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Western Cape Agricultural Land Reform Project Performance Evaluation

March 2014



Key recommendations for improved project performance of land reform projects supported by the department from 2009 to 2013 through the Comprehensive Agricultural Support Programme (CASAP) and/or Ilima-Letsema, as noted from the project performance evaluation undertaken are:

- **Utilise agricultural economists to investigate potential for viability at project start-up:** The department needs to ensure that beneficiaries are not set up for failure by involving agricultural economists from project start-up to ensure that projects have a reasonable chance of success prior to providing support and establishing a false sense of hope among beneficiaries. If potential for viability exists, the agricultural economists need to identify and quantify the critical support areas required, such as determining the group size that a project can successfully sustain. The requirements should be contained in farm business plans.
- **Support formalisation and organisation of businesses prior to rollout of further support:** A business-oriented approach will assist project farms in progressing from a subsistence orientation to an economic one. These aspects are to be considered prerequisites for further support: registered business, bank account, tax compliance, VAT registration, labour law compliance, record keeping, etc. Financial and non-financial record keeping facilitates better monitoring of project farms and enables beneficiaries to operate their farming practices as businesses. Project farms need to be organised to offset their market disadvantages. Contract farming arrangements with large farms or marketing agents all require formalisation.
- **Business plans and regular business planning:** Regular business planning of these components that are typically contained in a business plan needs to be a critical focus area of support from the Unit of Technical Assistance: trend and feasibility analysis, production and sales forecasts, capital need projections, risk amelioration, income and expenditure projections, market access, etc. If they are contained in the business plan at project start-up, a good basis for at least yearly business planning can be nurtured.
- **Match beneficiaries own capital and physical contribution to the department's financial and non-financial support:** If beneficiaries make their own capital contributions to projects, this ensures greater commitment and enables them to gain experience in creating value. Agriculturally experienced beneficiaries are more motivated to work hard, have realistic expectations of benefits, and reveal patience for the time horizons for such benefits. Beneficiaries' financial and non-financial support (in the form of hard work and prior agricultural experience) must be matched with the department's support.
- **Encourage a multiplicity of income sources at project start-up:** Both off-farm and on-farm income sources are needed as possible sources of income to support eventual full-scale and full-time farming involvement. This will ensure that there is a safety net in that beneficiaries are not solely dependent on the farm, are less likely to jeopardise the farm's future, and are better able to pay for seasonal and day-to-day expenses, which they are then motivated to recoup through farm activities.
- **Greater partnership among support providers:** The department needs to play a pivotal role in ensuring that government, NGOs, the private sector and donors work together in a coordinated manner to create a more equitable and enabling environment.
- **Greater focus on environmentally sustainable patterns of production:** Climate change places an urgent call for the kinds of sustainable intensification that significantly raise land and labour productivity, while reversing environmental degradation. This requires the best of modern science and indigenous knowledge, as well as an enabling policy environment.
- **Monitoring progress of projects and that of FSD officers and other support service providers:** The project performance rating system that is designed should be used to collect project performance information against outcome indicators to enable the department to determine whether a project is on an upward/downward growth trajectory. The department could develop a farmer support tracking and referral system to enable joint tracking and monitoring of both the quantity and quality of support provided by departmental and non-departmental agencies (financial and non-financial) to project farms.

EXECUTIVE SUMMARY

The purpose of this evaluation is to determine the success of a sample of 246 agricultural land reform projects supported by the department from 1 April 2009 to 31 March 2013 through the Comprehensive Agricultural Support Programme (CASP) and/or Ilima-Letsema. The performance evaluation seeks to answer questions to determine the level of success of project farms, such as the ability of project farms to re-invest finances, the existence of market access contracts, etc.

The evaluation approach, as detailed in **Section 3** of the main evaluation report, entailed:

- **Step 1: Project initiation:** this entailed an inception meeting and finalisation of study outcomes
- **Step 2: Reference group consultation:** a steering committee ensured constant review
- **Step 3: Compliance framework** and research design: literature and previous evaluation studies were reviewed and translated into various 'criteria for success'. Details of the literature review are contained in **Section 2** of the main evaluation report. Key dimensions of success included environmental, socio-economic and economic viability. An evaluation framework was designed to gauge the success of land reform projects and to frame and analyse relevant evaluation questions contained in the project and beneficiary questionnaires/evaluation tools. Sampling ensured provincial spread and distribution of size of project farms in terms of number of beneficiaries. An inception report was also prepared.
- **Step 4: Data collection:** agricultural graduates were sourced and trained, utilising a detailed training manual, to undertake the following multi-method evaluation approaches: site visits and observations, document/record analysis, interviews with project leaders and farmer support and development (FSD) officials, and beneficiary interviews. The evaluation tools were incorporated into a digital format, which was accessed and completed through logging into a tablet. In total 153 land reform projects were evaluated.
- **Step 5: Analysis of success and sustainability:** Various components for success were identified and compiled into a project performance rating system. Project farms were ranked and classified, based on standard scores, into these categories: highly successful, moderately successful, challenged, and failed. To determine success factors, correlations between the dependent variable (rating) and the independent variables (factors obtained from the survey) was undertaken in order to verify their positive or negative relationship.
- **Step 6: Project evaluation report**

The evaluation problems/issues/challenges/limitations included the following hitches:

- Scheduling evaluations proved difficult owing to the time of month/year/harvests
- Some farms were inaccessible owing to excessive rain. These were evaluated off-site
- Financial data were not always available. Auditors were cited as keeping financial records
- Farm production, income, etc, was often based on opinion without documentary proof
- Commonages/food security/subsistence projects required their own success indicators
- Some projects were too immature to enable determining success
- A multiplicity of factors made each project unique and difficult to classify into typologies
- Numerous sampled projects had to be replaced
- Limited beneficiary surveys were done, although five beneficiaries were requested:
 - Project leaders were unwilling to allow interviews owing to time off from work
 - Many beneficiaries are inactive and were not present at the project site

Section 4 of the main report profiles the project farms based on the project farm questionnaire. A total of 153 project farms were evaluated per region, as shown below.

District	No. of projects	No. evaluated	Representation
Cape Metropole	11	6	55%
Cape Winelands	87	53	61%
Central Karoo	36	22	61%
Eden	39	26	67%
Overberg	33	21	64%
West Coast	40	25	63%
TOTAL	246	153	62%

Key project farm profiles entail these aspects, inter alia:

- On average, the project farms have 78 beneficiaries each. The majority of beneficiaries are not actively involved (60%), followed by 30% that are actively involved on a day-to-day basis, and 10% that are actively involved on a part-time basis.
- The gender distribution of beneficiaries is relatively even, with females accounting for 51% of beneficiaries and males 49%.
- Approximately half of the beneficiaries are the youth (18–35 years of age) or younger.
- The agricultural experience of beneficiaries at the project start is as follows: more than 5 years' experience (58%), no agricultural experience (31%), and fewer than 5 years' experience (11%).
- The average number of full-time employees per project farm is 13.
- Approximately 60% of all full-time employees are males, while 40% are females. Female representation in project farms is relatively high, compared with other sectors.
- The average minimum daily wage paid to farm workers is R100 per day, although 78% of project farms evaluated pay R105 per farm worker or more.
- Approximately 69% of projects have been able to re-invest finance into their businesses.

Section 5 of the main report profiles the 245 beneficiaries, based on administering the beneficiary questionnaire. The impact on beneficiaries' quality of life, employment and household income as brought about by project farms reveals that:

- Multiple household income sources are common, and project income on average contributes more than half to the household's income.
- Marginal increase is noted (from prior to the project to the current rating) in the overall rating of levels of satisfaction with life, even if the overall rating is still mostly neutral.
- A direct relationship is noted between income and the way beneficiaries' rate their levels of satisfaction and quality of life improvements.
- Furthermore, levels of satisfaction with the anticipated future financial situation reveal that nearly three quarters anticipate high or very high future financial situations.
- Access to a better physical living environment has improved slightly in comparison with the situation prior to the project. The beneficiaries that changed their place of residence from prior to joining the project to their current residence have mostly reported their physical and living environments to have improved or remained the same.
- Approximately 60% of beneficiaries' household income increased owing to the project farms, whereas 40% of the beneficiaries' household incomes decreased.

The overall performance evaluations of the project farm are detailed in **Section 6** of the main report. Eleven of the project farm beneficiaries occupied their land only in 2011, and mostly started with operations only in 2012/13. The evaluation team considered the period insufficient to provide a meaningful evaluation of performance. A further 17 of the project farms were classified as commonages, food security projects or subsistence farms. As a large percentage of the evaluation system was devoted to economic success, the evaluation team rated these projects according the following variables, which are more in line with the project's objectives:

- Degree of internal conflict among beneficiaries
- Percentage female and youth representation of beneficiaries
- Access to food in order to meet the needs of the households
- Satisfaction with change in beneficiaries health as brought about by the project farm
- Satisfaction with beneficiaries life as brought about by the project farm

There was a relatively even distribution among the commonages, food security projects, and subsistence farms projects that have scored above average and below average. The highest scoring commonage/food security/subsistence farming projects received 67%, whereas the lowest received 33%, which shows that none of the commonage/food security/subsistence projects are doing exceptionally well or exceptionally poorly.

To determine the extent to which the remaining 135 projects (153 project farms evaluated minus 11 new projects, minus 17 commonage/subsistence/food security projects, plus 10 projects that have closed down) are successful and sustainable or, on the other side of the spectrum, a total failure, the following project performance rating system was designed.

#	SUB-INDEX	INDICATORS	SCORE	
1	Impact on natural resources	Percentage of farming electricity from renewable/green energy	2	10
2		Degree of water contamination from farming practices	2	
3		Sewerage disposal efficiency	2	
4		Waste recycling/re-use	2	
5		Project evaluators observation on condition of soil and erosion	2	
Environmental dimension total				10
6	Beneficiaries & workforce	Share of inactive beneficiaries	2	6
7		Value of beneficiaries' contribution per beneficiary	2	
8		Internal conflict between beneficiaries	2	
9	Empowerment targets	Percentage female beneficiaries	2	4
10		Percentage youth beneficiaries	2	
11	Labour law	Workers UIF registered	2	4
12		Minimum wage	2	
13	Quality of life	Standard of physical living environment	2	4
14		Access to food to feed household needs	2	
15	Household income	Level of satisfaction with availability of money	2	6
16		Change in income regularity and consistency	2	
17		Change in anticipated future financial situation	2	
Socio-economic dimension				24
18	Business formalisation	Registered company and bank account	2	6
19		Business plan in place and rating of four components	2	
20		Tax registered	2	
21	Expertise and Management	Share of beneficiaries more than 5 yrs agri. experience at start	2	8
22		Success of overall PM, marketing & financial management	2	
23		Sound financial management and record-keeping system	2	
24		Income and expenditure projections	2	
25	Support & skills development	Sufficiency of FSD support	2	4
26		Skills development plan in place and implementing	2	
27	Production	Sufficiency of equipment and machinery for production	2	8
28		Production records	2	
29		Rating of current production: combination of farming types	2	
30		Farm utilised to full potential	2	
31		Future anticipated production growth	2	
32	Market access	Percentage market access: combination of farming types	2	6
33		Market access contracts: combination of farming types	2	
34		Project evaluator observation of condition of internal roads	2	
35	Income, expenditure and debt	Capable of servicing debts	2	10
36		Ability to reinvest finances into the farm/project	2	
37		Is project viable or profitable	2	
38		Sufficiency of financial support received	2	
39		Future anticipated profit growth	2	
Economic viability dimension				44
TOTAL PERFORMANCE RATING SCORE				78

To determine the class breaks between the classifications, various accepted methodologies were identified, scrutinised and analysed in terms of their applicability, which included investigating methodologies utilised in relevant evaluations covered in the literature review. Discussions with other knowledgeable evaluation experts were also undertaken and **standard scores** were chosen as the preferred method of determining the class breaks.

The overall project performance rating results are as follows:

CLASSIFICATION	NUMBER OF PROJECT FARMS	SHARE
Highly successful (score: 73%–100%)	15 project farms	11%
Moderately successful (53%–72%)	69 project farms	51%
SUCCESSFUL (53%–100%)	Sub-total: 84 project farms	62%
Challenged (33%–52%)	32 project farms	24%
Failed (0%–32%)	19 project farms	14%
UNSUCCESSFUL (0%–52%)	Sub-total: 51 project farms	38%
TOTAL	135 project farms	100%

The table below shows the average score (out of 100%) per classified project for each of the dimensions, namely environmental, socio-economic, and economic viability:

PROJECT CLASSIFICATION	DIMENSION		
	Environmental	Socio-economic	Economic viability
Highly successful	59%	63%	86%
Moderately successful	42%	55%	72%
Challenged	35%	45%	47%
Failed	14%	11%	14%
TOTAL	38%	48%	59%

The top 5 **average scoring indicators**, in order of importance, are:

- Capable of servicing debts • 88%
- Percentage market access • 81%
- Sewerage disposal efficiency • 80%
- Sufficiency of FSD support • 80%
- Future anticipated production growth • 80%

The 5 **lowest average scoring indicators**, in order of importance, are

- Percentage of farming electricity from renewable/green energy • 6%
- Degree of water contamination from farming practices • 9%
- Waste recycling/re-use • 23%
- Value of beneficiaries contribution per beneficiary • 26%
- Farm utilised to full potential • 26%

The project performance rating system was further used to determine the relationships among various independent variables obtained from the evaluation framework and data from the project performance rating system to determine correlations with success.

None of the failed projects had any of the following aspects, which reveals that these aspects correlate most with failed projects and thus are likely to be key reasons contributing to failure:

- No beneficiaries previously resident on the farm
- No market access contracts in place
- No operational loans
- No skills development plan in place
- No mentorship or commodity committee support received
- No production records in place
- No beneficiaries anticipate improvements in regularity and consistency of household income
- No beneficiaries experienced very good/good change in access to food to feed family
- No beneficiaries experienced very good/good change in standard of physical living
- No beneficiaries experienced very good/good change in satisfaction with availability of money for household

All highly successful projects have the following aspects in place:

- Registered farm business, VAT and tax registered, bank account holders
- Beneficiaries anticipate their future financial situation to improve
- Compliant with labour law in terms of minimum wage and registration for UIF
- Market access of all produce
- Good/very good rated support: training courses, mentors, FSD advice, market access
- Water from a reliable source for farming practices
- Key task execution for marketing rated as very good/good
- Business plan exists for current farming practices at start-up
- Sound financial management record-keeping systems and cash flow
- Record keeping: monthly income and expenditure statements, production records, annual financial statements, projections of income and expenditure

In conclusion the main report suggests the following aspects for improved performance:

- Project leaders need greater assistance in understanding the legal status of their entity
- The type of farming activity needs to match the resources
- Beneficiary pre-selection needs greater consideration for agricultural skills and experience
- Monitoring is required of not only quantity, but quality of support provided by FSD officers
- Project farms need to be better organised and formalised to access markets
- Project leaders need greater assistance with understanding their business plans so that they can implement proper business planning, cash flow management, risk amelioration, etc
- Greater focus on basic record keeping and business formalisation is essential
- FSD officers should be trained adequately in conflict resolution
- Critical human development requirements include financial management, farm production management, marketing/market access, and human resource management
- A skills development plan should be a prerequisite for project farm selection
- Beneficiaries could benefit from networking with beneficiaries from other project farms
- Regular collection of project performance information is required

The **critical recommendations** with which the department is in a pivotal position to assist include:

- Utilising agricultural economists to investigate potential for viability at project planning/start-up
- Supporting formalisation and organisation of businesses prior to rollout of further support
- Providing greater support with business plans and regular business planning
- Matching beneficiaries own capital and physical contribution to the department's support
- Encouraging a multiplicity of income sources at project start-up
- Co-ordinating greater partnership among support providers
- Ensuring greater focus on environmentally sustainable patterns of production
- Monitoring progress of projects and that of FSD officers and other support service providers

The department is also recommended to develop exit strategies for cessation of support both for existing projects that can succeed on their own and project farms that have failed to such an extent that continued support is no longer justified. Aspects to be considered are detailed, such as evaluating productivity levels, profitability, cash flow, etc, for three consecutive years.

Through CASP and Ilima-Letsema, the department has recognised that the private sector cannot do it all, and is bridging the gap in areas which market actors are not. Competent FSD advisors, mentors, financial and non-financial support, etc, have enabled more than 60% of the land reform project farms to be classified as successful. Most importantly, though, without the support of CASP and Ilima-Letsema, the current success rate and hope for land reform projects would be dire. So many solutions to problems faced by the project farms have their roots in the support from CASP and Ilima-Letsema. The expectations of CASP and Ilima-Letsema have started to bear fruit, and some of the project farms have not only succeeded in developing an economic performance that matches expectations, but have alleviated poverty, improved the livelihoods of beneficiaries, and created jobs, which indirectly benefits a much wider range of poor than just the direct beneficiaries. The challenge now is to help more project farms to follow a business-oriented growth approach in order to reap the rewards from investments and sow enhanced contributions. Essentially, what is mostly needed is the scaling up of successful experiences, as noted from the successful project farms.

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ANNEXURE 1: COMPREHENSIVE EVALUATION REPORT

1. EVALUATION SCOPE AND PURPOSE

In South Africa, access to and redistribution of land is a key imperative to securing democratic stability. However, in line with government's outcomes-based approach, the number of farms and associated transferred hectares is less important than the actual performance of the project farms. As such, the purpose of this evaluation is to determine the success of a sample of 150 of the 246 agricultural land reform projects (smallholder and commercial farmers) supported by the department from 1 April 2009 to 31 March 2013 through the Comprehensive Agricultural Support Programme (CASP) and/or Ilima-Letsema.

The project performance evaluation seeks to answer various questions, inter alia, to determine the level of success of the project farms in terms of aspects such as the ability of projects to re-invest finances into the business, to comply with labour law requirements, to secure access to markets, to develop production and/or sales records, and to reveal the existence of a business plan.

This report, submitted by Kayamandi Development Services (Pty) Ltd, serves as a main summary report for the project performance evaluation, on behalf of the Unit for Technical Assistance (UTA) an initiative of the Provincial Department of Agriculture: Western Cape, administered by the Cape Agency for Sustainable Integrated Development (Casidra) (Pty) Ltd.

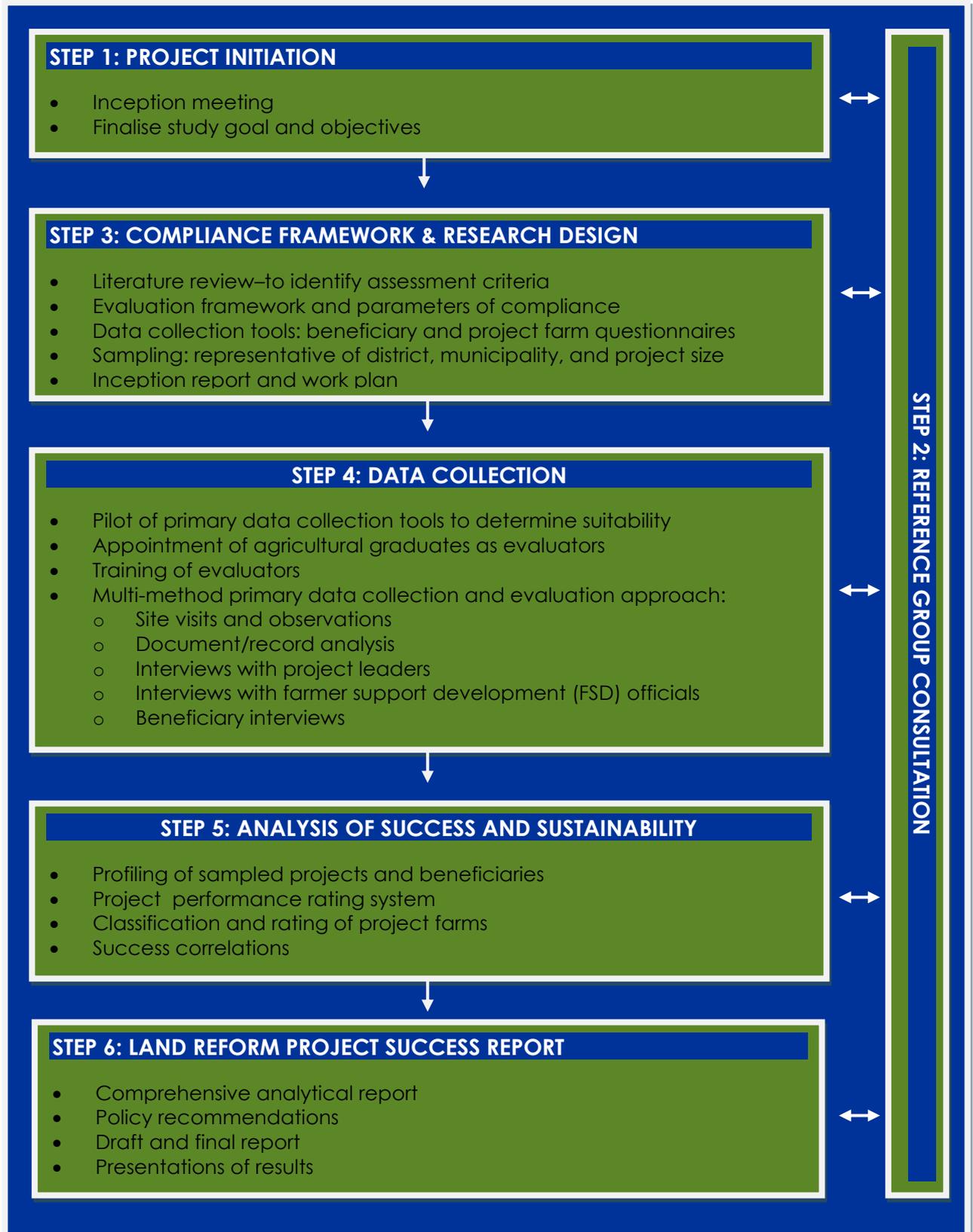
The following sections form part of this report:

- Evaluation approach
- Overview of project farms and beneficiaries
- Evaluation of projects' performance
- Factors for success
- Key recommendations for improved performance

The Comprehensive Evaluation Report is annexed to this report.

2. EVALUATION APPROACH

The evaluation was conducted according to these main steps as shown below.



Key sampling limitations of the evaluations include:

- **Sample project replacements:** Numerous sampled projects had to be replaced. Reasons include:
 - Some projects on the database were duplications, that is, two names, but the same project
 - Ten projects closed down completely and are no longer operational. These were accounted for and included in the performance rating as failed projects
 - Some project leaders indicated that they were not available for the evaluation or were not co-operative about meeting dates. Uncooperative project leaders could be in charge of unsuccessful farms, which has the potential to skew results slightly
 - Some projects experienced severe internal conflict, so much so that conducting evaluations was indicated as being unsafe
- **Limited beneficiary surveys:** Despite requests for at least five beneficiaries to be present at the evaluations, limited beneficiary surveys could be undertaken. Reasons include:
 - Project leaders were unwilling to allow more than one or two beneficiaries to be interviewed owing to time off from work
 - Many beneficiaries are inactive and were not present at the project site
 - Some projects had limited to no beneficiary questionnaires. Numerous follow-up calls were undertaken and critical data required for the performance rating was obtained

Evaluation problems/issues/challenges include

- **Scheduling farm/project evaluations proved difficult:**
 - Project leaders complained about the time of month/year/harvests
 - Meetings were cancelled on short or no notice
 - Evaluators were continually pressured to rush the process
- **Inaccessibility of project farms:**
 - Some farms were inaccessible owing to excessive rain. These were evaluated off-site.
- **Limited data:**
 - Financial data was not always available. Auditors were often cited as keeping financial records
 - More time was spent after the evaluations to follow up auditors/bookkeepers, as well as beneficiaries for projects where beneficiary surveys were not conducted, etc. However, after numerous follow-up phone calls and e-mails for additional information, obtaining outstanding information mostly did not materialise.
- **Project leaders subjectivity and information availability/quality:**
 - For some project farms, data on farm production, income, and profit seemed to be based on opinion because documents were not available
 - Data validity would have been less compromised if FSD officers had brought project records to the evaluation
- **Variability of survey farms:**
 - Commonages/food security/subsistence projects required their own set of indicators
 - Some projects were too immature to enable success to be determined
 - A multiplicity of factors impinged on each project, making each unique/complex
 - Classifying farms into typologies to enable inter-group comparisons was difficult

3. OVERVIEW OF PROJECT FARMS AND BENEFICIARIES

This section provides an overview of:

- Project farms
- Beneficiaries and employees
- Beneficiaries' perceptions

3.1 OVERVIEW OF PROJECT FARMS

In total 153 project farm evaluations were undertaken as shown below.

Table 1: District representation of projects sampled and evaluated

District	Total no. of projects	No. evaluated	Representation
Cape Metropole	11	6	55%
Cape Winelands	87	53	61%
Central Karoo	36	22	61%
Eden	39	26	67%
Overberg	33	21	64%
West Coast	40	25	63%
TOTAL	246	153	62%

Source: DoA database of supported land reform projects and Kayamandi Calculations, 2013

The average size of project farms evaluated is 781 hectares (ha), although 25% of the project farms are small and less than 10 ha in size. The distribution of main type of farming undertaken by the projects, in order of importance, is:

- Animal production 31%
- Horticulture 27%
- Vegetable farming 22%
- Crops 8%
- Production of products (milk, eggs, wine, etc) 8%
- Other activities (honey, aquaculture, etc) 4%

Other than for horticultural farming, market access contracts are limited. The distribution of market access and existence of market access contracts per farming type is shown below.

Table 2: Percentage distribution of type of market access per type of farming

MARKET ACCESS COMPONENTS		TYPE OF FARMING				
		Animal production	Horticulture	Vegetables	Crops	Products
Market access	Farm gate	42%	6%	42%	14%	31%
	Suppliers	42%	49%	39%	40%	58%
	Export	0%	33%	3%	0%	2%
	On-farm value-adding	2%	5%	4%	36%	2%
	No market access	14%	6%	12%	10%	7%
	TOTAL	100%	100%	100%	100%	100%
Market access contracts exist		16%	80%	24%	28%	36%
No market access contracts		84%	20%	76%	72%	64%
TOTAL		100%	100%	100%	100%	100%

Source: Kayamandi Project Survey, 2013

On average there are slightly more than two key project management roles/positions for each project farm. These are mostly beneficiary filled (70%), followed by externally filled full time (22%) and externally filled part time (8%). There is regular consultation with beneficiaries and the average number of beneficiary meetings per annum is approximately 15 per project farm. In other words, on average beneficiaries are mostly consulted three times every two months. However, approximately 57% of project farms have four or fewer meetings per annum and thus consult less regularly than once a quarter.

Much debate takes place in policy on the value of mentors, FSD advice and other non-financial support. One would anticipate these areas of support to be critical in order to ensure the success of projects. On average each project farm received three forms of non-financial support, although 5% of project farms revealed that they have not obtained any non-financial support.

Project leaders have mostly rated their non-financial support as being sufficient and either good/ or very good. See table below.

Table 3: Percentage distribution of rating and sufficiency of support received

SUPPORT	RATING					SUFFICIENCY			
	Very bad	Bad	Acceptable	Good	Very good	TOTAL	Sufficient	Insufficient	TOTAL
Training courses	0%	1%	16%	53%	30%	100%	84%	16%	100%
Mentorship	1%	2%	7%	62%	28%	100%	94%	6%	100%
FSD advice	2%	2%	11%	47%	38%	100%	89%	11%	100%
Market access support	0%	1%	10%	60%	29%	100%	90%	10%	100%
Commodity committee	0%	0%	10%	69%	21%	100%	93%	7%	100%

Source: Kayamandi Project Survey, 2013

In order to compare the value of financial support obtained over the years, the value of the financial support from years prior to 2013 has been transformed to a 2013 value, by accounting for consumer price index (CPI). The 2013 average value of financial support obtained per project farm which obtained financial support is as follows:

- Average value of capital loans R3 284 650
- Average value of capital grants R4 829 118
- Average value of operational loans R2 459 625
- Average value of operational grants R726 704
- **Total average value of financial support R3 094 298**

Slightly more than half (56%) of the beneficiary groups of the project farms contributed none of their own capital to the farm's financial kitty, despite this being a requirement for attainment of support.

Project farms are indebted by an average of R1.85 million, which includes those project farms with no debt (65%). For the project farms that have debts, the majority (89%) have indicated that they are capable of servicing their debts. Approximately 69% of project farms have also revealed that they are able to re-invest finances into their business, which is a positive indication for successful undertakings.

3.2 OVERVIEW OF BENEFICIARIES AND EMPLOYEES

On average the project farms have 78 beneficiaries each, of whom the majority are not actively involved (60%), as shown below.

Table 4: Percentage distribution of level of beneficiary involvement

Beneficiary level of involvement	TOTAL	Average number of beneficiaries per project
Active on day-to-day basis	30%	24
Active on part-time basis	10%	15
Not actively involved	60%	96
TOTAL	100%	78

Source: Kayamandi Beneficiary Survey, 2013

The gender distribution of beneficiaries is relatively even, with females accounting for 51% and males 49%. Approximately 1.5% of project beneficiaries are disabled, which suggests a concerted effort to integrate disabled persons into the project farms. The majority of beneficiaries of the project farms evaluated are Coloured, which accounts for 82% of the beneficiaries, followed by 18% that are Black African. The age distribution of beneficiaries is as follows:

- School-going (0–17) 28%
- Youth (18–35) 21%
- Middle age (36–59) 40%
- Old age (60+) 11%

Project farms with large numbers of beneficiaries that are 60 years and older need to ensure that they have beneficiary succession plans in place, especially in the smaller project farms. The relatively high proportion of the youth and school-going-age beneficiaries reveals that the department is drawing a new generation of farmers to the projects, in light of the knowledge that in the main, involvement in a primary economic sector is not high on the agenda of the youth.

The agricultural experience of beneficiaries at project start is as follows:

- No agricultural experience 31%
- Less than five years' experience 11%
- More than five years' experience 58%

Whereas formal education is low as shown below:

- None 23%
- Grade 7/Std 5 47%
- Grade 10/Std 8 18%
- Grade 12/Std 10 9%
- Diploma 2%
- Degree 1%

The average number of full-time employees per project farm is 13, whereas the project farms employ an average of 11 casual/seasonal labourers per annum. The average number of full-time employees increases with the number of beneficiaries per project farm. Approximately 60% of all full-time employees are males, while 40% are females. Compared with other economic sectors, and the agricultural sector as a whole, female representation in project farms is relatively high. The racial distribution of full-time employees is as follows:

- Coloured 65%
- Black African 31%
- White 4%

The average minimum daily wage paid to farm workers is R100 per day, although 78% of project farms pay R105 per farm worker or more, which is the 2013 legally required minimum daily wage.

3.3 BENEFICIARY PERCEPTIONS

Key findings from the 245 beneficiary surveys and beneficiaries' perceptions of the project farms' impact on their quality of life, employment and household income reveal:

- Multiple household income sources are common, and project income on average contributes more than half to the household's income.
- Marginal increase (from prior to the project to the current rating) in the overall rating of levels of satisfaction with life are noted, even if the overall rating is still mostly neutral. Only 4% of the beneficiaries revealed a decrease in levels of satisfaction with life in general.
- A direct relationship between income and the way beneficiaries' rate their levels of satisfaction is noted in that higher levels of project income have resulted in higher levels of satisfaction with quality of life.
- Furthermore, levels of satisfaction for the anticipated future financial situation reveal that nearly three quarters anticipate high or very high future financial satisfaction will be brought about by the project farms.
- Access to a better physical living environment has improved slightly in comparison with the situation prior to the project. The majority of beneficiaries that have changed their place of residence since joining the project mostly reported that their physical and living environment had improved or had remained the same.
- The average income of individuals is below the minimum wage for farm workers. However, the income of 60% of beneficiaries and their households increased, whereas for 40% of the beneficiaries and their household monthly incomes decreased.
- Quality of life improvement is directly related to income from the project, which suggests that longer-term sustainability of agriculture will significantly influence quality of life.

4. EVALUATION OF PROJECT'S PERFORMANCE

Eleven of the project farms occupied their land only in 2011 and mostly started with operations only in 2012/13. The evaluation team considered the period insufficient to provide a meaningful evaluation of performance. Nonetheless, the initial ratings for the new projects revealed that two thirds scored above average, and initially appear to be successful, albeit too early to draw real conclusions.

A further 17 of the project farms were classified as commonages, food security projects or subsistence farms. Because a large percentage of the evaluation system was devoted to economic success, which is not a real part of the projects, the evaluation team utilised these variables, which are more in line with the project's objectives:

- Degree of internal conflict among beneficiaries
- Percentage female and youth representation of beneficiaries
- Access to food in order to meet the needs of households
- Satisfaction with change in beneficiaries' health as brought about by the project farm
- Satisfaction with beneficiaries life as brought about by the project farm

The commonage/food security/subsistence farming projects scored relatively evenly between the number of projects classified as being above and below average. Note, however, that the highest scoring commonage/food security/subsistence farming projects received 67%, whereas the lowest scoring received 33%. This shows that none of the projects are doing exceptionally well or poorly.

A project performance rating system was designed to determine the extent to which the **remaining 135 projects** (153 project farms evaluated minus 11 new projects, minus 17 commonage/subsistence/food security projects, plus 10 projects that have closed down) are successful and sustainable or, on the other side of the spectrum, a total failure.

The project performance rating system comprises 39 indicators that have been selected to best indicate the project's success, rather than a single determinant.

Sensitivity analysis was applied to test different weightings, and the sensitivity analysis revealed that the most reliable result entailed scoring each indicator out of two, and using equal weights per indicator. The highest score attainable for any project was measured out of a maximum attainable score of 78.

The representation of indicators per dimension in the project performance rating system is:

- Environmental dimension: 5 indicators 13%
- Socio-economic dimension: 12 indicators 31%
- Economic viability dimension: 22 indicators 56%
- **TOTAL: 39 indicators 100%**

The project performance rating system showing the 39 indicators with their scores per each of the dimensions and sub-indexes is depicted below.

Table 6: Project performance rating framework

SUB-INDEX	#	INDICATORS	SCORE	
Impact on natural resources	1	Percentage of farming electricity from renewable/green energy	2	10
	2	Degree of water contamination from farming practices	2	
	3	Sewerage disposal efficiency	2	
	4	Waste recycling/re-use	2	
	5	Project evaluators observation on condition of soil and erosion	2	
Environmental dimension total			10	
Beneficiaries and workforce	6	Share of inactive beneficiaries	2	6
	7	Value of beneficiaries' contribution per beneficiary	2	
	8	Internal conflict between beneficiaries	2	
Empowerment targets	9	Percentage female beneficiaries	2	4
	10	Percentage youth beneficiaries	2	
Labour law	11	Workers UIF registered	2	4
	12	Minimum wage	2	
Quality of life	13	Standard of physical living environment	2	4
	14	Access to food to feed household needs	2	
Household income	15	Level of satisfaction with availability of money	2	6
	16	Change in income regularity & consistency	2	
	17	Change in anticipated future financial situation	2	
Socio-economic dimension			24	
Business formalisation	18	Registered company and bank account	2	6
	19	Business plan in place and rating of four components	2	
	20	Tax registered	2	
Expertise and Management	21	Share of beneficiaries more than five yrs' agri. experience at start	2	8
	22	Success of overall PM, marketing & financial management	2	
	23	Sound financial management and record-keeping system	2	
	24	Income and expenditure projections	2	
Support & skills development	25	Sufficiency of FSD support	2	4
	26	Skills development plan in place and implementing	2	
Production	27	Sufficiency of equipment and machinery for production	2	8
	28	Production records	2	
	29	Rating of current production: combination of farming types	2	
	30	Farm utilised to full potential	2	
	31	Future anticipated production growth	2	
Market access	32	Percentage market access: combination of farming types	2	6
	33	Market access contracts: combination of farming types	2	
	34	Project evaluator observation on condition of internal roads	2	
Income, expenditure and debt	35	Capable of servicing debts	2	10
	36	Ability to reinvest finances into the farm/project	2	
	37	Is project viable or profitable	2	
	38	Sufficiency of financial support	2	
	39	Future anticipated profit growth	2	
Economic viability dimension			44	
TOTAL PERFORMANCE RATING SCORE			78	

Instead of merely providing projects with a single score, the projects were categorised into four classifications of success based on their score share. In order to determine the class breaks between the classifications, various accepted methodologies were identified, scrutinised and analysed in terms of their applicability, which included investigating methodologies utilised in relevant evaluations covered in the literature review. Discussions with other knowledgeable evaluation experts were undertaken in order to ascertain the most acceptable methodology. The following classification methodologies were short-listed and tested in order to determine the class breaks between the classifications:

- **Equal Interval:** In equal interval classifications, the data range for all classes are the same. In other words, the range of the entire data set is divided by the desired number of data classes, such that each class occupies an equal interval along the range of data values. The distribution of the data is not taken into consideration when determining class breaks for the intervals, only the lower and upper values of the data are used.
- **Standard score percentile rank:** This entails determining the average score and the standard deviation. Failed projects score less than the average minus the standard deviation. Challenged projects score less than the average, but more than the average minus the standard deviation. Moderately successful projects score more than the average, but less than the average plus the standard deviation. Highly successful projects score more than the average plus the standard deviation.

Both methods provided similar results for ranking successful and unsuccessful projects, although standard scores provided a greater variance between very successful and moderately successful projects, as well as challenged and unsuccessful. Furthermore, the resultant classifications using standard scores provided more acceptable correlations and alignment with the data and project farm information.

Based on the sensitivity analysis of the classification results and discussions with other knowledgeable evaluation experts, **standard scores** was chosen as the preferred method for determining the class breaks. The project farms scored 53% on average (average percentage out of a maximum of 78 points of all project farms), and using standard scores, the resultant class breaks between the classifications are as follows:

- Highly successful: 73%–100%
- Moderately successful: 53%–72%
- Challenged: 33%–52%
- Failed: 0%–32%

By grouping highly successful and moderately successful farms, 62% of the project farms are classified as being successful, whereas 38% are classified as unsuccessful (when grouping challenged and failed project farms). The overall project performance rating results are as follows:

Table 6: Project performance rating results per classification

CLASSIFICATION	NUMBER OF PROJECT FARMS	SHARE
Highly successful	15 project farms	11%
Moderately successful	69 project farms	51%
SUCCESSFUL	Sub-total: 84 project farms	62%
Challenged	32 project farms	24%
Failed	19 project farms	14%
UNSUCCESSFUL	Sub-total: 51 project farms	38%
TOTAL	135 project farms	100%

Approximately half of the project farms are classified as doing moderately well, followed by a quarter that are classified as being challenged, 14% that have failed, and 11% that are classified as being highly successful.

The table below shows the average score (out of 100%) per classified projects for each of the dimensions, namely environmental, socio-economic, and economic viability:

Table 7: Average project scores per classification and dimension

PROJECT CLASSIFICATION	DIMENSION		
	Environmental	Socio-economic	Economic viability
Highly successful	59%	63%	86%
Moderately successful	42%	55%	72%
Challenged	35%	45%	47%
Failed	14%	11%	14%
TOTAL	38%	48%	59%

On average, the **environmental dimension** scored the least, with only 38% of its potential score obtained. Only highly successful project farms on average scored more than half of the potential score for the environmental dimension. The environmental dimension is considered a key requirement for sustainability owing to its impact on natural resources. It is recommended the projects obtain greater support, in particular to ensure decreased water contamination from farming practices, and improved waste recycling/re-use as these aspects are critical for environmental sustainability and can have negative impacts on the natural resource base. This is especially necessary for failed and challenged projects, which mostly have lower consideration for environmental components.

The **socio-economic dimension** on average scored half (48%) of its potential score and evidently both moderately successful and highly successful farms scored more than half of potential scores for the socio-economic dimension. Challenged projects also did relatively well in the socio-economic dimension.

The sub-index categories of the socio-economic dimension scored as follows on average:

- Empowerment 51%
- Labour law 48%
- Beneficiaries and workforce 46%
- Quality of life 46%
- Household income 42%

The **economic viability dimension** obtained the highest score of all three dimensions and all project farms on average scored 59% for economic viability. Highly successful farms scored the highest with an average of 86% for economic viability. Moderately successful farms also score high at an average 72% for economic viability. Challenged farms on average score nearly half of the potential score for economic viability, which is a positive indication, in that challenged farms are slightly more impeded by environmental and socio-economic components than economic viability.

The sub-index categories of the economic viability dimension scored as follows on average:

- Income, expenditure, debt 72%
- Expertise and management 62%
- Support and skills development 56%
- Business formalisation 54%
- Production 53%
- Market access 53%

The top ten highest **average scoring indicators**, in order of importance, are:

- Capable of servicing debts • 88%
- Percentage market access • 81%
- Sewerage disposal efficiency • 80%
- Sufficiency of FSD support received • 80%
- Future anticipated production growth • 80%
- Future anticipated profit growth • 79%
- Success of overall PM, marketing and financial management • 73%
- Project evaluators observation veld/orchards/crop condition • 71%
- Sound financial management and record-keeping system • 71%
- Business plan in place and rating of four components • 67%

The ten **lowest average scoring indicators**, in order of importance, are:

- Percentage of farming electricity from renewable/green energy • 6%
- Degree of water contamination from farming practices • 9%
- Waste recycling/re-use • 23%
- Value of beneficiaries contribution per beneficiary • 26%
- Farm utilised to full potential • 26%
- Market access contracts combination of farming types • 26%
- Skills development plan in place and implementing • 32%
- Change in regularity and consistency of income • 40%
- Change in level of satisfaction with availability of money • 44%
- Change in access of food to meet the needs of the household • 45%

5. FACTORS FOR SUCCESS

The project performance rating system was further used to determine which factors have an influence on successful and unsuccessful projects. In order to determine these factors, the relationships among various independent variables obtained from the evaluation framework and data from the project performance rating system were analysed.

Some variables were noted as being spread relatively evenly between successful and unsuccessful projects and thus offer no correlation. However, some variables have a significant positive correlation with the determination of whether a project can be categorised as successful or unsuccessful, offering precious lessons for improved performance.

None of the failed projects had any of the following aspects, which reveals that these aspects correlate the most with failed projects, and are thus likely to be key reasons contributing to failure:

- No beneficiaries were previously resident on the farm
- No market access contracts in place
- No operational loans
- No skills development plan in place
- No mentorship or commodity committee support
- No production records in place
- No beneficiaries anticipate improvements in regularity and consistency of household income
- No beneficiaries experienced very good/good change in:
 - Access to food in order to feed the family
 - Standard of physical living
 - Satisfaction with availability of money for household

The following factors were also noted to correlate strongly (albeit not fully) with failed projects and are thus additional reasons contributing to negative or limited success in project farms:

- Poor sufficiency rating of equipment and machinery for production
- Poor financial management and poor financial record keeping
- Poor marketing
- Lack of cash flow
- Inability to re-invest finances into the project
- Projects in which conflict prevails
- Beneficiary groups with high share of males
- High share of beneficiaries not actively involved
- Beneficiaries with high share of no prior agricultural experience at project start
- Low compliance with labour law in terms of minimum wage
- Low VAT and tax registrations
- Low share of farm workers registered for UIF
- Low share of electricity for farming
- Low share of business plan exists for farming practices at start-up and low share of business plans updated
- Low share of owning a bank account

Note that **all highly successful projects have the following aspects in place:**

- Registered farm business
- VAT registered
- Tax registered
- Bank account holders
- Beneficiaries anticipate their future financial situation to improve
- Compliant with labour law in terms of minimum wage and registration for UIF
- Market access of all produce

- Good/very good rated non-financial support obtained for: training courses, mentors, FSD advice, market access
- Water from a reliable source for farming practices
- Key task execution for marketing rated as very good/good
- Business plan exists for current farming practices at start-up
- Sound financial management record-keeping systems exist
- Cash flow exists
- Record keeping:
 - Monthly income and expenditure statements
 - Production records
 - Annual financial statements
 - Projections of income and expenditure

Furthermore, the following additional factors correlate strongly with highly successful projects (albeit not fully):

- Skills development plan in place
- Electricity for farming
- Market access contracts in place
- Cell phone reception
- Updated business plans
- Very good/good sufficiency rating of equipment and machinery for production
- Recycling/re-use of nutrients/water from waste
- Good internal beneficiary working relationship with very positive or positive impacts
- Very good/good condition of sheds/barns
- Very good/good condition of fencing

The table below lists various components, whether they be problems or opportunities, noted from the evaluations or suggestions for improved performance that flow from there:

Table 7: Evaluation findings and suggestions

COMPONENT	FINDINGS AND SUGGESTIONS
Legal status	<ul style="list-style-type: none"> • Project leaders often do not understand the legal status of their entity or choice of entity. Projects need greater assistance
Farm type selection	<ul style="list-style-type: none"> • The type of farming activity needs to match the resources available. • Greater consideration is needed for project types with less risks • Existing challenged animal and vegetable production farms need immediate support
Beneficiary competence levels (experience)	<ul style="list-style-type: none"> • Beneficiary pre-selection criteria should have greater concern for beneficiaries with prior agricultural skills, qualifications, and/or experience
FSD officers	<ul style="list-style-type: none"> • The support obtained from FSD advisors, in failed projects, have mostly been rated as neutral/bad • Greater implementation of the 'agricultural knowledge triangle' is required until farmers are able to continue on their own • Greater active involvement of officers and monitoring of not only the quantity, but the quality of the support is required

COMPONENT	FINDINGS AND SUGGESTIONS
Market access	<ul style="list-style-type: none"> • Consider central market access infrastructure such as collection points or shared transport • Consider group action of project farms jointly accessing markets • FSD officers should be able to supply farmers with more adequate marketing information • Future land acquisitions should be in closer proximity to towns to improve market access distance
Business plans	<ul style="list-style-type: none"> • Only a small share of unsuccessful project farms had business plans • Consider the establishment of a business plan development office at the department to assist with formalisation of business plans. Even though this component exists under the Unit for Technical Assistance (UTA), project farm leaders are not sufficiently aware of this • Beneficiaries should understand their business plans so that they are able to implement them, and undertake future projections, etc
Condition of machinery and quality of infrastructure	<ul style="list-style-type: none"> • On average, only approximately half of the project farms (even the highly successful project farms) scored their condition of machinery, equipment, implements as being very good/good • Water and electricity supply is a key indicator for successful farming development. Greater partnerships with local communities and farmers should be established for water and electricity access
Financial factors	<ul style="list-style-type: none"> • There is a definite lack of understanding of the importance of record keeping in unsuccessful project farms • Half of unsuccessful projects did not have a registered farm business, no bank account, and were not VAT/Tax registered. Greater enforcement needed prior to committing to provision of support • Most of the projects could do with more mentoring on financial management • Greater focus on basic record keeping and business formalisation is needed • Agricultural economists should be involved prior to support provision to analyse viability and ensure projects have a reasonable chance of success
Conflict resolution	<ul style="list-style-type: none"> • FSD officers should be trained adequately in conflict resolution • Ensure obligations/privileges of active and non-active beneficiaries are contractually specified • Training on group dynamics should be a prerequisite for beneficiary groups • Support from FSD officers is needed in community conflict resolution
Human capacity development	<ul style="list-style-type: none"> • Lack of technical and managerial skills were found to be obstacles to success • Critical human capacity development requirements include financial management, farm management, marketing/market access/ sales, production management, and human resource/conflict management

COMPONENT	FINDINGS AND SUGGESTIONS
	<ul style="list-style-type: none"> • None of the failed projects had a skills development plan in place. A skills development plan should be a prerequisite for project farm selection
Network of projects	<ul style="list-style-type: none"> • Project farms have limited to no networks with other project farms • Beneficiaries could benefit from contact with beneficiaries from other projects within similar commodities in order to share lessons, experience, etc • Project farms could be clustered geographically • Project farms can develop farmers' associations, participate jointly in agricultural shows, undertake farmer-to-farmer extension, etc
Environmental factors	<ul style="list-style-type: none"> • A greater focus on ensuring production in an environmentally sustainable manner is required. Economic viability and socio-economic factors should not be the only considerations
Monitoring progress	<ul style="list-style-type: none"> • Regular collection of performance information can be inexpensively rolled out by FSD officers • Setting of targets is required to enable earlier identification of whether project farms are on an upward/downward trajectory

6. KEY RECOMMENDATIONS FOR IMPROVED PERFORMANCE

While every project farm has its own set of requirements for success, the following **critical recommendations**, with which the department is in a pivotal position to assist in order to ease the constraints and hasten the success rate, are:

- **Utilise agricultural economists to investigate potential for viability at project start-up:** It is regarded as critical that the department does not misguidedly set beneficiaries up for failure, and should therefore ensure that a project has a reasonable chance of success prior to providing support and establishing a false sense of hope among beneficiaries. It is recommended that agricultural economists should be more involved from project start-up. Their role initially would be to establish the potential for viability and sustainability. If potential for viability exists, the agricultural economists should identify and quantify the critical support areas required for success. The quantification by the agricultural economists should include identification of the value of financial support, what should be acquired with the financial support attained, the length and type of training requirements, etc. Quantification by the agricultural economist of the group size that a project can successfully sustain is critical, so that the gains are not diluted to the point of being insignificant to the livelihoods of beneficiaries. This should be captured in the project farms' business plans.

- **Support formalisation and organisation of businesses prior to rollout of further support:** Many unsuccessful projects did not have a registered farm business or a bank account, were not VAT/Tax registered, etc. Individually these components do not ensure success, although the joint outcomes of formal practices do. Take for instance that being VAT registered forces businesses to keep records, and keeping records forces farmers to be more involved with the financial affairs of the business. While businesses with turnover lower than R300 000 may register voluntarily for VAT, if farmers want to do businesses with large companies, larger companies prefer to do business with VAT-registered businesses. In other words, the administrative and cash-flow burdens of VAT have added advantages for record keeping and enabling doing business with larger companies. Overall, higher standards of administration and record keeping should be attained if the projects are to be more successful. There is a definite need for project farms to understand the importance of record keeping. Lack of accounting knowledge is a key reason that beneficiaries are failing to keep proper financial and other records. It is critical that beneficiaries should become financially involved in their farming activities instead of just 'trying their best'. Financial and non-financial records (minutes of meetings, etc) help to facilitate better monitoring on project farms and enable beneficiaries to operate their farming practices as businesses. A business-oriented approach will assist in progressing from a subsistence orientation to an economic one. In short, these aspects are to be considered prerequisites for further support:
 - Registered business
 - Bank account
 - Tax compliance
 - VAT registered
 - Registration of farm labours with the Department of Labour
 - Record keeping: minutes, production records, sales records, etc

While it is expected that project leaders should respond spontaneously to market opportunities, continued education and training and support with organisation into producer groups can be important for project farms as they struggle to adjust to more commercial and competitive business environments. Project farms need to be organised in order to offset their disadvantages in the market place. Although local market outlets exist, the best business opportunities lie with farmers who can organise for urban and export markets. Organisation is also important if project farms are to obtain access to other non-

government financial services (credit, risk management, savings), modern inputs, and to achieve political clout. Contract farming arrangements with large farms or marketing and processing agents, marketing cooperatives, etc, all require formalisation. Ultimately, it is the farmers themselves who need to organise themselves for the market and to obtain greater political voice. Others should play supporting and enabling roles, but successful farm growth depends on unleashing the entrepreneurship of the farmers themselves so that they can grow and prosper, despite inevitable changes in their markets and climate.

- **Business plans and regular business planning:** Through the support provided by the Unit for Technical Assistance, many of the project farms have more than just project plans (focused on CASP infrastructure attainment). This shows that there is no longer a focus solely on immediate outputs in the form of land reform support, but on the longer-term outcome of sustainable farming businesses. Nonetheless, the majority of failed projects did not have a business plan. The business plan document itself is less of a requirement for success, and many project farms do not regularly use/consult/update business plans. However, regular business planning of these components typically contained in a business plan is critical to success:
 - Trend and feasibility analysis
 - Demand and supply assessments of potential markets
 - Short and long-term production and sales forecasts
 - Production and sales records
 - Capital need projections for viability
 - Risk analysis and risk amelioration
 - Access to markets
 - Income and expenditure projections
 - Cash flow management/projections
 - Existence of production and/or sales records

These aspects are deemed critical to success. If they are contained in the business plan at project start-up, a good basis for at least yearly business planning can be nurtured.

- **Match beneficiaries own capital and physical contribution to the department's financial and non-financial support:** Projects in which beneficiaries make their own capital contributions ensure not only that beneficiaries are more committed to the success of the project farm because they have something of their own to lose, but that beneficiaries gain experience in creating value. Furthermore, projects in which project leaders and beneficiaries have greater agricultural experience are noted for having project leaders and beneficiaries that are more motivated to continue functioning, have more realistic expectations of financial and non-financial benefits, and have a greater understanding of the time horizons for such benefits. Patience and hard work are key requirements in agricultural-related projects and the sense of realism and continued optimism (following from experience and hard work) noted at leadership level in the successful projects provides for a new sense of hope in CASP and Ilima-Letsema supported projects that has not been noted previously by the evaluators in other government-supported projects. It is thus considered critical that greater matching of beneficiaries' financial and non-financial support (in the form of both hard work and prior agricultural experience) with the department's support needs to be ensured.
- **Encourage a multiplicity of income sources at project start-up:** Both off-farm and on-farm income sources need to be investigated as possible sources of income to support eventual full-scale and full-time farming involvement. Only 10% of beneficiaries of the project farms are involved on a part-time basis. The use of non-farm income to get started in agriculture is quite common. Beneficiaries who are actively involved on a part-time basis are not heavily dependent on the farm and are less likely to jeopardise its future, are better able to pay for

seasonal and day-to-day expenses, which they are then motivated to recoup through the activities on the farm. More part-time involvement initially with the aim of being a full-time farmer should be supported. Essentially, there are both pros and cons to part-time involvement. A part-time farmer will have a different livelihood strategy from a full-time farmer, with less time for farm work, but also less financial dependence on farming income. These factors may contribute to reduced productivity and technical efficiency, although less time for farming may induce a need for more effective production and more intensive labour and capital use. Furthermore, and most importantly, support payments can positively affect cash flow and other inputs in the frontier production function. Essentially, sideline business opportunities to boost farm income, moving into higher value agriculture, or supplementing farm income from part-time non-farm sources to enable greater capital input into the farm should be considered. This is needed in order to ensure that farmers do not become more dependent on relief and safety net programmes for their survival, a situation that may prove neither socially nor financially sustainable. A revived reconsideration of many traditional approaches to assisting farms is thus suggested by emphasising:

- Helping more small farms capture new business opportunities in farming, especially for higher value products and value addition activities
- Promoting opportunities within the rural nonfarm economy for greater income diversification and part time farming
- Ensuring continuous nurturing/mentoring through supporting activities of large private firms and NGOs, or organised into producer groups of their own.
- Assisting those small farmers who want to exit so that they can do so with dignity

The encouragement of a multiplicity of income sources at project start-up is intended to support eventual full-time farming once the project farm is able to sustain this. The multiplicity of income sources also acts as a safety net in that project beneficiaries do not 'put all their eggs in one basket' and focus all their resources on one possibility/avenue of success. If this is done, as with some of the project farms noted, beneficiaries are not able to exit with dignity, and little to nothing can be done to salvage losses. This situation needs to be avoided at all costs. Key interventions are required to encourage entrepreneurship across the market chain, which includes training in business skills, backed by innovative partnerships for investment and credit access, mechanisms for risk management, and leveraging the collective power of marketing and producer groups, etc.

- **Greater partnership amongst support providers:** Smaller farms are losing out prematurely to larger commercial farms owing to economies of scale and because they face a tilted playing field in accessing inputs, credit, technology, and markets. These problems are not new, but have become more pronounced with market and trade liberalisation, and the increasing integration of market chains, etc, hence the introduction of programmes such as the CASP. If more of the land reform farms are to have a viable future, then there is need for a concerted effort by governments, NGOs, the private sector and donors to create a more equitable and enabling economic environment for their development. Private financial institutions, NGOs, relief agencies, and community and producer organisations have emerged as important players in supporting land reform farms. The department needs to play a pivotal role in ensuring that these agencies work together in a coordinated way so that project farms being supported do not fall between the cracks and receive the support they need to operate as successful farmers. First, greater clarity is needed on the different agencies operating in the Western Cape, followed by the relevant roles of these agencies, and how they might work more effectively together. Essentially, returns to government, private sector and donor investments in agriculture can be significantly improved by focusing much more attention on better coordination and management to ensure that inputs, including credit, and marketed outputs, get to the right place at the right time – a

situation that is much more the exception than the norm in most development projects. Governments and donors need to invest in strengthening the local private sector (eg agro dealer networks, traders and processors) and in supporting financial institutions so that they can take more risk in lending to farmers. Innovative approaches such as credit guarantees, smart subsidies, index insurance and public-private partnerships seem promising.

- **Greater focus on environmental sustainable patterns of production:** Production needs to be raised through access to better technologies and management practices, while at the same time achieving more environmentally sustainable patterns of production. Many of the farms are battling to provide a viable livelihood, and smallness in combination with poverty can, over time, cause downward spirals of worsening environmental degradation, causing farmland to be derelict. There is thus urgent need for the kinds of sustainable intensification that significantly raise land and labour productivity while reversing environmental degradation. This will require the best of modern science and indigenous knowledge. This kind of knowledge intensive farming requires new approaches to research and extension, as well as an enabling policy environment. Climate change is increasing the urgency of this kind of farming.
- **Monitoring progress of projects and that of FSD officers and other support service providers:** A dynamic outcome-based project success-monitoring tool is required to collect project performance information against outcome indicators. It is suggested that the project success rating system could be used. Regular collection of project performance information can be inexpensively rolled -out by the FSD officers. The project data obtained for each project should be investigated in detail and the FSD officers need to be informed of the priority actions that are needed to improve success of each project, especially as a first priority for those projects that have been classified as being challenged. However, not only should project performance be better monitored, but so too should FSD officers and other support service providers. Greater active involvement of officers and monitoring not only of the quantity but also of the quality of support are required. Setting targets is necessary to enable earlier identification of whether project farms are on an upward/downward trajectory. The department should consider incentivising FSD officers to achieve project success. The department could also consider developing a farmer support referral and tracking system to enable joint tracking and monitoring of both departmental and non-departmental support (financial and non-financial) to farmers. This will assist in monitoring progress of support, enabling measuring the impact of the support on the project farmers, ensure that support providers are not merely 'shooting blanks', and hence enable reporting on success stories and lessons learnt. Lastly, this will ensure that overconcentration of support to limited number of project farms does not occur and that cross-referrals can be undertaken to ensure that all potential support services are made available to a particular project farm.

Lastly, the department needs to develop exit strategies for the cessation of support both for existing projects that can be classified as being able to succeed on their own with no further support and for project farms that have failed to such an extent that continued support from the department is no longer justified. Concerning termination of support of failed projects, the department needs to ensure that all avenues of support have been examined and, as far as possible, that beneficiaries are able to exit without personal cost. If project farms to be supported are identified through agricultural economists, better monitored over time, etc, as suggested above, the likelihood of project farms failing will be minimised.

A combination of these aspects points to the need for the department to terminate its support to a project farm:

- Internal conflict between beneficiaries with negative impact
- Workers not registered for UIF and no minimum wage compliance
- Beneficiaries unsatisfied (within reason) with available money
- Company not yet registered, no bank account, not VAT and tax registered
- Business plan not in place
- A large share of the beneficiaries have no agriculture experience
- Financial and non-financial support avenues have been exhausted, yet financial and non-financial support is not sufficient
- Misappropriation of financial and non-financial support
- Equipment and machinery for production not maintained to levels for sufficient production
- Lack of financial management and record-keeping system
- Non-productive for three consecutive years
- No market access for more than 75% of produce for three consecutive years
- No market access contracts
- Negative income and expenditure balance for three consecutive years
- Cash flow insufficient for three consecutive years
- No profits for five consecutive years
- Not capable of servicing debts (if any)
- Not able to reinvest finances in the farm/project

Some of the aspects that need to be considered to enable the department to exit with confidence in the knowledge that the project farm should be able to continue on the path of success include:

- Good working relation between beneficiaries with positive impact
- Workers registered for UIF and minimum wage compliance
- Beneficiaries satisfied (within reason) with available money
- Registered company, bank account, VAT and tax registered
- Business plan in place
- Large share of the beneficiaries have agriculture experience
- Sufficient financial and non-financial support obtained
- Sufficient of equipment and machinery for production
- Sound financial management and record-keeping system in place
- Three years' consecutive market access for more than 75% of produce
- Market access contracts in place for at least half of produce
- Three years' consecutive positive (and growing if possible) production records
- Three years' consecutive positive income and expenditure (and growth)
- Three years' consecutive sufficient cash flow
- Profitable for three consecutive years (and growth)
- Dividends paid out for three consecutive years
- Capable of servicing debts (if any)
- Ability to reinvest finances in the farm/project

Of course, project farms that do not have many of these aspects in place require continued support. Essentially, it needs to be ensured that project farms have a sustainable business model and that their business is expanding slowly over time. Three years' consecutive success and sustainability need to be ensured, which essentially entails ascertaining that inputs and costs such as monetary, health, environmental expenses are less than the benefits. The project farms need to work on the premise that they should not get any bigger until they cannot get any better, and of course the project farms should not grow more than they can sell.

The department, through CASP and Ilima-Letsema, has recognised that the private sector cannot do it all, and through its involvement is bridging the gap in areas that market actors are not covering, as in research, extension services, natural resource management, and the availability of finance targeted to the diverse characteristics of the smallholder and commercial land reform projects. Competent mentors, FSD advisors, commodity support, etc, have enabled that more than 60% of the land reform project farms are classified as successful. Most importantly though is that without the support of CASP and Ilima-Letsema, the current success rate and hope for land reform projects would be dire. So many solutions to problems faced by the project farms have their roots in the support obtained from CASP and Ilima-Letsema, so much so that it is a determining factor for success. The more successful the project farms, the higher the rating of good or very good for sufficiency of financial support, training courses, mentor, FSD advice, market access support, etc.

In short, the expectations of the CASP and Ilima-Letsema have started bearing fruit, and some of the project farms have succeeded not only in developing an economic performance that matches expectations, but have also helped to alleviate poverty, created job, and improved livelihoods of beneficiaries. The challenge now is to help more of the project farms to follow a more business-oriented growth approach to reap the rewards from investments and sow enhanced contributions in increasing food supplies, promoting economic growth and rising living standards, and indirectly benefiting a much wider range of rural and urban poor than just the direct beneficiaries. Essentially, what is mostly needed is the scaling up of successful experiences as noted from the evaluation of the successful project farms.

ANNEXURE 1: COMPREHENSIVE EVALUATION REPORT

See separate Comprehensive Evaluation report, available for viewing at the Department of Agriculture.