

MICRO AGRICULTURAL FINANCIAL INSTITUTIONS OF SOUTH AFRICA (MAFISA)

2005/06 - 2012/13

BACKGROUND

- MAFISA programme launched as a pilot project in three provinces in 2004/05
- MAFISA made loans of up to **R500,000** available to farmers

INSTITUTIONAL CONTEXT

MAFISA **LOANS' INTEREST RATES** WERE CAPPED AT **8%** PER YEAR WITH THE LAND BANK CHARGING FINANCIAL INTERMEDIARIES ONLY **1%** FOR THE USE OF THESE FUNDS

PERFORMANCE

R977 MILLION
OF DAFF'S INITIAL
R1 BILLION

OF THIS AMOUNT ±R500 MILLION HAD BEEN COMMITTED TO INTERMEDIARIES

 HAD BEEN TRANSFERRED TO
LAND BANK BY

 **OCTOBER 2013**
WHEN TRANSFERS WERE HALTED

4 200
MAFISA LOANS OF
±R315 MILLION
WERE MADE BETWEEN

INTERMEDIARIES WERE YET TO LEND A **FURTHER R190 MILLION**



MAFISA'S TERMS GAVE INTERMEDIARIES TOO **MUCH RISK** AND EARNED TOO **LITTLE REWARD**

THE DECLINE IN COMMERCIAL INTEREST RATES MADE MAFISA LOOK LESS ATTRACTIVE TO BORROWERS AND INTERMEDIARIES



CO\$TING MODEL

MAFISA IS ONLY VIABLE AT DEFAULT RATES LESS THAN **5%**

TO MINIMISE THEIR RISKS, INTERMEDIARIES AVOIDED SOME INTENDED BENEFICIARIES

UNUSUAL TRANSACTIONS

±R420 MILLION OUT OF THE **2 MAFISA ACCOUNTS** WAS TRANSFERRED **THAT HAD BEEN TRANSFERRED INTO LAND BANK THROUGH THE BUDGET**

In addition, of the funds transferred from the MAFISA accounts, only about **R610 million** went to financial intermediaries approved for providing MAFISA loans.

POSTSCRIPT

In **October 2013**, the National Treasury instructed the Land Bank to return unutilised MAFISA funds to the National Revenue Fund.