Small Enterprise Finance Agency, a subsidiary of the Industrial Development Corporation. The Facility in effect wholesales finance to banks which they in turn on-lend to black farmers, whether for land acquisition, machinery and infrastructure, or equity acquisition. 'From financial year 1999/2000 to March 2018, sefa (through LREF) has approved facilities to the value of R657 million to financial

intermediaries and disbursed R457 million to 434 previously disadvantaged farming enterprises' (SEFA 2018: 39), implying an average loan size of R1 million. In other words, as it stands, the LREF has relevance to the project of broadening access to finance among SFs and SSBCFs, but seemingly it is limited.

2.3 Grant finance and in-kind project-based support

There are several sources of grant finance to black farmers, including land reform beneficiaries. Government is by far the largest source of grant funding, but even here, there are numerous channels. Corporate social investment and other philanthropic enterprises are other sources, however, despite the large number of different initiatives, it is unclear what the overall magnitude of this support is, especially in terms of grant finance.

As mentioned above, there is sometimes a fine line between grant funding and 'in-kind project-based support' – which is why we treat them together in this section – and in fact these types of support are sometimes inter-related.

2.3.1 Comprehensive Agricultural Support Programme (CASP)

The Comprehensive Agricultural Support Programme (CASP) was launched in 2004 with the main objective to support land reform beneficiaries with on-farm infrastructure, while also providing for other functions such as training and marketing support. The fact that CASP emanated from the National Department of Agriculture rather than the Department of Land Affairs – which would have facilitated project-level planning – probably reflected institutional politics at the time.[15]

Using project-level data from 2009/10, it has been shown that the manner in which CASP was distributed meant than the benefits were distributed highly unequally:

> *Allocation of CASP funds is highly skewed to a small proportion of beneficiaries. Analysis of the national data shows that, among the 322 projects funded in 2009 for which beneficiary data is available, 79.8% of CASP expenditure goes to 20% of the beneficiaries, or worse, 50.7% goes to 2.6% of the beneficiaries. Given that those receiving CASP support in 2009, account for less than one percent of small-scale farmers, this suggests that the lion's share of state funding for small-scale farmers goes to fewer than 0.02% of them. (Hall and Aliber 2010: 12)*

Interviews with provincial officials at the time suggested that the reason was that implementers feared under-spending, which was best avoided by spending large amounts on a few projects. Whether this pattern is still evident is unclear. However, this might also explain why the numbers of farmers benefitting seems to have changed little despite the ever-increasing budget.

In 2013, DPME commissioned an impact evaluation of CASP, which involved extensive fieldwork and determined, among other things, that CASP was successful in increasing agricultural production and

[15] Hans Binswanger ruefully referred to this awkward arrangement as the 'original sin' of South Africa's land reform programme. It was seemingly in part to compensate for this situation that DRDLR later introduced the Recapitalisation and Development Programme (RADP). Ironically, policy-makers later decided to relocate the RADP to DAFF on the grounds that farmer support was not DRDLR's responsibility; this decision, however, was reversed before being implemented.

incomes, but made 'insufficient progress … in promoting commercialisation, market access, employment and achieving food security' (Business Enterprise at University of Pretoria 2016b: v). It also found that CASP has the habit of creating dependency, and averred that the implementation of CASP tended to be 'expenditure-driven'. Among the recommendations were the following:

- The current CASP funding approach of a wholesale grant should be discontinued as it (a) encourages dependency and, thus, works against the objective of achieving sustainability; and (b) promotes an entitlement mentality and limited commitment on the part of beneficiaries.
- The scope and coverage of CASP should be reduced to increase its effectiveness. CASP support should focus on the viability of the projects instead of the number of people assisted.
- DAFF and provincial departments of agriculture should increase their efforts to promote market access. This should involve provision of support to components of the agricultural value chain beyond production (e.g. agro-processing) and collaboration/partnerships with the private sector. (Business Enterprise at University of Pretoria 2016b: ix)

The first of these recommendations anticipates a decision that was subsequently taken in favour of 'blended finance', which will be discussed below. The second recommendation would seem to contradict the conclusions of Hall and Aliber (2010), who expressed concern that too few farmers benefitted from CASP. From elsewhere in the evaluation report, it is clear that the authors faulted CASP for not doing more to promote beneficiaries' access to *formal* markets, reflecting a common predilection that generally does not receive the careful scrutiny that it deserves.

The table below gives a sense of the trajectory of CASP over time, though it is important to note that the allocation and expenditure figures are not adjusted for inflation, so in truth real expenditure has increased by 600% between 2004/05 and 2018/19, rather than the 1400% that it might appear; obviously still a very substantial increase. What must also be noted is that in recent years about one third of total CASP expenditure is not directed to farmers, but rather goes to items such as disaster relief and prevention, the Extension Recovery Programme, and the rehabilitation of agricultural colleges.

Table 3: CASP indicators 2004/05 to 2018/19

Year	CASP Allocation (R million)	Expenditure (R million)	% Spending	Number of projects	Beneficiaries
2004/2005	200	123	62	510	46 500
2005/2006	250	157	63	1 070	53 200
2006/2007	300	252	84	870	67 400
2007/2008	415	333	80	786	60 300
2008/2009	535	402	75	703	31 039
2009/2010	715	693	97	888	26 266
2010/2011	862	854	99	1 271	27 972
2011/2012	1 029	984	94	814	36 504
2012/2013	1 534	1 260	81	536	59 286
2013/2014	1 600	1 600	100	753	65 075
2014/2015	1 861	1 394	98	804	113 257
2015/2016	1 651	1 630	99.7	1 547	42 869
2016/2017	1 641	1 572	95.4	400	25 958
2017/2018	1 645	1 446	88	468	22 906
2018/2019	1 751	1 893	90.9		

TOTAL	14 238	12 700	86.8	11 420	678 532

Source: DAFF 2019b: 12

And as for the apparently robust numbers of beneficiaries year after year, the vast majority are beneficiaries of short-term training courses, whereas the numbers of small-scale farmers receiving direct support for, say, infrastructure, is relatively small. The CASP targets for 2019/20, for instance, are as follows (DAFF 2019b: 29):

- Subsistence farmers supported – 1433
- Smallholder farmers supported – 6111
- Commercial farmers supported – 154
- Projects supported – 437
- Farmers trained – 26 806.

2.3.2 Ilima/Letsema

As with CASP, Ilima/Letsema is a conditional grant from the national agriculture department to the provincial agriculture departments. The main aim of Ilima/Letsema is to 'reduce poverty through increased food production initiatives' (DAFF 2019b: 23). Historically, provincial agriculture departments used the Ilima/Letsema grant money to provide free inputs to farmers (presumably this support is part of what is counted as 'Inputs for free' in Table 1 above), meaning government procured these inputs (e.g. seedlings, seed, etc.) and distributed them to households/farmers, especially those who are relatively poor/small-scale. The table below conveys an idea of the trajectory of Ilima/Letsema since its inception.

Table 4: Ilima/Letsema indicators, 2008/09 to 2018/19

Year	Allocation (R'000)	Expenditure		Beneficiaries
		R'000	%	
2008/09	171 000	147 000	86	411
2009/10	50 000	67 000	134	12 967
2010/11	200 000	191 000	99.5	75 207
2011/12	400 000	396 000	99	109 197
2012/13	415 000	400 000	96.4	162 985
2013/14	438 000	424 000	93.4	147 990
2014/15	460 000	484 084	99.3	191 396
2015/16	470 768	464 269	99.5	173 019
2016/17	491 363	481 435	98	170 776
2017/18	522 139	487 543	93.3	186 243
2018/19	552 423	524 939	91.1	
TOTAL	4 170 693	4 067 270	96.8	

Source: DAFF 2019b: 12

In practice, much of this support appears to have been channelled not to individuals, but via group-based projects. 'Group-based projects' are an amorphous, unofficial, yet omnipresent phenomenon that characterises the way in which the South African government tends to support small-scale farmers, epitomised by – but not limited to – Ilima/Letsema. Beyond Ilima/Letsema, the penchant for group-based projects is reflected for example in the manner in which land redistribution was effected during its first five years, and the way in which the co-operatives policy of 2004 has been

implemented in agriculture, whereby the vast majority of primary co-ops consist of group-based production co-ops.

The main purpose of grouping farmers together into projects appears to be to facilitate the job of extension officers of interacting with farmers, especially insofar as an important aspect of extension officers' role is to mete out free inputs. The irony is that neither farmers nor extension officers appear to like group-based projects; extension officers are well aware of the hazards of 'group dynamics', while farmers mainly join group-based projects because they perceive – more or less accurately – such membership to be a pre-condition for receiving government support, even while they would prefer to farm as individuals (Aliber *et al*. 2017). Ilima-Letsema appears to be an extreme case of the penchant for group-based projects, in that it eventually melded with what was initially the separate initiative called Fetsa Tlala.

Fetsa Tlala is effectively government's national cropping programme, bearing a close resemblance to programmes that had been implemented earlier in the Eastern Cape, such as the Massive Food Programme. Briefly, Fetsa Tlala involves extension officers identifying communities in which residents are able to pool 30 or more contiguous hectares that can be fenced and planted, generally to Roundup-Ready yellow maize. Government provides inputs and hires contractors to undertake land preparation, planting and spraying. In some provinces, the model is tweaked, in that beneficiaries are expected to make a financial or in-kind contribution. While from its launch in 2013, Fetsa Tlala has always aspired to achieve a planting of one million hectares – mostly in under-utilised communal areas, but also on under-performing land reform projects – it has been stuck at roughly 100 000 hectares per year, though it is difficult to say how credible government's figures are. One area of uncertainty is how significant Fetsa Tlala is relative to what small-scale farmers grow independently of government support. According to recent reports of the Crop Estimates Committee, 'non-commercial' maize production amounts to about 300 000 to 400 000 hectares per year, of which two thirds or more is white maize. In Eastern Cape, which accounts for about 40% or more of the 'non-commercial' maize production captured by the Crop Estimates Committee, Fetsa Tlala rarely accounts for more than 20% to 30% of hectares planted or maize produced. Depending on the source, somewhere between two thirds and 100% of the Ilima/Letsema budget is devoted to Fetsa Tlala, meaning roughly R400 million to R600 annually.[16] The question is why government seeks to support small-scale farmers in this manner, rather than attempting to build upon what appears to be a more significant, unsupported crop production culture. It is difficult to avoid the conclusion that Fetsa Tlala is a political programme, meaning that more or less the same can be said for Ilima/Letsema.[17]

The point of drawing attention to how the Ilima/Letsema grant is spent, is to illustrate that financing small-scale farmers is not just about the sums of money and numbers of farmers involved, but the specific mechanisms through which the former meet the latter. Put simply, government-led group-based production projects arguably have little in common with true small-scale farming production systems, yet they absorb a large share of the budget meant to support small-scale farmers. Apart from this characteristic group-based aspect, the other notable feature of the Fetsa Tlala-type approach is the manner in which it depends on government's annual fiscal cycle and its supply chain

---

[16] From time to time Ilima/Letsema is used to fund other initiatives, some of which are short-lived. For instance, 'In 2019/20, the department [DAFF] plans to finalise a register of farmers and agriculture statistics at a projected cost of R51 million. The project, which is conducted in collaboration with Statistics South Africa, is aimed at improving the accuracy of agricultural statistics, including information on smallholder farmers across South Africa.' (National Treasury 2019: 494)

[17] These reflections are not meant to constitute an evaluation of Fetsa Tlala. Unfortunately, very little seems to have been written about this phenomenon beyond isolated case studies of Fetsa Tlala (e.g. Njara 2008; NFA and ARDRI 2015) and its predecessors (Jacobson 2013; Mtero 2012; Madyibi 2013).

management practices, which raise issues of timeliness (i.e. inputs are often late due to challenges with SCM), and choice (e.g. the decisions of what and how to produce are made almost exclusively by government, a fact that has been fiercely criticised by the African Centre for Biodiversity (2018)). Although CASP and Ilima/Letsema grants make up a modest share of provincial agriculture departments' overall budgets, it would seem that they account for a large share of what these departments spend on behalf of farmers in the form of production inputs and equipment. For instance, for FY 2018/19, the Eastern Cape's agriculture department expected to receive R347 million from conditional grants, but R1.98 billion through the equitable share allocation. The 'project' components of these conditional grants include R165 million from CASP and R63 million from Ilima/Letsema, making a total of R228 million.[18] These funds are destined for the department's 'Programme 3: Farmer Support and Development', which is responsible for 'farmer settlement,' 'extension and advisory services,' and 'food security'. Production inputs and associated costs are covered by Programme 3's budget line for goods and services, which for the year comes to R197 million, more or less matching the project budgets from CASP and Ilima/Letsema. For all of this, the department pledged that 3326 smallholders would receive support, and 1600 smallholders will receive agricultural advice (Eastern Cape Provincial Treasury 2018).

The table below summarises combined national delivery targets for Fetsa Tlala, Ilima/Letsema and CASP, showing both numbers of farmers and households targeted, among other things. Assuming these numbers were actually achieved, and bearing in mind the incidence estimates in Table 1, it suggests that less than half of the 40 000 farmers reached through these programmes in 2018/19 were in fact SFs or SSBCFs, whereas the rest would seem to have been subsistence producers. On the other hand, the discrepancy between the numbers in this table, and those for Ilima/Letsema in Table 4, lead one to wonder about the accuracy of the numbers.

Table 5: Targets relating to Fetsa Tlala, Ilima/Letsema and CASP for 2018/19

Province	Annual target hectares	Annual target farmers	Annual target households	Jobs from Ilima/Letsema	Jobs from CASP
Eastern Cape	63 537.0	5 451	10 000	1 027	1 738
Free State	2 453.0	12 800	12 520	603	210
Gauteng	5 511.0	201	14 000	63	32
KwaZulu-Natal	10 134.0	9 358	13 587	2 600	3 353
Limpopo	7 789.0	7 972	71	13 954	1 441
Mpumalanga	3 742.0	2 490	2 500	1 050	909
Northern Cape	1 307.6	173	0	576	424
North West	12 333.0	745	2 400	1 535	1 034
Western Cape	2 500.0	1 078	864	320	324
Total	109 306.6	40 268	55 942	21 728	9 465

Source: DAFF 2019b: 14

2.3.3 The Recapitalisation and Development Programme (RADP)

The other significant grant-based support which at least in principle might have been directed at SFs & SSBCFs, was the Recapitalisation and Development Programme (RADP). The RADP was created in 2009/10 mainly to support land reform projects, and in practice, among land reform beneficiaries,

[18] Most of the rest of the conditional grant money was earmarked for infrastructure upgrades at the agricultural training institutes and for the Extension Recovery Programme.

mainly more recent redistribution projects. For this reason, the extent to which the RADP truly reached SFs & SSBCFs can be debated, given the trajectory of the redistribution programme since around 2006 (Kepe and Hall 2016) and the extent of elite capture specifically associated with the RADP (Hall and Kepe 2017). At present the RADP is on hold due to 'challenges of accounting expenditure' (personal communication, DRDLR).

The salient point about the RADP is that it was meant to assist struggling of collapsed land reform projects through a mix of material support and technical assistance, where the latter was to be provided by either a mentor or strategic partner. Much of the concern about the RADP relates in particular to the roles of mentors and strategic partners, ranging from the relatively mild constraint that they are sometimes superfluous because many beneficiaries are both trustworthy and skilled (Business Enterprise at University of Pretoria 2016c; Maka and Aliber 2019), to the charge that strategic partners in particular are predatory and exploitative (Hall and Kepe 2017). One challenge in making sense of the RADP is to determine to what extent its apparent failings are fundamental to its model, or rather reflective of the 'governance climate' in which it was being implemented.

Table 6: RADP Statistics, 2009 - March 2014

Province	Projects	Partner-ships	Mentors	Strategic Partners	Hectares	Benefi-ciaries	Farmers Trained	Expendi-ture (mn)
EC	188	85	44	41	111 591	3 385	125	R427
FS	182	100	34	44	134 587	1 340	67	R386
GP	115	31	20	11	19 916	524	0	R203
KZN	212	103	38	66	131 619	8 118	493	R508
LP	196	58	61	6	79 143	3 319	197	R339
MP	206	74	55	33	165 726	5 778	215	R515
NC	81	51	28	22	464 914	740	109	R201
NW	215	94	13	80	225 571	2 158	69	R425
WC	64	16	5	11	47 714	2 764	614	R134
Total	1 459	612	298	314	1 380 781	28 126	1 889	R3 318

Source: adapted from DRDLR 2015

DPME commissioned a mid-term evaluation of the RADP (also known as 'Recap') that covered the period 2010 to 2012 and involved fieldwork at 98 RADP-support land reform projects (Business Enterprise at University of Pretoria 2016c). This evaluation was decidedly less harsh than Hall and Kepe (2017), whether owing to the fact that they were examining the RADP in its very early stages, were employing a different methodology, or were asking a different, possibly narrower, set of questions. The one piece of common ground was concern about beneficiary selection:

> *In terms of whether RECAP is assisting deserving beneficiaries, it can be stated that the lack of clarity on the selection criteria for beneficiaries/projects has resulted in the inclusion of beneficiaries/farms that did not really need to be assisted. There were instances where it was difficult to understand how some farms came to be included in RECAP because the owners were financially strong and could afford to provide their own funds. (Business Enterprise at University of Pretoria 2016c: 7)*

As for the efficacy of the RADP, the evaluation was generally supportive, in that participation in the programme did provide needed material support and advice, and resulted in increased production

and market access, while acknowledging beneficiaries' challenges with some mentors and strategic partners. A particular concern was also raised regarding value-for-money:

> *On average for the six provinces included in the study, R3.5 million is spent per project (however, only 70% of the RECAP projects were productive at the time of the evaluation, with a few of these projects being sustainable as yet), R520,000 is spent per beneficiary or R645,000 is spent to create one job. (Business Enterprise at University of Pretoria 2016c: 7)*

Partly in line with this point, a key conclusion of the evaluation was that 100% grant funding was inappropriate, rather post-settlement production support for commercially-oriented land reform beneficiaries should be partially or fully premised on lending, perhaps at subsidised interest rates.

One nuance regarding the RADP that has been little commented upon in the published literature is the bureaucratic aspects of how the money meant for, say, equipment purchases or on-farm infrastructure development, was spent. The programme tried different approaches. To summarise, based on a concern that beneficiaries might misspend the money (of which many instances have been noted), DRDLR took different types of precautions. Initially, such expenditures were effected through the Department's SCM units, which proved to be both slow and expensive. Why expensive? Because frequently the 'winners' of such tenders were middlemen who charged twice the price at which the same equipment could have been purchased directly from the normal supplier (personal communication, DRDLR). The approach was then changed whereby the beneficiary was required to have a special bank account, from which any expenditure required the co-signature of the mentor/partner, later changed to an authorised accountant, on the grounds that frictions between beneficiaries and mentors/partners were not uncommon. When this alternative approach also proved problematic, the Department shifted back to the SCM approach. This illustrates in a different way that financing small-scale farmers is not only about the budgets availed and numbers of farmers reached, but the nitty gritty of the 'delivery system', which sometimes allows for such support to arrive late, and/or be grossly over-priced (meaning that the expenditure figures are difficult to interpret), or for that matter badly corrupted.

2.3.4 Commodity Trusts

South Africa has 11 agricultural industry trusts oriented to specific commodities or commodity clusters. The trusts were mostly established during the market deregulation process of the 1990s, and are financed by a combination of statutory levies, voluntary contributions, and returns on capital. Their mandates cover consumer education, quality control, research and development (including breeding), and 'transformation'. The trusts are monitored by the National Agricultural Marketing Council (NAMC), according to which they are meant to devote 20% of their annual expenditure on transformation. Sources vary as to the total amount of money spent by the trusts on transformation, but according to the NAMC, the value for 2018 was R61 million (NAMC 2019). On the basis of this sum alone, one can surmise that they are not big players, e.g. relative to CASP, Ilima/Letsema, etc., and bearing in mind that the annual price tag of government extension is approximately R5 billion.

Given the diversity of the trusts and their activities, it is not easy to get a clear, overall sense of how they spend their transformation money, but the main categories would appear to be bursaries for tertiary education, training of farmers or service providers, and farmer support, which presumably includes in-kind funding, of which some appears to relate to group projects and some to individual farmers. To give some idea of the scale of this, in 2017/18, the Maize Trust supported 17 black

farmers, for whom the average hectarage was 187. Also in 2017/18, the Oil and Protein Seeds Development Trust supported four farmers, who ranged from 40 to 520 hectares in size, as well as 11 sunflower farmers, who ranged in size from 40 to 380 hectares planted. Meanwhile, the Potato Industry Development Trust supported 21 medium-scale farmers and 15 'communities' in terms of 'food security projects' (NAMC 2019). Generally speaking, the expenditure per farmer appears to be substantial, however there appear to be few farmers supported, especially what we would regard as smallholder farmers.

2.3.5 Civil society interventions

'Civil society' is understood here to include diverse types of institutions such as community-based organisations, educational institutions, the private sector (e.g. through corporate social investment), and international donor partners. It is very difficult to get a concrete sense of any one of these groupings, never mind all of them together, especially given the inter-relationships (e.g. corporate social investment supporting agriculture through CBOs).

According to the 2019 survey by Trialogue, total CSI in 2018/19 was R10.2 billion, of which 9% was spent on 'food security and agriculture'; this would amount to a very impressive R918 million. However, it is difficult to know how much of this is 'pure' CSI, given that these aggregates include at least some agriculture-related expenditures from the Land Bank, the Industrial Development Corporation, and the National Development Agency (of which most is on co-ops). According to the survey, 43% goes to 'food relief/feeding schemes', 28% to 'survivalist farming', 18% to 'small-scale farming/commercial agriculture', 10% to 'infrastructure, facilities and equipment', and 1% for 'other'. Taking the 18% going to 'small-scale farming/commercial agriculture' as that which is used to support SFs & SSBCFs, this would work out to about R165 million for 2018/19. How much of this would be in the form of financing or in-kind material support is difficult to guess; still harder to guess is how many SFs & SSBCFs would have benefited. But as a pure conjecture, if one were to assume that the average beneficiary of this support received support to the value of R50 000, it would imply 3300 farmers.

It is difficult to know the extent to which these numbers understate the role of CSI (e.g. because Trialogue's survey of 71 corporates was necessarily incomplete, and in particular did not capture some of South Africa's bigger agri-businesses), or overstate that role (e.g. because some of these 'corporates' are not truly private sector entities). What the figures do conspicuously omit is Grain SA's Farmer Development Programme, which channels resources *inter alia* from the Jobs Fund and some government departments, towards the development of small- and not-so-small grain farmers. Neither does it include 'GFADA' (Grain Farmer Development Association), which involves a partnership between Grain SA and various agribusinesses, and which covers the costs of mentoring, as well as crop insurance and soil correction. It is difficult to get a clear sense of the additional expenditure on farmer support due to these programmes, not least because much of the money can be traced back either to the industry trusts or government, but also because sources suggest a great deal of variation over time due to fluctuations in resources; but it is probably in the order of a net addition of R40 million to R80 million per year, benefiting 10 000 to 15 000 farmers of different scales.

3 Recent policy developments regarding farmer financing and support

Before proceeding to reflect further on the strengths and weaknesses of these programmes, it is worthwhile pausing to consider emerging policy developments regarding the financing of small-scale

farmers, not least because these may well have implications for how these programmes evolve in the near future. This discussion has been postponed to this point in hopes that it will make more sense in light of the preceding description/discussion of existing (or recent) programmes.

The main point is that, going back roughly 6 to 8 years, there has been growing momentum in favour of reducing grant funding relative to loan financing, or more precisely in favour of a better and more coordinated balance between the two sometimes referred to as 'blended finance'. When and why exactly the impetus for this shift began is unclear, but if nothing else it was strengthened by the evaluations of CASP and the RADP referred to above. At root are two main issues: relative to loan finance and blended finance, dependence on exclusively grant finance is inefficient in that it does not leverage additional sources of capital (i.e. debt), including from the private sector; and it creates 'dependency'. The argument in favour of blended finance is fairly obvious and in fact not at all new in policy circles – dependence on loans at market rates have always been seen in South Africa and elsewhere as impediments to the development of resource-poor farmers. However, the suggestion is that below-market interest rates are not enough, recalling that through MAFISA and the Land Bank's WFF, farmers already have access to subsidised interest rates, at 8% and 4%, respectively, relative to the prime lending rate which for most of 2019 has been above 10%.

DAFF initiated an overhaul of its financing policies around 2013, resulting in the 'Integrated Agriculture Development Finance Policy Framework (IADFP) for Smallholder Farmers', which reviewed the (then) current financing practices aimed at smallholders, reflected on the international experience, and proposed a number of 'principles':

> *The overarching objective of the Integrated Agriculture Development Finance Policy Framework (IADFP) initiative is to create an enabling environment for a sustainable and viable development finance support system in the agricultural, forestry and fishery sectors. Specific policy objectives have been identified as: (i) Making financial services accessible to a large segment of the potentially productive population which otherwise would have little or no access; (ii) Promoting synergy and mainstreaming the internal sub-sector into national financial system; (iii) Enhancing service delivery by microfinance institutions to micro, small and medium producers. (DAFF 2015: 15)*

One obvious principle espoused was that whatever system evolves must be differentiated to allow for the fact that farmers have different needs and (repayment) abilities. Blended funding was among the ideas considered in the document, generally favourably, but not primarily in the manner in which it is presently understood in South African policy circles – rather, the IADFP advocated that grants be made to lending institutions in order to help them defray the high costs of learning how to lend to challenging clients, as loan guarantees, etc.[19] Another suggestion that received some favour was, 'establishing a fund to house all the funding programmes that are offered by DAFF and the Department of Rural Development and Land Reform (DRDLR) and placing the fund at a capacitated Development Financial Institution (DFI)' (DAFF 2015: 17). A number of recommendations of the IADFP might be regarded as quite 'hard-line':

[19] Having said that, the document also accepts that there is momentum in favour of the other type of blended funding in which beneficiaries receive a combination of loans and grants, and argues that at least this is an improvement over the current situation whereby there is an over-reliance on grants.

- Grants and small loans should only be considered for the poor, including subsistence farmers; input subsidies should be considered only for 'the most vulnerable'. (The only exception – quite relevant to our discussion – is that infrastructure subsidies might be worthy of consideration in order to get land to a state that it is 'farmable'.)
- Smallholders should be assisted through loans, and government needs to improve the institutional environment such that more loan finance is channeled to such clients, while also focusing more effectively on public goods such as roads.

Also worth mentioning is that the IADFP cautioned against 'direct government credit delivery', meaning MAFISA should either be shut down or relocated to another entity, possibly a parastatal body such as the Land Bank. Perhaps the semi-moribund state of MAFISA bears this out. However, the first recommendation of the Policy Framework was that government should embark on 'Developing a comprehensive integrated development finance policy for smallholder development', the reason being that the 'Policy Framework' was only that, a step towards a policy. The development of the actual policy was meant to be the next phase of the process. However, this phase was suspended on the grounds that, in 2015, work began on the development of the 'National Policy on Comprehensive Producer Development Support,' and policy-makers felt that further development of the finance policy should be subsumed within the work being marshalled towards the presumably more *comprehensive* NPCPDS. As of this writing, the NPCPDS has not been formally adopted. Moreover, although it does address the issue of finance, it is not clear that it advances the discussion beyond what was offered in the IADFP, and it arguably falls well short of what one might have expected from a fully-fledged agricultural financing policy.[20]

A second important development is the actual attempt starting in mid-2018 to introduce a blended funding mechanism, notwithstanding the lack of completion of either the finance policy process or the NPCPDS. This attempt is part and parcel of the 'National Framework for the Commercialisation of Black Producers,' also referred to as the 'Black Producers Commercialisation Program (BPCP) Framework'.[21] Some excerpts from a recent presentation of the Framework convey an idea of what is/was intended:

> *The application of BPCP BF funds provides black producers with the equity they do not have, but require, in order to sustainably enter the agriculture, forestry and fisheries sectors in South Africa. Through the application of BPCP BF programme rules, the black producers will simultaneously access loan funding and grow to such an extent that grant funding will no longer be required over time. (DAFF, DRDLR and Land Bank 2019: 21)*

---

[20] The problem statement of the 2018 draft NPCPDS begins by declaring that, 'The main problem facing the agricultural, forestry and fisheries sector is the lack of a comprehensive policy framework to harmonise, guide and regulate the provision of support services to the various categories of producers' (DAFF 2018: 1), a leitmotif in South Africa's development discourse since 1994, and arguably a questionable one. As for what the NPCPDS says regarding finance, it can be summarised as follows: 'i) Introduce innovative financial instruments (e.g. blended finance and value chain financing) to address challenges relating to access to finance; ii) Continue to support Household Producers (Vulnerable) with grants to induce development and improve their socio-economic status over time; iii) Government together with the private sector should develop affordable, and viable insurance packages for producers to cover inherent risk of production activities along the value chain; iv) Government to provide credit guarantees where necessary as risk mitigation and credit enhancement measure.' (DAFF 2018: 19).

[21] The exact status of this 'framework' remains to be clarified – is it a proposal? A formally adopted policy?

The Blended Funding Model is the provision of a loan and a grant to improve access and affordability of finance by black producers, and reduce reliance on grants. It is the 1st blended instrument developed in partnership with the DRDLR and the Land Bank. The target was to commercialise at least 450 black producers over a 5-year period. The categorisation of these producers has been done, and the commercial producers would either be small, medium or large scale commercial producers along the agriculture, forestry and fisheries value chains. (Portfolio Committee for Rural Development and Land Reform 2019)

Land Bank is the main agent for this programme, serving as both the 'fund administrator' and as a 'participating financier'. R370 million is to be transferred from DAFF to the Land Bank over a three-year period 'as co-funding to de-risk Black Commercial Producers loan applications, provide technical support, insurance and related products,' while DRDLR is meant to transfer R2.7 billion to the Land Bank (in part with funding redirected from CASP over the MTEF) to 'be used as co-funding to de-risk Black Commercial Producers loan applications for land acquisitions, production in restitution projects, [and] insurance…' (DAFF, DRDLR and Land Bank 2019).[22] On the face of it, the institutional responsibilities and decision-making processes have been carefully considered.

As of early 2019, some movement on the new facility had already begun. What little we know about the use of this facility so far, is thanks to the reply of the Minister of Agriculture, Land Reform and Rural Development's to a parliamentary question posed in July 2019. The main part of the question was to understand why the programme had been suspended, and to know what had happened to date. The first part of the Minister's response was guarded: 'The Department noticed the need to address certain gaps that were identified during the implementation of the programme, hence the temporary suspension' (PMG 2019). However, according to PMG's record of a portfolio committee meeting, at around the same time DAFF's DG explained that,

[T]he blended financial model had received a lot of attention when the Department wanted to pilot it. Some people inside the government had applied for it. That was the major problem. That was why it had been suspended and taken away from the forum which was making the assessments. The Department had now re-looked it and developed new criteria because the programme was meant for the needy, especially people in rural areas. The criteria had to be polished for presentation to the new Minister of the Department. (Portfolio Committee for Agriculture, Land Reform and Rural Development 2019b)

In other words, the new blended finance vehicle was corrupted from inception and needed to be cleaned up and re-inaugurated.

Between the time when implementation began in early 2019, and was suspended in mid-2019, seven projects had been approved for blended financing support, of which four had already been paid out. In respect of these latter four projects, the Minister gave the following details: the average project value was R10.1 million, of which the average grant element was R4.6 million and the

[22] Confusingly, these transfers to the Land Bank seemingly began already from 2017/18, even though the work on the development of the blended finance mechanism began later.

average loan value was R5.5 million. Given that these are figures from a very small number of projects at a very early (and suspect) stage in the implementation of an ambitious new programme, one should not make too much of these values. Moreover, we lack essential information such as the numbers of beneficiaries associated with each of these projects. However, on the face of it, it is difficult to reconcile the mention of 'small farmers' and 'the needy' with these figures. Given the budget transfers mentioned above, together with the benchmark that 60% of the blended funding package is meant to be loan finance, the average project expenditure over the 450 pilot projects would be R10 million, a rather large amount unless these projects involve the acquisition of large farms meant for subdivision, however there is no indication that this is in fact the intention.

Finally, a third important development to note is institutional, namely the amalgamation of the Department of Rural Development and Land Reform with the Department of Agriculture, Forestry and Fisheries, into the Department of Agriculture, Land Reform and Rural Development, occasioned by the beginning in 2019 of South Africa's sixth post-transition government administration. While still at a very early stage, staff have been instructed that bureaucratic responsibilities for funding farmers will to a large extent be consolidated into a single unit, somewhat approaching one of the recommendations of the IADFP.

4 The strengths and weaknesses of existing (and newly proposed) funding programmes

From the data presented above, combined with a judicious dose of guess-work, we assemble a composite picture of funding to black farmers via loan and grant finance (see table below). Note that finance for land acquisition is not considered, nor is the recent attempt to introduce blended finance.

Table 7: Order-of-magnitude estimates as to recent expenditure per annum supporting different categories of black farmers

Funding source	R millions	…supporting…		
		Subsistence producers	SFs & SSBCFs	Large-scale commercial black farmers
Loan finance				
MAFISA	20	0	1 000	0
Land Bank	2 500	0	2 500	5 000
Commercial banks	800	0	0	1 000
Sub-totals	3 320	0	3 500	6 000
Grant finance (including 'in-kind finance')				
CASP	1 000	1 400	6 100	150
Ilima/Letsema	580	100 000	7 300	200
RADP	660	0	2 800	2 800
Industry trusts	61	0	80	120
Civil society	480	13 000	9 000	9 000
Sub-totals	**2 781**	**114 400**	**25 280**	**12 270**

Notes: 1) Expenditure figures based on most recent year for which data are available; numbers of farmers supported are based on a combination of published sources, personal communications, and educated guesswork. Note that some published sources are laterally and even internally inconsistent, and/or are contradicted by the survey data. 2) There is no entry for microfinance institutions due to the absence of data.

Despite the gaps and shakiness of some of the estimates – and not least the division between the different categories of farmers – the table tells an interesting story. For one, the orientation of grants towards subsistence producers, and lending towards larger farmers, makes sense; what arguably makes less sense is the small number of SF and SSBCF borrowers in comparison to larger-scale black farmers, given how numerous they are relative to the latter.

Second, it is conspicuous how few SFs & SSBCFs are supported through either grants or loans (though especially the latter), conforming more or less to the bleak picture painted by the estimates based on the Statistics South Africa survey data (Table 1).

Third, it is also conspicuous that, notwithstanding all of its problems and acknowledging the uncertainty regarding the estimates presented, MAFISA has punched far above its weight in terms of getting loan finance to SFs & SSBCFs. What is ironic about that is that MAFISA has not been involved at all in the recent scheme to introduce blended finance. This could possibly be due to the fact that the new blended finance scheme is deliberately geared to be inclusive of land reform beneficiaries, in relation to which MAFISA loans are of modest size; but it very likely also reflects the 'elite bias' of the incipient scheme, at least as implemented so far.

And fourth, the table is ambiguous regarding the common contention that overall there is too much grant finance relative to loan finance. Indeed grant finance is almost on a par with loan finance in terms of sums expended, and much of this appears to be spent very badly (e.g. via Ilima/Letsema). However, based on the recent experience with the incipient blended finance scheme, there is a danger that an excessive amount of grant funding could be reprioritised to support large-scale black commercial farmers, not unlike the apparent allocation of RADP funding (i.e. prior to its suspension). The key to a better balance between loans and grants would be if indeed it is possible to reach larger numbers of small-scale farmers through loans, as has been done elsewhere.

The strengths and weaknesses are summarised below, drawing in part on the presentation in Section 2 above, and then discussed further in light of the core question of how best to assist small-scale producers who benefit from land reform.

Table 8: Strengths and weaknesses of existing funding mechanisms

Funding source	Strengths	Weaknesses
Loan finance		
MAFISA	• Reaches smaller farmers • Inexpensive to operate • Potential for dramatic expansion, if desired • Flexible approach – can increase/change intermediaries • Does not require collateral	• Under-funded • Management at national government level is under-capacitated • Some intermediaries are weak, particularly the parastatals • Repayment rates are not clear • Articulation with land reform is not clear – current system maintains no data as to which MAFISA borrowers are land reform beneficiaries • Seemingly not 'part of the action' where current policy developments are concerned, i.e. blended finance; by some accounts MAFISA is already moribund
Microfinance institutions	• Range of institutions and strategies • Seemingly large amounts of capital on offer	• Suitability for and uptake by farmers difficult to discern
Land Bank	• Evidence that attempting to target more deliberately • Evidence of trying to innovate and collaborate • Access to large amounts of capital for lending to black farmers (i.e. relative to MAFISA) • Experience with wholesaler model, shares advantage of flexibility with MAFISA • Robust credit control and data management systems in place	• Of current intermediaries, some are strong but arguably have questionable ideas about what constitutes black empowerment • Little apparent experience in working with SFs & SSBCFs • Existing data management system is not aligned with new targeting approach • Requires collateral, at least at present
Commercial banks	• Access to large amounts of capital • Robust credit control and data management systems in place	• Little or no relevant experience in retailing to SFs & SSBCFs, nor of wholesaling to intermediaries who lend to SFs & SSBCFs • Beholden to shareholders

Grant finance		
CASP	• Some apparent orientation to SFs & SSBCFs • Reasonable budget (though not if one were to scale up land reform significantly)	• Questionable delivery mechanisms, e.g. over-emphasis on in-kind project-based support • Beneficiary selection criteria and processes unclear • Bias in favour of larger projects, likelihood of elite capture
Ilima/Letsema	• Some apparent orientation to SFs & SSBCFs • Reasonable budget (though not if one were to scale up land reform significantly)	• Questionable (very!) delivery mechanisms, e.g. over-emphasis on in-kind project-based support, especially Fetsa Tlala
RADP	• Some evidence that some mentors provide valuable support	• Some evidence that some mentors and strategic partners are highly problematic • Evidence of misspending among beneficiaries • Evidence of elite capture
Industry trusts	• Skilled implementation	• Modest footprint except where complementary funding from government and other sources is on offer • Relatively little attention towards the smaller end of the SF & SSBCF spectrum
Civil society	• Seemingly significant amounts of in-kind farmer support • (Difficult to gauge incidence and impact due to lack of clear data and heterogeneity of the sector)	

How suited are these financing mechanisms for supporting small-scale land redistribution farmers? The tentative assessment is that, in terms of loan finance, MAFISA has some merit, and the Land Bank *might* or *could* have some merit, but that commercial banks are intrinsically unsuited to playing a meaningful role. MAFISA would require improved management capacity and a larger, more capable network of intermediaries, and certainly more capital; the Land Bank would need to demonstrate that it truly can support small-scale farmers *as* small-scale farmers, as opposed to members of group projects that depend on the presence of an agri-business partner.

In respect of grant finance, CASP would need an overhaul so that it can meet the needs of large numbers of small-scale land redistribution clients, else another way could be found to ensure that redistributed farms are made farmable at the moment of settlement. As a pot of money, CASP could also be used as part of a blended funding approach, but careful consideration needs to be given as to what exactly the grant element would be used for. Ilima/Letsema in its present form does not have a strong rationale to exist, but in line with the thinking of the IADFP, there is a rationale for a grant programme targeting subsistence producers, and Ilima/Letsema could be recast in this light, provided that it can be de-politicised, which among other things means relinquishing the in-kind project-based approach that presently accounts for most of its expenditure.

If CASP were to be significantly improved, then arguably there would be no rationale for continuing with the RADP. The only question is whether there should be any attempt to retain its mentoring aspect, and if so, in what form. This is not a trivial point. One of the main ways in which financial institutions attempt to improve loan repayments – particularly in the absence of attachable collateral – is through so-called the 'credit plus' approach, which means complementing loans with good quality technical support. Given the unlikelihood of this support coming from extension services in-the near future, a fully-fledged and properly capacitated mentorship programme might make sense.

5 Other financial services and financing instruments

The focus up to now has been on loan and grant finance. This section briefly addresses other types of financial issues of relevance to small-scale farmers, namely insurance, e-money, and the question of input subsidies.

5.1 Insurance

Agricultural insurance is well established in South Africa; there are eight financial institutions offering insurance, of which some are stand-alone insurance companies (Santam, Old Mutual), and some are banks that offer agricultural insurance through a subsidiary. The Land Bank for instance has two insurance subsidiaries, of which one is for short-term and the other for long-term insurance.[23] (South African law forbids the same insurance company from offering both short- and long-term insurance, so specialised subsidiaries are common.) The types of insurance policies vary widely: one can insure against specific types of damage to particular crops ('named peril'), multiple types of damage to particular crops ('multi peril'), losses associated with assets (breeding stock, game, machinery, equipment), losses due to theft, losses associated with transport problems, etc.

[23] The rationale for a Land Bank subsidiary to offer long-term insurance is presumably because having 'credit-life insurance' is often a prerequisite to being granted a mortgage loan; the purpose is not to pay out the family of the deceased, but to ensure repayment of the outstanding balance on the mortgage in the case of premature death of the mortgage holder. Such insurance is not, however, what we commonly regard as 'agricultural insurance'.

Current data on the uptake of agricultural insurance in South Africa do not seem to exist, but from the 2007 commercial agriculture census, we know that farmers collectively spent R434 million on premiums for crop insurance, and R947 million for 'farm property', accounting for 0.9% and 1.9%, respectively, of total current expenditure for that year. According to one impressionistic account, only about half of commercial crops are insured, and overall insurance cover is on the decline (den Hartigh 2016a). One interesting suggestion as to the trend among commercial farmers to under-insure is that larger farmers are able self-insure by means of being diversified both spatially and in terms of activities, an argument that echoes the rationale often offered for why small-scale farmers often maintain multiple land holdings (e.g. Ellis 1993).

The factors that make insurance generally a challenging financial service to provide, are especially true for agriculture, i.e. adverse selection, moral hazard, covariant risk, and transactions costs associated with measuring the extent of loss.[24] This is why agricultural insurance is expensive to provide, and especially difficult to provide to small-scale farmers, with whom doing business implies especially high transactions costs without much benefit. And this in turn is why agricultural insurance premiums are sometimes subsidized by the state, whether the insurance is provided through the private sector or state-owned entities. Over the past few decades or so, uptake of agricultural insurance in some developing countries has increased dramatically, largely due to the introduction of subsidies (Mahul and Stutley 2010). Table 8 below shows the estimated numbers of policyholders in selected countries and regions, together with the weighted average of the subsidy on premiums.

Table 9: Overview of agricultural insurance in developing countries and regions

	Number of policyholders (millions)	Average premium subsidy
Africa	0.65	37%
India	33.2	64%
China	160	77%
Rest of Asia	1	64%
Latin America	3.3	91%

Source: Hess and Hazell 2016: 11

The argument for subsidisation of insurance is complex, but generally invokes the idea that because agricultural insurance is intrinsically difficult to provide, farmers in general are under-insured, which poses a risk to long-term national food security (Mahul and Stutley 2010). The Land Bank is recently on record as appealing for the introduction of premium subsidies in South Africa on similar grounds (den Hartigh 2016b).

For at least two decades, momentum has been building for an alternative to conventional 'indemnity-based' insurance, namely index-based insurance (IBI). Conventional insurance involves compensation based on the extent of each policyholder's individual loss, which thus involves an

[24] The nature of these challenges help explain why hail insurance is relatively available and affordable, but drought insurance is not. Drought for example tends to be highly covariant in an area, but at farm level it is difficult to ascertain the extent to which the farmers' decisions or practices have contributed to a below-average harvest, or the death or under-production of livestock. 'The South African Santam found that capital reserves must exceed premium income at least sixfold for drought insurance, whereas for hail insurance the capital requirement is 'a fraction of this'' (Weber 2019: 2). And of course for South Africa, drought is regarded as the most significant risk for farmers generally.

assessment of the value of that which is insured as well as that which was lost. Index-based insurance is not personal, rather the idea is that, for a particular area, insurance is paid out to the extent the conditions – usually meaning the *weather* conditions – fall outside of the normal. Policyholders buy a quantum of coverage which does not necessarily relate to their own specific farming operations at all, but they can assess the amount of compensation they would like to receive if for instance the rains fail to a given extent. As such, IBI offers the opportunity of significantly lowering transactions costs, which has particular promise for extending coverage to small-scale farmers in a cost-effective manner. However, thus far, progress with IBI has been modest at best:

> *IBI is a most promising development for overcoming many of the more serious problems that have plagued past agricultural insurance and relief programs, and it can help engage the private sector in a larger way in managing agricultural risks. But IBI programs have not yet approached anywhere near the scale needed to enable the majority of smallholder farmers and rural people to be protected from existing, let alone future levels of risk. (Hess and Hazell 2016)*

According to Hess and Hazell (2016), there are three main challenges to scaling up IBI, each of which has at least some relevance to South Africa: first, the problem of weak demand, especially since small-scale farmers are often cash-constrained and have other means of mitigating risk; second, creating indices of average versus current weather conditions that are adequately accurate at small-scale levels; and third, the challenge of implementing a distribution network geared to the needs of small-scale farmers.

At present, some IBI appears to be available in South Africa (at least according to Santam's website), but importantly there appears to be active attempts to explore it further. Encouragingly, there are various initiatives seeking to promote either insurance subsidies, IBI, or both. For instance, a few years ago the South African Insurance Association (SAIA) initiated the 'Agricultural Insurance Project', which seeks to identify ways to promote better insurance coverage for both large-scale and small-scale farming, and resulted in a proposal delivered to the National Treasury and DAFF in May 2019 (SIAI 2019). SAIA also commissioned a technical expert to draft a report on the various regulatory issues associated with IBI, as well as research to understand the potential demand for IBI among small-scale and 'emerging' farmers (SIAI 2019). One particular hope expressed by SAIA is that, properly designed, banks will recognise IBI policies as a form of collateral that small-scale farmers can use to leverage loan finance.

5.2 E-money transactions

To the extent small-scale farmers rely to a relatively large degree on informal markets, these markets arguably do not work as well as they might owing to the perils associated with cash-based transactions. The most problematic scenarios would appear to be informal stock auctions (personal communication, R. Alcock) and farmers markets, where potentially large sums of money are on hand at a known place and time, creating an inviting target for thieves. But it is also important to remember that many small-scale farmers prefer informal transactions because of the instant payment they offer (Southern Africa Food Lab 2016). Thus the question is how one can effect transactions that are cashless, instantaneous and between two ordinary individuals. Presently in South Africa, one can effect instantaneous, cashless transactions through debit cards – a very high proportion of South Africans already regularly use debit cards for payments (Demirgüç-Kunt *et al*. 2018) – however, these transactions normally involve payments by individuals to registered businesses. It is also possible to effect cashless transactions through internet banking, but in order for these transactions to be near-instant, a significant fee is payable to the banks.

On the face of it, all that is needed is what Kenya has had since 2007, namely an effective 'mobile money' or 'e-wallet' facility such as M-Pesa in East Africa or Tingg in Nigeria.[25] M-Pesa grew spectacularly in Kenya since its introduction by Safaricom, Vodafone and Vodacom, with 17 million users within 4 years; but when Vodacom and Nedbank attempted to initiate a similar service in South Africa in 2010, it flopped, with less than 1 million subscribers within the same timeframe (Tshabalala 2015). M-Pesa also allegedly failed in Egypt and Romania (Serrao and van Vuuren 2019). Different explanations have been offered for the failure of M-Pesa in South Africa, which unfortunately leaves some uncertainty as to whether the problem is with the approach used in this particular attempt, or with the applicability of the concept to South Africa more generally. Serrao and van Vuuren ascribe the failure to, 'the lack of trust in mobile operators to handle money, challenging regulations and the need for compulsory bank partnership hindered the successful deployment and consumer adoption' (Serrao and van Vuuren 2019: 6). Demirgüç-Kunt *et al*. (2018) seem to suggest that for some types of transactions – e.g. domestic remittances – people have long been accustomed to using established counter-to-counter services such as those offered by some supermarket chains. Another explanation is that M-Pesa was so successful in Kenya because it offered banking-like services in a context where financial exclusion was the norm, thus it became a useful tool to the unbanked; by contrast, about 70% of South African adults 'are banked', not least due to a policy introduced some years ago by the government to reduce the payment of social grants through physical pay points, which had the effect of compelling more people to open bank accounts (Muronda 2017).

Arguably the most significant explanation for the failure of M-Pesa in South Africa is that there is little or no cross-platform transferability: 'Existing mobile money solutions are not interoperable, resulting in a limited network size and/or customer acceptance' (World Bank 2016: 65); in other words, if your e-wallet account is associated with Nedbank, then you are more or less limited to payments to other individuals with e-wallet accounts associated with Nedbank. This in turn relates to the fact that South Africa's regulatory framework does not allow mobile accounts that are divorced from actual bank accounts; in other words, one has to have a bank account in order to have an e-wallet account, and of course people have accounts with a number of different banks, or none at all.

Seemingly, the situation in South Africa is indicative of the clash between formality and informality. South Africa's highly developed banking system and body of regulations create rigidities which are not friendly to informal economic transactions, perhaps in part because the value of such transactions are not recognised.

5.3 Input/equipment subsidies

Returning to the discussion in section 3 above about the relationship between grants and loans, and the general sentiment among policy-makers that there has been too much emphasis on the former, it must be recalled that the policy response has been to try to use grants and loans together more strategically in the form of blended finance. What is curious is that there is not also attention to another alternative, namely input subsidies. This is curious because the grants themselves are overwhelmingly grants for, or in the form of, inputs, and they are by definition 100% subsidies. Using them to effectively subsidise loans is one approach, but the fact remains that the transactions costs associated with these grants are extremely high, especially when they are delivered through government's supply chain management systems via intermediaries, and even worse when they are

[25] Apart from mobile money accounts, 'e-money' is taken to include prepaid cash cards. While South African banks have issued millions of prepaid cards, which sometimes are used by companies to pay wages, they do not assist person-to-person transactions, which is our main concern here.

delivered in the form of group-based production projects. Combining them with loans in the spirit of blended finance will not likely improve this. Why not, alternatively, partial subsidies offered through agro-dealers? There are in fact a number of possible objections or concerns, for instance whether such subsidies would/could be targeted, and what kind of inputs would be subsidised, especially given uncertainty as to whether or not we wish to promote agro-ecological agriculture. Another possible concern is whether there would be any repercussions in light of South Africa's current trade relationships. Where there is arguably the clearest argument in favour of (partial) input subsidies, is where machinery and equipment are concerned. Presently, government lacks anything resembling a coherent mechanisation policy, but in the past, some provincial agriculture departments developed their own particular subsidies for tractors (e.g. 50%), which had the advantage of requiring a significant contribution from the farmer, and thus, one would suppose, better outcomes in terms of the productive use and careful care for the acquired tractor. But these subsidies still had the disadvantage, arguably, of being administered by government, with all the rent-seeking and SCM-based inefficiencies this implies.

6 Conclusions: the implications for employment-intensive land reform

The predicate of the study of which this paper is a part, is not only that we should pursue a land redistribution programme that is more labour-intensive, but one that involves more farmers within a reasonable period of time, i.e. that operates according to a more ambitious scale. Given the clamour in recent years for an acceleration of land reform, this would appear to be a widely accepted principle.

The review above demonstrates that, while there are many financing tools in place to support black farmers in general as well as land reform beneficiaries in particular, their collective footprint is modest-to-small relative to current needs, and grossly inadequate relative to the needs implied by a significantly scaled up redistribution programme aiming to support meaningful numbers of SF and SSBCF beneficiaries.

What this report did not seek to do, however, was assess what exactly the financing needs might look like of a typical SF or SSBCF beneficiary, nor to contrast these needs to those catered for through existing funding sources. On the face of it, the average MAFISA loan of about R20 000 is probably on the low side, while the Land Bank and commercial bank loans, averaging very approximately R330 000 and R800 000, respectively, are on the high side. Regarding grant finance, average expenditure by CASP and RADP of R131 000 and R120 000, respectively, appear reasonable, while Ilima/Letsema (R5400) is very low, presumably because it was designed with something quite different in mind.

With these general considerations in mind, we conclude by means of attempting to identify plausible elements of a future financing policy oriented to meeting the needs of employment-intensive land reform.

Element 1: A land reform start-up grant

Although the 'Integrated Agriculture Development Finance Policy Framework (IADFP) for Smallholder Farmers' expressed the view that loan finance should be expanded and grant finance diminished, it also allowed for the possibility of using grant funding to address immediate input needs, infrastructure upgrades and limited equipment acquisition for land reform farms upon land transfer. This initial grant funding could be conceptualised in any number of ways, but simplicity,

rapidity, and cost-effectiveness would be key considerations. The virtue of having a grant per farm rather than per farmer, is to discourage pooling of grants among multiple beneficiaries, which typically has the effect of creating unworkable farming models. One simple approach would be to have an in-principle agreement that each newly settled SF or SSBCF would be eligible for a once-off grant not exceeding a given ceiling, for instance, R80 000. At CASP's current budget level, this would accommodate almost 12 500 SF / SSBCF beneficiaries per year, which would greatly exceed the current annual numbers of land redistribution beneficiaries. Or perhaps the value should be more in the order of R200 000, or perhaps yet again it should be pegged to the commodity, or the land value, or something else. The point is that all land reform beneficiaries are likely to have legitimate needs up to a point, and what precisely is the value or virtue of the kind of elaborate, time-consuming, corruption-prone programmes we currently have in place? At the same time, those who need considerably more, should be expected to borrow it, putting the onus on them to convince a lending institution that they are worthy of it.[26]

Element 2: Embracing blended finance

Despite its initial wobble, the recent blended finance initiative is likely to stay, and it is counterproductive to imagine it away. The challenge is to ensure that SFs & SSBCFs get an appropriate share of the pie, which will imply setting clear targets or rationing guidelines, as well as working to ensure either that MAFISA is incorporated into the scheme, or that the Land Bank manages to accommodate SFs & SSBCFs better than it seems to have done in the past.
There are two practical concerns associated with this. First, it is difficult to imagine that the Land Bank will be able to expand lending to SFs & SSBCFs except through its WFF modality, and yet it is not clear how if at all the role of intermediaries is contemplated in the already-complicated blended finance approach.

Second, care will need to be taken to ensure that the heavy involvement of the Land Bank does not mean that land redistribution fails to accommodate subdivision. This is an especially tricky issue because government lacks a track record in subdividing land, and the exigencies of doing this efficiently might work against a Land Bank-centric financing strategy.

Beyond this, guidelines will need to be established as to how the grant element of a blended financing package should be used at project/farmer level. Presumably, the grant element would be used for infrastructure and equipment, so as to enhance the value of the property and thus reduce the gearing ratio. However, the little documentation available on the government's new blended finance mechanism is silent on this issue.

Arguably the most promising approach would be to return to something like the 'agency agreement' that existed between the Land Bank and the Department of Land Affairs in the early days of LRAD. The arrangement in effect gave the Land Bank control over a certain quantum of grant finance to which it could match its own loan finance. However, while the purpose of that arrangement was principally to facilitate land purchase, in this case – i.e. for SFs & SSBCFs whose land acquisition costs would presumably be covered otherwise – it would be for improvements, equipment and machinery. How then would it articulate with the notion of a start-up grant of R80 000 as mooted above? One idea is that this would be for those who wish to have or need more capital, in other

[26] There are any number of ways of minimising the misuse of such a grant, which it is not the purpose of this paper to spell out. But let us venture a few thoughts. First, reliance on SMC processes should be minimized unless properly supervised and clearly advantageous. And second, a lot can probably be gained by institutionalising local-level transparency in the use of public resources in agriculture. This would defray a lot of the suspicion, rent-seeking, and erratic decision-making that tends to creep into the use of public resources in the name of agricultural development.

words they could use the R80 000 as the grant element combined with a loan to make the blended finance package.

Element 3: Expanding access to subsidised production loans

Production loans for small-scale commercial farmers appear to scarcely exist relative to the need. MAFISA did offer production loans, but has been allowed to flounder, while the Land Bank has been too clunky and conservative a vehicle for making large numbers of small production loans, even via its retailer network. The question is whether MAFISA should be resurrected, the Land Bank urged to up its game, some combination of the two, or some other solution. One possibility that should not be overlooked is some experimentation with non-traditional partners. As noted above, South Africa is home to a variety of effective and innovative microfinance institutions who could perhaps be induced to venture into small-scale farmer production loans given the right incentives.

Element 4: Strategic subsidies

The IADFP is adamant that input subsidies are taboo, based on the international experience whereby they tend to be highly politicised and drain massive resources away from other priorities. This is an understandable concern, on the other hand, where agricultural inputs are concerned, there are potentially some significant advantages of subsidies over grant or loan finance. The key consideration is the administration of the support; vetting large numbers of loan applications is onerous work, not to mention seeking to ensure repayment, maintaining communication with the client, etc. An input subsidy might offer a lower degree of support for, say, purchasing seed, but one can imagine that it would be far simpler to manage, e.g. by striking agreements with agro-dealers and determining a way that subsidies are enjoyed by those for whom they are intended. Something like the system FAO has implemented in Zambia to facilitate access to agricultural inputs via agro-dealers could be the model if not the mechanism. More expensive farming needs such as fixed improvements or major machinery/equipment, could still be catered for via loans and/or start-up grants, depending on the details. On the other hand, where a retailer-administered input-side subsidy could make the biggest difference is in respect of machinery, in particular to equip entrepreneurs who provide mechanisation services to small-scale farmers.

The proposed system as a whole should attend to the variety of short-to-medium-to-long term funding needs, bearing in mind the relative advantages and disadvantages of different modalities. To the extent there is some overlap in terms of what the different tools might be seeking to achieve, arguably it is better to have some flexibility and even redundancy than to err on the side of a rigid structure.

References

African Centre for Biodiversity, 2018. 'Input Supply in South Africa's Smallholder Farmer Support Programmes: A Tale of Neo-apartheid Plans, Dodgy Dealings and Corporate Capture'. Retrieved 10 December 2019 from https://www.acbio.org.za/sites/default/files/documents/SA%20FISP%20report%20WEB.pdf.

Aliber M., L. Gwala, F. Yusuf, A. Rahim, A. Mushunje, M. Arwari, Z. Makhunga and N. Shiliga, 2017. 'Government and Small-scale Agriculture – Understanding the Successes and Failures in Respect of Learning, Planning and Implementation,' research paper funded by the Programme to Support Pro-poor Policy Development and the European Union.

BASA (Banking Association of South Africa), 2019. 'Transformation in the banking industry 2016 – 2017: BASA Transformation Report February 2019.' Retrieved 10 August 2019 from https://www.banking.org.za/wp-content/uploads/2019/04/Transformation-in-Banking-Report-2019.pdf.

Business Enterprise at University of Pretoria, 2016a. 'Micro Agricultural Financial Institutions of South Africa (MAFISA) Impact Assessment,' DPME evaluation number 518.

Business Enterprise at University of Pretoria, 2016b. 'An Evaluation of the Comprehensive Agricultural Support Programme (CASP),' DPME, evaluation number 405.

Business Enterprise at University of Pretoria, 2016c. 'Implementation Evaluation of the Recapitalisation and Development Programme,' DPME, evaluation number 407.

CER (Cornerstone Economic Research), 2014. 'Expenditure and Performance Review: Micro Agriculture Finance Institutions of South Africa,' Research commissioned by the National Treasury. Retrieved 18 August 2019 from https://www.cornerstonesa.net/images/MAFISA_-_Technical_Report.pdf.

DAFF (Department of Agriculture, Forestry and Fisheries), 2015. 'Integrated Agriculture Development Finance Policy Framework (IADFP) for Smallholder Farmers: Final Document.' Government policy document.

DAFF (Department of Agriculture, Forestry and Fisheries), 2018. 'National Policy on Comprehensive Producer Development Support: Draft 5 ver. 3.' Retrieved 1 September 2019 from https://www.daff.gov.za/docs/media/Draft%205%20ver%203%20Policy%20on%20CPDS_30May2018_accepted%20change.pdf.

DAFF (Department of Agriculture, Forestry and Fisheries), 2019a. 'Micro Agricultural Financial Institutions of South Africa (MAFISA): Presentation to the Portfolio Committee on Agriculture, Land Reform and Rural Development.' Retrieved 7 September 2019 from http://pmg-assets.s3-website-eu-west-1.amazonaws.com/190903MAFISA.pdf.

DAFF (Department of Agriculture, Forestry and Fisheries), 2019b. 'Comprehensive Agricultural Support Programme (CASP), and Ilima/Letsema Conditional Grants (Focus on 2019/20 Business Plan): Presentation to the Portfolio Committee on Agriculture, Land Reform and Rural Development,' 3 September 2019. Retrieved 2 September 2019 from http://pmg-assets.s3-website-eu-west-1.amazonaws.com/190903CASP_ILIMA.pdf.

DAFF, DRDLR and Land Bank, 2019. 'National Framework for the Commercialisation of Black Producers: Application of BPCP BF Funds.' Presentation to Portfolio Committee Workshop, 6 March 2019. Retrieved 31 August 2019 from https://pmg.org.za/committee-meeting/27593/.

de Klerk M., F. Fraser and K. Fullerton, 2013. 'The Status of Agricultural and Rural Finance in South Africa,' FinMark Trust.

Delany A. and S. Storchi, 2012. 'SaveAct Savings and Credit Groups and Small Enterprise Development Understanding Strategies and Opportunities to Promote Livelihoods Strategies and Small Enterprise Development, including in Agriculture, through Savings Groups in a Rural Setting,' FinMark Trust.

Demirgüç-Kunt A., L. Klapper, D. Singer, S. Ansar and J. Hess, 2018. 'The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution.' Washington, DC: World Bank.

den Hartigh W., 2016a. 'Agri insurance: why more and more farmers are opting out,' Farmers Weekly, 6 September 2016 . Retrieved 1 January 2020 from https://www.farmersweekly.co.za/agri-business/agribusinesses/agri-insurance-why-more-and-more-farmers-are-opting-out/.

den Hartigh W., 2016b. 'SA's dire need for agricultural insurance subsidies,' *Farmers Weekly*, 14 June 2016. Retrieved1 January 2020 from https://www.farmersweekly.co.za/bottomline/sas-dire-need-for-agricultural-insurance-subsidies/.

DRDLR (Department of Rural Development and Land Reform), 2015. 'RADP grant and skills development schedule of standard terms and conditions: Mentorship arrangement.' Pretoria, South Africa.

Eastern Cape Provincial Treasury, 2018. *Eastern Cape Estimates of Provincial Revenue and Expenditure 2018/19*, Bhisho: Province of the Eastern Cape. Retrieved 10 October from http://www.treasury.gov.za/documents/provincial%20budget/2018/3.%20Estimates%20of%20Prov%20Rev%20and%20Exp/EC/EC%20-%20EPRE%20-%20Full%20Document.pdf

Ellis F., 1993. *Peasant Economics: Farm Households and Agrarian Development* (second edition), Cambridge: Cambridge University Press.

Ernst J.W., 2019. 'Weather Index Insurance in Sub-Saharan Africa'. Retrieved 25 December from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3396489.

Guanziroli C. and C. Basco C., 2010. 'Construction of Agrarian Policies in Brazil: The Case of the National Program to Strengthen Family Farming (PRONAF),' *Communica*, Year 5 January - July 2010.

Hall R. and M. Aliber, 2010. 'The Case for Re-Strategising Spending Priorities to Support Small Scale Farmers in South Africa,' Working Paper 17, PLAAS, UWC.

Hall R. and T. Kepe , 2017. 'Elite capture and state neglect: new evidence on South Africa's land reform.' *Review of African Political Economy* 44.151: 122-130.

Hess U. and P. Hazell, 2016. *Innovations and Emerging Trends in Agricultural Insurance How can we transfer natural risks out of rural livelihoods to empower and protect people?* Bonn and Eschborn: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Jacobson K., 2013. 'The Massive Food Production Programme: A Case Study of Agricultural Policy Continuities and Changes,' in P. Hebinck and B. Cousins, eds., *In the Shadow of Policy: Everyday Practices in South Africa's Land and Agrarian Reform*. Johannesburg: Wits University Press.

Kepe T. and R. Hall, 2016. 'Land Redistribution in South Africa,' commissioned report for the High Level Panel on the assessment of key legislation and the acceleration of fundamental change, an initiative of the Parliament of South Africa. Retrieved 1 April 2019 from https://www.parliament.gov.za/storage/app/media/Pages/2017/october/High_Level_Panel/Commissioned_Report_land/Commissioned_Report_on_Land_Redistribution_Kepe_and_Hall.pdf.

Land Bank, 2015. *Integrated Annual Report FY2015*. Centurion: Land and Agricultural Development Bank of South Africa.

Land Bank, 2018. *Land Bank 2018 Integrated Annual Report*. Centurion: Land and Agricultural Development Bank of South Africa.

Land Bank, 2019. *Land Bank 2019 Integrated Annual Report*. Centurion: Land and Agricultural Development Bank of South Africa.

Madyibi Z., 2013. 'The Massive Food Production Programme: Does it Work?' in P Hebinck and B Cousins, eds., *In the Shadow of Policy: Everyday Practices in South Africa's Land and Agrarian Reform*. Johannesburg: Wits University Press.

Mahul O. C.J. Stutley, 2010. *Government Support to Agricultural Insurance Challenges and Options for Developing Countries*. Washington DC: The World Bank.

Maka L. and M. Aliber, 2019. 'The Role of Mentors in Land Reform Projects Supported through the Recapitalisation and Development Programme: Findings from Buffalo City Metropolitan Municipality, South Africa,' *South African Journal of Agricultural Extension* 47(2).

Mtero F., 2012. 'Commercialization, De-agrarianisation and the Accumulation/Reproduction Dynamic: Massive Maize Production Schemes in the Eastern Cape, South Africa,' paper presented at the International Conference on Global Land Grabbing II, October 17-19, 2012, Ithaca NY.

Mtombeni S., D. Bove and T. Thibane, 2019. 'An analysis of finance as a barrier to entry and expansion for emerging farmers,' Working Paper CC2019/01, Financial and Fiscal Commission.

Muronda F., 2017. 'SA's poor use bank account as mailbox for social grants,' *fin24*, 11 August 2017. Retrieved 1 January 2020 from https://www.fin24.com/Opinion/sas-poor-use-bank-account-as-mailbox-for-social-grants-20170810.

NAMC (National Agricultural Marketing Council), 2019. *Status Report on Agricultural Industry Trusts*. Pretoria: NAMC.

NASASA, 2016. *Stokvels Today*. Retrieved 31 October 2019 from http://www.nasasa.co.za/index.php/stokvels-today.

National Treasury, 2019. *Estimates of national expenditure 2019*. Pretoria: National Treasury.

Nchocho T.P., 2018. 'Transformation and Inclusive Growth in the Agricultural Sector,' presentation to the Portfolio Committee on Agriculture, Forestry & Fisheries, 24 April 2018. Retrieved 1

September 2019 from http://pmg-assets.s3-website-eu-west-1.amazonaws.com/180424Land_Bank.pdf.

NFA (Nkonkobe Farmers' Association) and ARDRI, 2015. 'Assessment of the Fetsa Tlala Cropping Programme in Nkonkobe Local Municipality, Eastern Cape,' UFH October 2015. Retrieved 1 September 2019 from http://rmfa.org.za/sites/default/files/RMFA%20Fetsa%20Tlala%20study%20Final%20reduce%201.pdf.

Njara L., 2017. 'Assessing the Implementation and Effects of the Fetsa Tlala Food Initiative Programme in Achieving Its Vision of Eradicating Household Level Food Insecurity,' masters thesis, University of Fort Hare.

PMG (Parliamentary Monitoring Group), 2019. 'Question NW245 to the Minister of Agriculture, Land Reform and Rural Development.' Retrieved 31 October 2019 from https://pmg.org.za/committee-question/11842/.

Portfolio Committee for Agriculture, Land Reform and Rural Development, 2019a. 'CASP, Ilima/Letsema, MAFISA development support; KZN oversight report,' Parliamentary Monitoring Group meeting report for portfolio committee meeting of 3 September 2019. Retrieved 25 December 2019 from https://pmg.org.za/committee-meeting/28791/.

Portfolio Committee for Agriculture, Land Reform and Rural Development, 2019b. 'DAFF & Department of Rural Development and Land Reform 2019/20 Annual Performance Plan; with Minister,' Parliamentary Monitoring Group meeting report for portfolio committee meeting of 3 July 2019. Retrieved 31 October 2019 from https://pmg.org.za/committee-meeting/28495/.

Portfolio Committee for Rural Development and Land Reform, 2019. 'Blended Funding Model: joint workshop, with DRDLR Minister & DAFF Deputy Minister,' Parliamentary Monitoring Group meeting report for portfolio committee meeting of 6 March 2019. Retrieved 24 December 2019 from https://pmg.org.za/committee-meeting/28055/.

SAIA (South African Insurance Association), 2019. *Annual Review*. Constantia: SAIA.

SaveAct, 2019. Newsletter 10, August. Retrieved 15 August 2019 from https://mailchi.mp/d584f8b6517c/the-road-to-80-000-members

SEF (Small Enterprise Foundation), 2020. 'Financial Results and Statistics.' Webpage retrieved 1 February 2020 from https://www.sef.co.za/social-performance/statistics/.

SEFA (Small Enterprise Finance Agency), 2018. *Annual Report 2018*. Retrieved 1 September 2019 from http://www.sefa.org.za/Content/Docs/2018_sefa%20Annual%20report%202018.pdf.

Serrao L. and J. van Vuuren, 2019. 'A Cashless Society in Africa: Spotlight on the South African and Zimbabwean environments,' Institute and Faculty of Actuaries (London).

Southern Africa Food Lab (SAFL), 2016. 'Smallholder Farmer Market Segmentation Toolkit: How and why the Toolkit was developed, and lessons learnt from its application in the Mopani and Umkhanyakude districts in South Africa.' University of Stellenbosch, Faculty of AgriSciences: SAFL's Supporting Smallholder Agriculture Programme.

Stats SA (Statistics South Africa), 2009a. Census of commercial agriculture 2007. Pretoria: Stats SA.

Stats SA (Statistics South Africa), 2017. Living Conditions Survey 2014/15. Dataset on CD ROM.

Stats SA (Statistics South Africa), 2019. General Household Survey. Dataset on CD ROM.

Trialogue, 2019. *The Trialogue Business in Society Handbook 2019*. Cape Town: Trialogue.

Tshabalala S., 2015. 'Why South Africa's largest mobile network, Vodacom, failed to grow M-Pesa,' *Quartz Africa*, 3 August 2015. Retrieved 2 February 2020 from https://qz.com/africa/467887/why-south-africas-largest-mobile-network-vodacom-failed-to-grow-mpesa/.

Weber E.J., 2019. 'Weather Index Insurance in Sub-Saharan Africa,' Department of Economics, University of Western Australia. Retrieved 1 February 2020 from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3396489.

World Bank, 2016. 'Achieving Effective Financial Inclusion in South Africa: A Payment Perspective.' Retrieved 13 December 2019 from http://www.treasury.gov.za/publications/other/Achieving%20Effective%20Financial%20Inclusion%20in%20South%20Africa.pdf.