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Agricultural Land Holdings Trading Entity

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CLUSTER: ECONOMIC SERVICES

NATIONAL TREASURY

Key points

- ALHA has failed to achieve most of its targets, and it only acquired 373,055 hectares of land out of a total targeted 464,468 hectares of strategically located land over the last five years.
- Property management cost per hector shows a significant increase from 2018/19 due to the entity assuming exclusive liability for property rates. There is also the persistent problem of low lease receivable collection rate. The entity should put measures in place to improve its lease receivable collection rate.
- Comprehensive review of property management to determine opportunity of transferring the property management function to the department should be explored.
- There is need to put in place the tracking of acquired farms and ensure they remain productive.
- Strengthen lease policy to improve/ensure farmer's compliance with lease rental agreement. Where possible enforce or enhance credit control and debt collection policy.
- Strengthen monitoring and development support, to ensure farmers remain productive and sustainable. The more farmers stay productive/in business the less the risk of non-payment of rent. This could be achieved through strengthening farmers' production support, to ensure farm sustainability.
- The payment of property rates for the leased properties in terms of section 12.2 of State Land Lease and Disposal Policy, 2019, appears to be financially unsustainable due to the term of the lease (30 years lease agreements) and because the property management spending is beginning to take over land acquisition spending.

Executive Summary

The legacy of colonialism and apartheid meant that as of 1994, 82 million hectares (86%) of land was in white minority hands and most of the population owned 13 million hectares (14%). In response South Africa`s land reform programme started in 1995 with the target of redistributing 30% or 25 million hectares of white commercial land to black farmers by 1999. By the end of 1999, only 185,384 hectares (equivalent to 0.74% of the target) had been transferred against the 25 million hectares target. The government then adjusted its target year to 2014 to achieve the 25 million hectare objective. By the end of 2015, only 9 million hectares have been transferred using a budget of 29 billion. The government has since abandoned the target of acquiring hectares of land for redistribution and is focused on ensuring that all farms redistributed are 100% productive.

The Agricultural Land Holding Account (ALHA) Trading Entity was established to proactively acquire productive land for redistribution. However, it has consistently underspent its budget, evidenced by both slow land acquisition and redistribution, as well as poor productivity on the redistributed farms. The process as managed by the Agricultural Land Holding Trading entity is failing to achieve land reform targets, and other developmental objectives even within allocated budget.

Given the importance of land reform for economic development and social justice, it is critical to revamp the operational efficiency of the ALHA, to accelerate land reform and maintain productive farms post-settlement.

Main findings

The review finds that the ALHA's failed to achieve most of the set targets; there has been a lot of changes in policies in land development support, which brings uncertainty in the land reform programme. Also, there is continuous changing of the purpose as well as targets (indicators) for the programme. The overall lack of policy clarity makes it difficult to measure the performance of the programme and hold it accountable.

Cost of land acquisition declined significantly between 2019/20 and 2020/21 when compared to farm development support per hector. However, there is corresponding decline in the amount of land acquired.

Property management cost per hector shows significant increase from 2018/19 due to the entity assuming exclusive liability for property rates. There is persisting problem of a low lease receivable collection rate.

Recommendations

It is important to harmonise all the policies to bring certainty in the sector and therefore there is need for a new policy on land acquisition, land development, and property management, which must be approved by the relevant authority (Minister or Cabinet).

The payment of property rates for the leased properties in terms of section 12.2 of State Land Lease and Disposal Policy, 2019, appears to be financially unsustainable due to the term of the lease (30 years lease agreements) and because the property management spending is beginning to exceed land acquisition spending.

Actions

Operational inefficiencies need to be addressed. A standard operating procedure should be developed to ensure consistency of policy implementation across regions/provincial offices.

There is need for further research to explore the entities property management billing system to establish the cause of the fast-growing expenditure trends of this item (property management) while land acquisition cost and hectors acquired show a declining trend. This means a focused spending review/analysis of the property management system, that is, the lease and disposal policy and the billing systems of the property management function.

Strengthen the lease policy to improve/ensure farmer's compliance with lease rental agreement. Where possible enforce or enhance credit control and the debt collection policy.

Strengthen monitoring and development support to ensure farmers remain productive and sustainable. The more farmers stay productive/in business the less the risk of non-payment of rent. This could be achieved through strengthening farmers' production support, to ensure farm sustainability.

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Abbreviations and Acronyms

ALHA	Agricultural Land Holding Account
DALRRD	Department of Agriculture, Land Reform and Rural Development
DDG	Deputy Director General
LDS	Land Development Support
NERPO	National Emergent Red Meat Producers' Organisation
PFMA	Public Finance Management Act
PLAS	Proactive Land Acquisition Strategy
RECAP	Recapitalisation and Development programme
SPLUMA	Spatial Planning and Land Use Management Act

1 Introduction

1.1 Background

The Agricultural Land Holding Trading Account (ALHA) Entity was established in 2009 in terms of the Provision of Land and Assistance Act (1993). The act authorises the Minister of Agriculture, Land Reform and Rural Development to:

1. Purchase land to enable the Department of Agriculture, Land Reform and Rural Development to accelerate the land redistribution process,
2. Acquire land in nodal areas and other areas of high agricultural potential,
3. Improve the process of identifying and selecting beneficiaries and the planning of land on which people could be settled, and
4. Ensure the maximum productive use of land acquired.

Following the establishment of the trading entity, the Department of Agriculture, Land Reform and Rural Development (DALRRD), introduced several policies and strategies to ensure the implementation of the Provision of Land and Assistance Act, and to accelerate the land redistribution process. These policies and strategies include:

- The Proactive Land Acquisition Strategy;
- State Land Lease and Disposal Policy;
- The Recapitalisation and Development Programme (discontinued);
- The Land Development Support Policy;
- Asset Management Policy; and
- Beneficiary Selection Policy.

1.2 Problem statement

The legacy of colonialism and apartheid meant that as of 1994, 82 million hectares (86%) of land was in white minority hands and most of the population owned 13 million hectares (14%). In response, South Africa`s land reform programme started in 1995 with the target of redistributing 30% or 25 million hectares of white commercial land to black farmers by 1999. By the end of 1999, only 185,384 hectares (equivalent to 0.74% of the target) had been transferred against the 25 million hectares target. The government then adjusted its target year to 2014 to achieve the 25 million hectare objective. By the end of 2015, only 9 million hectares have been transferred using a budget of 29 billion. The government has since abandoned the target of acquiring hectares of land for redistribution and is focused on ensuring that all farms redistributed are 100% productive.

The Agricultural Land Holding Account (ALHA) Trading Entity was established to proactively acquire productive land for redistribution. However, it has consistently underspent its budget, evidenced both slow land acquisition and redistribution, as well as poor productivity on the redistributed farms. The process as managed by the Agricultural Land Holding Trading entity is failing to achieve land reform targets and, and other development support objectives even within allocated budget.

Given the importance of land reform for economic development and social justice, it is critical to analyse the operational efficiency of the ALHA, and to accelerate land reform and maintain productive farms post-settlement. The Recapitalisation and Development Programme (RECAP) under ALHA was launched in 2010 with the following objectives:

(a) to increase agricultural production;

(b) to guarantee food security;

(c) to graduate small farmers into commercial farmers;

(d) to create employment opportunities in the agricultural sector; and

(e) to establish rural development monitors (rangers).

However, the programme failed to make an impact among resettled farmers, in terms of increasing production, and was abandoned in 2018/19. Following the discontinuation of the Recapitalisation and Development Program in 2018/19 and the conceptualisation of the new Land Development Support Program, the department experienced challenges in transitioning (slow conceptualisation and implementation) to the implementation of land development support projects. This resulted in underspending and underperformance of the agricultural land holding trading entity.

2 Policy and Institutional Analysis

2.1 Key policies, laws, and regulations

The Agricultural Land Holding Trading Entity was established in terms of the *Provision of Land and Assistance Act*, 123 of 1993. Section 10 (1) (a) of this Act gives legal effect to the proactive acquisition of land, where the Minister may, from money appropriated by Parliament for this purpose, acquire land for productivity.

Furthermore, section 10 (2) stipulates that the Trading Entity, must maintain separate and itemised financial accounts and accounting records in respect of each agricultural enterprise or separately administered portion of immovable property which it acquires, manages, disposes of, or leases.

Figure 1: Laws, Policies and Regulations

Other supporting legislations enabling strategic acquisition of properties for land reform purposes includes:

- **Constitution:** Section 25 (4) makes provision to land reform, to bring about equitable access to all South Africa's natural resources; and
- **Public Finance Management Act:** Section 76 (1) (k) of the PFMA, the National Treasury must make regulations or issue instructions applicable to departments, concerning— the alienation, letting or other disposal of state assets.
- **Treasury Regulations** issued in terms of the Public Management Finance Act 1999, provide that no state property may be let free of charge without the prior approval of the relevant treasury. The Treasury regulation is applicable to the ALHA in implementing its state land disposal.
- **Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA):** provides a framework and institutions for spatial planning and land use management, facilitation, and enforcement of land use and development matters. In its process of redistributing

land, the ALHA must ensure that the land occupiers/beneficiaries comply with provisions of this Act to adhere to the changes in land use as governed by the Act.

- **Property Valuation Act 17 of 2014:** provides for the regulation of property valuation of property for land reform and other properties identified for acquisition or disposal. This means that any property/land earmarked for redistribution must be valuated before such land is leased or transferred to the new owners/beneficiaries.
- **The State Land Disposal Act 48 of 1961** makes provision for the disposal of certain State land and to prohibit the acquisition of State land by prescription. The policy seeks to support black farmers to develop their agricultural enterprises to be sustainable and commercially viable through financial assistance and transfer of skills, and thereby create jobs and improve food security.
- **National Development Plan (2011)** proposes a revised model for land reform based on the principle of sustainable production based on capacity building of black people through incubators, mentorships and other accelerated forms of training in agricultural science, prior to the transfer of land.
- **Proactive Land Acquisition Policy:** aims to accelerate acquisition of quality, well-located agricultural and other land to advance fulfilment of state obligations in terms of section 25 of the constitution.
- **Land Development Support Policy:** main objective is to assist black farmers to be sustainable, reach full production capacity and develop their agricultural enterprises to be commercially viable
- **State Land and Lease Disposal Policy:** forms part of government's commitment to implement a land redistribution programme that seeks to address historical exclusion, inequitable access to land, insufficient participation in the agrarian economy, and household food insecurity.
- **Strengthening Relative Rights of People Working the Land:** acceleration of the pace of land reform and the protection of vulnerable communities, including farm labourers and people living on farms
- **Government's priority 2:** Economic transformation and Job creation: The DALRRD is set to contribute the achievement of the outcome for increased economic participation, ownership, access to resources, opportunities and wage equality for women, youth and persons with disability through its interventions on programmes to expand access to and ownership of land by women, youth, and persons with

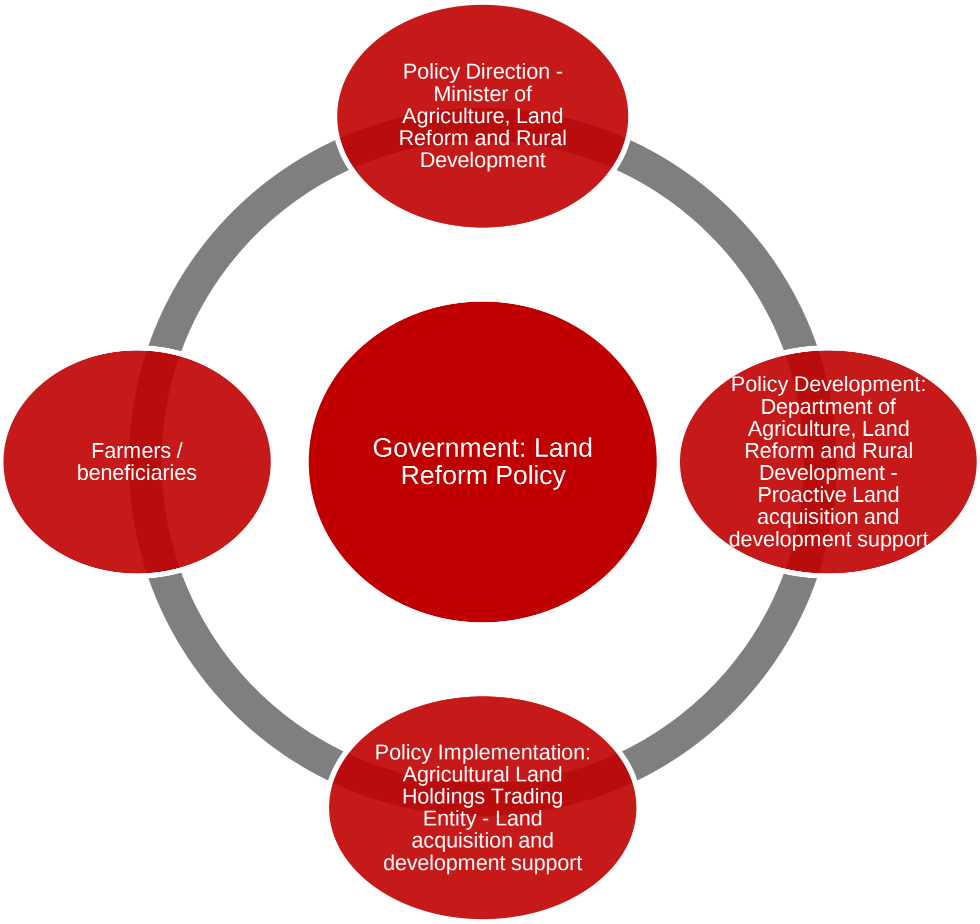
disabilities. Its performance indicator is to increase percentage of hectares of land by gender, age and disability.

2.2 Governance arrangements, monitoring, and evaluation

2.2.1 Key Role-Players

The responsibility for the ALHA rests with Department of Agriculture, Land Reform and Rural Development (DALRRD), while provincial regional offices implement the Land Development policies governing land acquisition and redistribution.

Figure 2: Role-players of the programme



Key role-players include:

- **Minister of Agriculture, Land Reform and Rural Development** – The Section 10 (1) (a) of the *Provision of Land and Assistance Act*, 123 of 1993, gives legal effect to the proactive acquisition of land, where the Minister of Agriculture, Land Reform and Rural Development may, from money appropriated by Parliament for this purpose, acquire land for productivity.

- **Director General of the Department of Agriculture, Land Reform and Rural Development –** The Minister has delegated the powers to implement the Act, to the Director General, to acquire land for productivity.
- **Agricultural Land Holding Trading Entity:** Officials at the National and regional Offices of the Department of Agriculture, Land Reform and Rural Development.
- **Black famers applying for land –** black person (African, Coloureds and Indians) who is 18 years or older and who conducts an agricultural enterprise and is a farmer.

2.2.2 Governance and Decision Rights

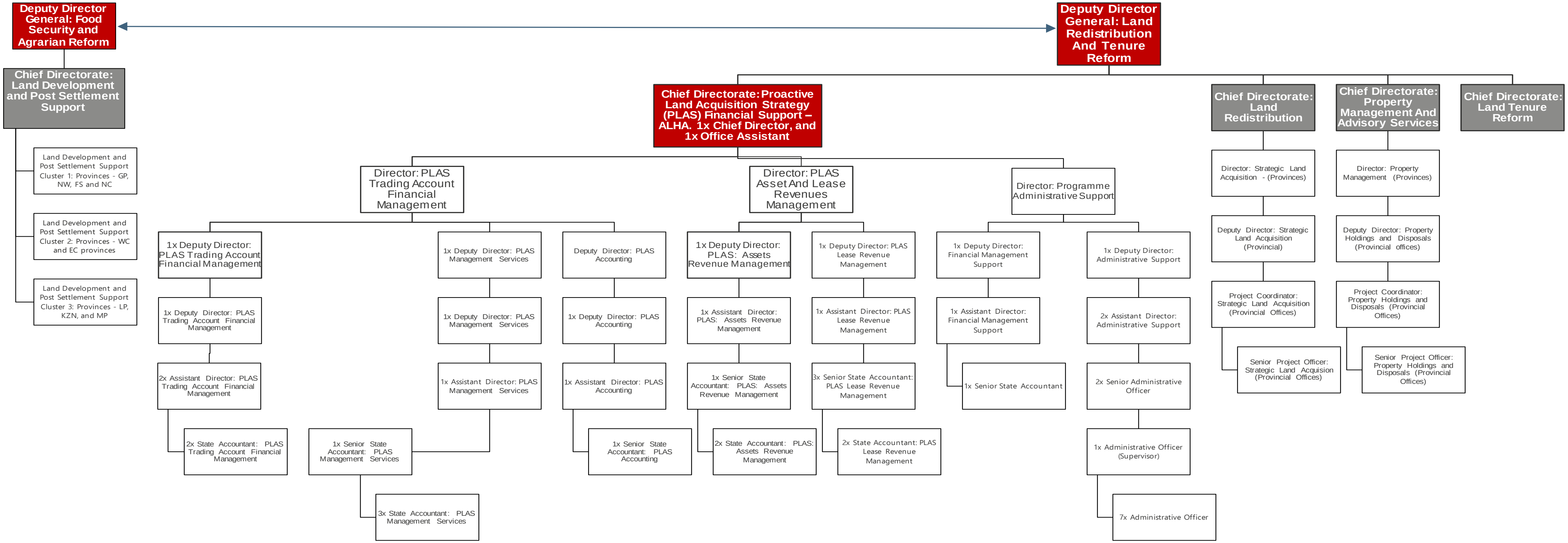
The Minister of Agriculture, Land Reform and Rural Development makes policies on the acquisition and redistribution of land as mandated by The Section 10 (1) (a) of the *Provision of Land and Assistance Act*, 123 of 1993. Parliament then appropriates funds for the operations of the ALHA.

Within the department land reform is championed by the National Land Acquisition and Allocation, and Control Committee which is composed of Deputy Directors General (DDGs) and other Senior Managers, and various representatives from other national departments involved in land issues and development, state and private institutions/entities in agricultural and rural development sectors, and Chief Directors of the department responsible for strategy land acquisition programme and development programme in their respective provinces.

Agricultural Land Holding Account is responsible for the following:

- Strategic land reform intervention that involves the acquisition of land and other property (movable and immovable), that is then held by the state for the use by lessees of the programme. Implemented through the Proactive Land Acquisition Strategy.
- Provide comprehensive farm development support to smallholder farmers and land reform beneficiaries for agrarian transformation. Implemented through the Land Development Support Policy.

Figure 3: Organisational Structure



2.2.3 The Proactive Land Acquisition Strategy (PLAS) of 2006

This a Department of Agriculture, Land Reform and Rural Development strategy, which focuses on strategic land redistribution through leasehold to beneficiaries of land reform with option to sell the land to the beneficiaries.

The three focus areas are:

1) **The proactive land acquisition strategy/policy**, which targets strategically located land for acquisition and development for beneficiaries that have been identified for leasehold or direct transfer. The department has developed criteria and methodology for the identification of strategically located land.
2) **Proactively acquiring land that is purposively sampled due to its location, and suitability for a particular agricultural and settlement activities** that government can promote through redistribution or its amenability to subdivision.
3) **Provision of such land to identified beneficiaries through direct disposal or conditional long-term leasehold** with eventual option to purchase.

2.2.4 Land Development Support Policy of 2019

The Land Development Support Policy aims to assist black farmers to be sustainable, reach full production capacity and develop their agricultural enterprises to be commercially viable. This is to ensure that developed projects contribute to increased agricultural production, employment creation, food security, improved rural livelihoods and participation in the agricultural value chains; assist black farmers in collaboration with financial institutions to reach full production capacity and develop their agricultural enterprises; contribute to the acceleration of the participation of black farmers in the agricultural value chain; contribute towards the improved productivity of land reform acquired and/or supported farms; and assist black farmers to reduce costs and improve accessibility to finance, especially in the private sector.

The Land Development support policy is intended to implement in collaboration with other relevant stakeholders, that is, government departments, financial institutions, and agricultural development partners.

The process for land development support is as follows:

- The department uses farm assessment reports and due diligence report to identify, potential farms which will be supported through land development support.

- Potential farmers compile comprehensive business plans in collaboration with the relevant commodity organisations like GrainSA, PotatoSA, South African Poultry Association, and NERPO.
- Farm assessments are conducted by a service provider or development partner or any other authorised institution. The appointed service provider or development partners or any authorised institution also conducts the selection of farms for development.

2.3 Land acquisition and development support process

The land acquisition and development support comprise three phases and their steps as follows:

2.3.1 Pre phase: Needs Analysis & Project Identification

- Step 0.1: Identification of strategically located property: The department advertises the online application system for land offers; identifies property suitable for acquisition and determine which property may require further agricultural assessment.
- Step 0.2: Approval of project registers: The department receives and consolidates all project registers from provincial shared services offices into the national project register.
- Step 0.3: Stakeholder consultation and resource mapping of selected projects: Department consults with landowners, provincial departments, municipalities, and financial institutions whose properties have been prioritised for acquisition.

2.3.2 Phase 1: Land Acquisition

- Step 1.1: Property valuation and determination of price - facilitate the appointment of the property valuers to value the priorities properties (farms).
- Step 1.2: Price negotiations with property owners - update approved project register with valuations and recommended prices. Prepare a letter of price offer to the property owners based on the valuation certificate.
- Step 1.3: Beneficiary application - receive applications from prospective lessees either directly online or manual application form through designated district offices. Create register of all applications and disseminate to respective districts for shortlisting.
- Step 1.4: Beneficiary selection - receive the verified and approved district register of all applicants from provinces. Conduct interviews with successful applicants and make recommendations.

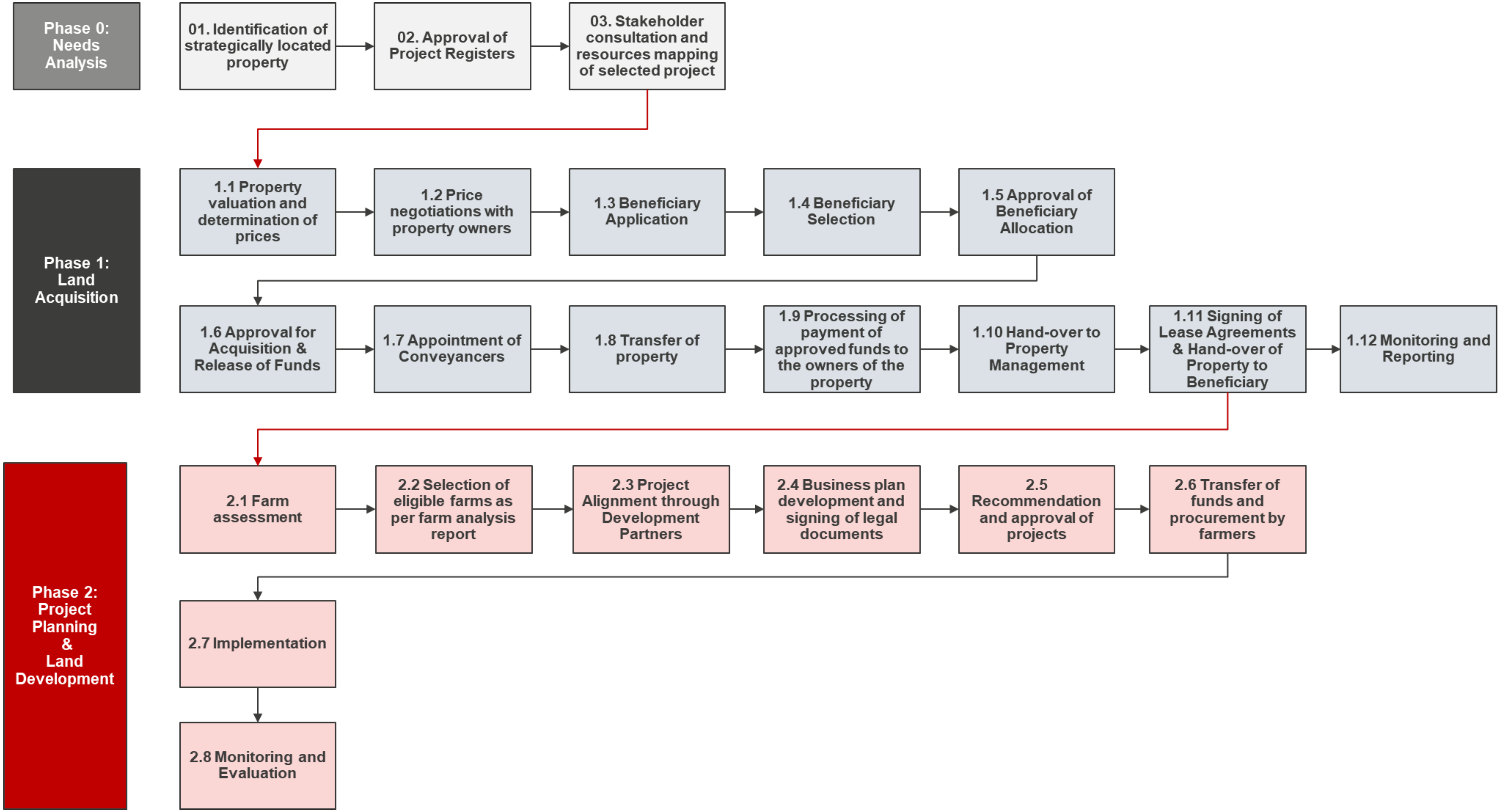
- Step 1.5: Approval of beneficiary allocation - submit memorandum to chief director for approval.
- Step 1.6: Approval for acquisition and release of funds - approval for acquisition of property and release of funds and ensure compliance with checklist for property acquisition. Approve release of funds.
- Step 1.7: Appointment of conveyancers - start the conveyancing process; appoint conveyancing attorneys to facilitate property transfers.
- Step 1.8: Transfer of property - discuss through the provincial legal unit the special clauses or substantive clauses to be included in the deed of sale Finalise and sign deed of sale and expedition and consult with conveyances to ascertain lodgement date at deeds office.
- Step 1.9: processing payments - confirm the transfer of property to the name of the state or relevant authority or legal entity.
- Step 1.10: Hand over to property management - hand over the file to property management.
- Step 1.11: Signing of lease agreement and handover of the property - Facilitate the signing of lease agreement by both parties in the manner prescribed in the contract management procedures.
- Step 1.12: Monitoring and reporting - Assign project to project officers; ensure project officers visit the acquired farms quarterly with property management to monitor progress and utilisation of the farm.

2.3.3 Phase 2: Project Planning & Land Development

- Step 2.1: Farm Assessment - Conduct farm assessment using assessment tool and methodology, develop project plan, and interact with all role players. Compile and disseminate assessment reports for consideration.
- Step 2.2: Selection of eligible farms as per farm analysis report - selection of suitable farms to be funded (subsistence farmers and medium to large-scale farmers).
- Step 2.3: Project alignment through development partners - allocation of projects to development partners (commodity organisations and financial Institutions).
- Step 2.4: Business plan development and signing of legal documents - coordination of development of comprehensive business plan together with the farmer and signing of legal agreements with farmers and all development partners.

- Step 2.5: Recommendation and approval of projects - evaluation and appraisal of the submission (business plan). Approval of the business plans including the implementation plan and funding. Communication of the outcomes of approved business plans.
- Step 2.6: Transfer of funds and procurement by farmers - preparation of payment parcels for processing of payments by finance, payment of grant to farmers grants holding bank accounts. Payment of fund from farmers grants holding accounts by participating financial institutions.
- Step 2.7: Implementation - Implementation of approved business plan by farmer and commodity organisations.
- Step 2.8: Monitoring and evaluation - Monitor project implementation, compile progress reports and monitoring of progress reports against contracts; submit consolidated progress report to National Treasury; Evaluate performance outcome as per approved performance standards and indicators per project to advice on implementation and policy shortcomings.

Figure 4: Land Acquisition & Development Support Process



2.4 Targeted Beneficiaries

The programme's beneficiaries in terms of the land development support and the proactive land acquisition policies are:

- **Black farmers:** a black person (African, Coloureds and Indians) who is 18 years or older and who conducts an agricultural enterprise and is a farmer.
- **Beneficiaries of land reform:** farm dwellers and labour tenants, etc., in terms of the Strengthening the Relative Rights of People Working the Land (50/50 Policy Framework).[1]

The programme targets various categories of black farmers, with special priority to those possessing basic farming skills; women, youth, agricultural graduates, people with disabilities; military veterans, farm dwellers, farm workers and labour tenants; subsistence producers in communal areas and villages. *Joint ventures of people within and outside the target groups may qualify for agricultural leases (agricultural ventures for farm workers under the strengthening of relative rights of people working the land. i.e., joint ventures between the previous landowner and the farm workers' entity).*

The farmers are further categorised as follows:

1) **Category 1 farmers: Households** with no or very limited access to land, even for subsistence production;
2) **Category 2 farmers: Small-scale farmers** who are farming or intend to farm for subsistence purposes and sell part of their produce in local markets;
3) **Category 3 farmers: Medium to large-scale commercial farmers** who have already been farming commercially at various scales, but are disadvantaged by location, size of land and other resources or circumstances, and with rural potential to grow, including small scale farmers who have been farming at subsistence level, selling part of their produce in local markets, who have gained reasonable experience to farm commercially and who intend to graduate to this category.

[1] *Strengthening the Relative Rights of People Working the Land* (50/50 Policy Framework) was to introduce measures to address land hunger, extreme land concentration, associated poverty and inequity by fostering asset and enterprise equity that introduce fundamental changes to land relations and factors of production.

2.5 Eligibility and selection criteria

All black farmers who are South African citizens operating in properties acquired through land reform programmes and farmers operating state land including communal land are eligible for support. Support will be given to land reform farmers based on the following conditions:

- Regularised and functional legal entities;
- Legal entities without conflict

Black farmers supported:

- Farming for subsistence purposes and sell part of their produce in the local markets excluding households supported under 1 hectare 1 household policy; potential medium term commercially viable projects; in the case of Proactive Land Acquisition Strategy, a valid lease agreement from provincial shared service centres.
- Famers that have been assisted through government programmes such as the comprehensive agricultural support programme might be considered after assessment has been done.

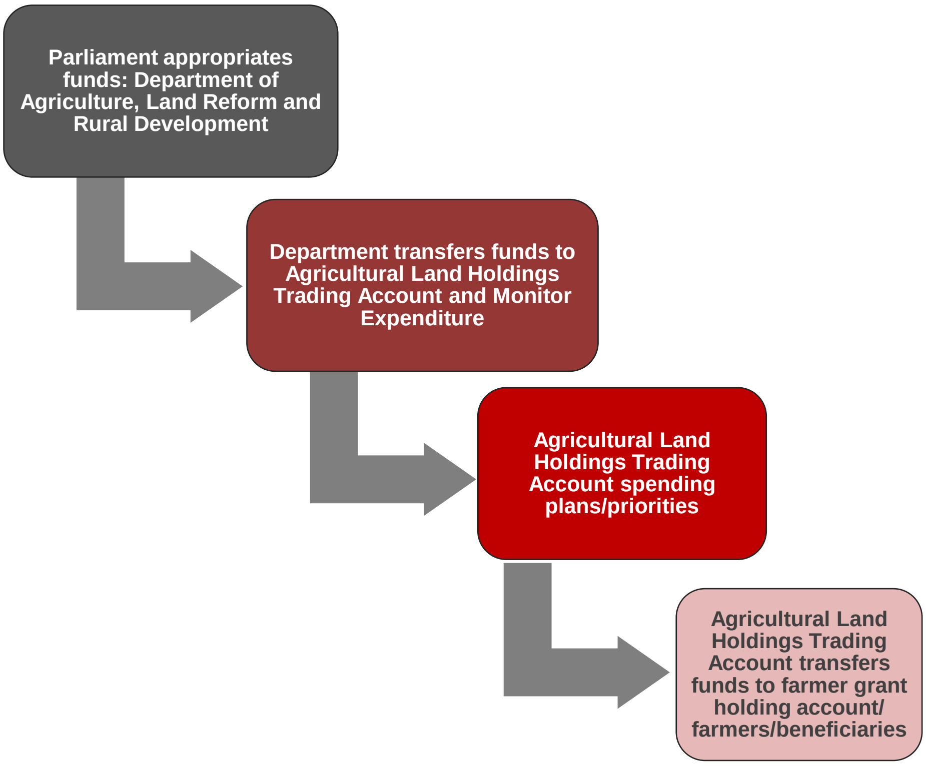
Category of persons not eligible to apply:

- Politicians, who hold public office;
- Traditional leaders who receive remuneration from the state;
- Employees of all public entities listed in the schedules of the PFMA; and
- Permanent residents who are issued permanent residence permit as per the Immigration Act.

2.6 Funding model

Parliament allocates funds to the Department of Agriculture, Land Reform and Rural Development, which then transfers funds to the Agricultural Land Holding Trading Entity for acquisition of strategically located land, and the land development support of redistributed land.

Figure 5: Flow of funds



Land acquisition funding is executed as follows:

1) **100% state grant –** for category 1 and 2 beneficiaries (households and small farmers), the department will provide a 100% state grant for direct transfer or free leasehold. Labour tenants and farm dwellers shall qualify for a direct transfer of full title.

2) **Integrated funding** – guarantees and/grant: for category 2 smallholder farmers and category 3 farmers, the department provide grants and/or guarantee loans. This is for black commercial farmers who have already been farming.

2.7 Theory of Change, Logframes and Performance

2.7.1 Theory of Change

The main objective of the land development support is to provide comprehensive farm development support to smallholder land reform beneficiaries for agrarian transformation to develop their agricultural enterprise to be commercially viable.

Activities: To provide comprehensive farm development support to smallholder land reform beneficiaries for agrarian transformation to develop their agricultural enterprise to be commercially viable.

The land development support agricultural projects are multi-year projects because of different production cycles which can't be done in one financial year (e.g., livestock- breeding stock takes at least 18 months for the first marketing of weaners). There are other critical success factors like infrastructure which need to precede production, and this will also increase the implementation period.

Outputs: The key outputs are the development of business plans, technical expertise, improved production, better infrastructure and access to market. The envisaged outputs are embedded on legal frameworks like tripartite agreements with different stakeholders which outlines different responsibilities of each party involved.

Outcome: The envisaged outcome for the program is structured into seven deliverables:

1) black farmers participate in the value chain,
2) farmers are managed as commercial entities,
3) farmers experiencing increased productivity and profitability,
4) farmers are utilised optimally,
5) black farmers utilise new farming technologies,
6) food security at household level, and
7) new jobs created in the agricultural sector.

These all lead to four major impact deliverables including (1) vibrant rural communities, (2) national food security, (3) higher employment in the agricultural sector, and (4) sustainable income for rural communities (Outcome 7).

Assumption: The theory of change assumes that if farmers and land reform beneficiaries are provided with the necessary comprehensive financial and development support, then the support will lead to access to resources necessary to improve productivity and profits; and lead to full and sustainable utilisation of farms. The ultimate impact of the comprehensive support is that farmers will be able to farm independently post support.

Figure 6 overleaf summarises the programme's theory of change.

2.7.2 Logframe

Set out in the table below is the high-level Logframe for the Programme including the current indicators. This is further un-packed overleaf where a detailed Logframe is provided indicating the key activities of the programme.

Table 1: Logical Framework for Land Acquisition and Land Development Support

Impact	**Rapid land and agrarian reform contributing to reduced asset inequality, equitable distribution of land and food security by 2019 – 2024**
Indicator / Measure	• Ensure integrated rural areas, where residents are economically active, have food security and access to basic services • Enable more rapid transfer of agricultural land to black beneficiaries without distorting land markets or business confidence in the agri-business sector
Data source	DALRRD : MIS (Management Information System) and quarterly reports
Outcomes	**Land acquired for redistribution** **Equitable distribution of land and food security**
Indicator / Measure	• Number of previously disadvantaged farmers participating into the value chain • Food security at household level • Number of previously disadvantaged utilising new technologies
Data source	DALRRD : MIS and quarterly reports (please add)
Outputs	**Acquisition of land within allocated budget** **Redress and equitable access to and producer support**
Indicator / Measure	• Number of hectares of strategically located land acquired • Number of hectares acquired for farm dwellers and/or labour tenants • Number of hectares of state land allocated • Number of hectares of state land leased • Number of farms supported through the Land Development Support Programme • New farmers who have acquired agricultural land through land reform supported
Data source	DALRRD : MIS and quarterly reports
Intermediate Outputs	**Reduced asset inequality, equitable distribution** **Increased contribution of the sector to economic growth and development**
Indicator / Measure	• Increase equity, ownership of land • Increase market access for South African and African agricultural, • Increase growth, income and sustainable job opportunities in the value chain
Data source	DALRRD : Annual report

Figure 6: Land development theory of change

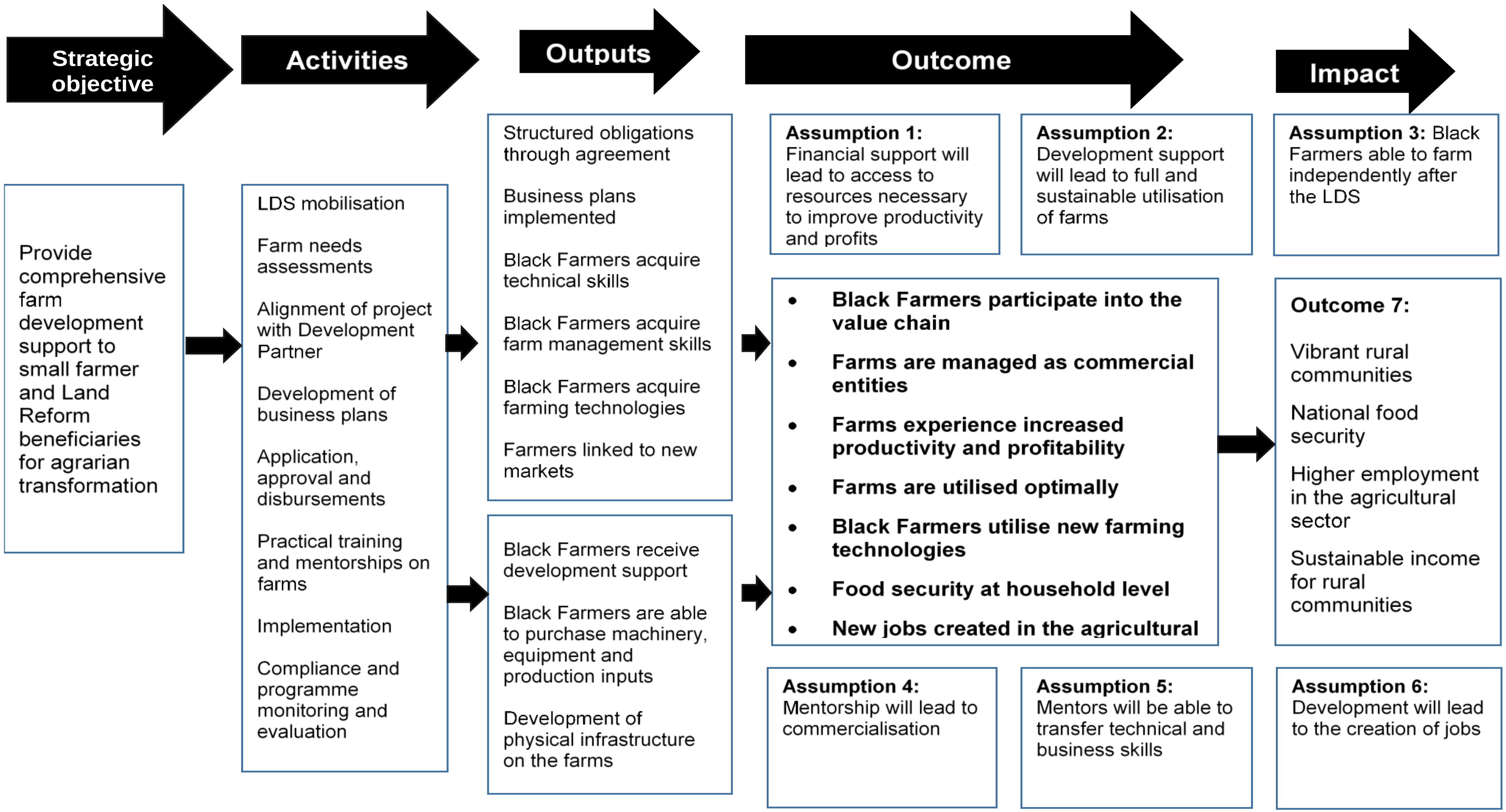


Table 2: ALHA Detailed Logframe

Process : Land Acquisition	Identification of strategically located property	Approval of Project Registers	Stakeholder consultation and resource mapping of selected projects	Property valuation and determination of price	Price negotiations with property owners	Beneficiary application	Beneficiary selection	Approval of beneficiary allocation	Appointment of conveyancers	Transfer of property	Processing of payment	Handover of property management	Signing of lease agreement and handover of the property	Monitoring and reporting
Process: Land Development support	Farm Assessment	Selection of eligible farms as per farm analysis report	Project Alignment through Development Partners.	Business plan development and signing of legal documents	Recommendation and approval of projects	Transfer of funds and procurement by farmers	Implementation	Monitoring and evaluation						
Activities: Land Acquisition	*Advertise on the online application system for land offers. * Map all agricultural properties in the District Municipality	*Receive and consolidate all project registers from PSSC offices into a National Project Register * Submit the consolidated project register to CD: SLRI to ensure compliance with policy and strategic directive	Consultation with land owners, provincial department and municipalities and financial institutions *Presentation to the district land reform committee of the priority list of farms for acquisition in the financial year	*Facilitate the appointment of the property valuers to value prioritised farms * Submit request to OVG to commence with the appointment of property valuers for the prioritised farms	*Update approved project register with valuations and recommended prices *Obtain confirmation that the valuation certificate from OVG has been issued upon receipt of all information and ensure that OVG submits to land owner, proxy or their representative as per PVA regulations of 2018	*Upload approved advert onto the website and other media in the province and districts *Receive applications from prospective lessees either directly online or manual application from through a designated district official	*Receive the verified and approved district register of all application from PSSC *Convene district beneficiary selection committee to screen, select and interviews potential applicants as per the selection criteria	*Convene PTC to present the recommended lessee from DBSC *Present the PTC recommended lessee to NLAACC	*Engage director finance to start the conveyancing process as per SCM *Submit the request to director finance and SCM for the appointment of conveyancers	*Discuss through the provincial legal unit the special clauses or substantive clauses to be included in the deed of sale * Finalise and sign deed of sale and expedition and consult with conveyances to ascertain lodgement date at deeds office	*Confirm the transfer of property to the name of the state or relevant authority or legal entity *Register the project on ACPACC	Hand over the file to property management	Facilitate the signing of lease agreement by both parties in the manner prescribed in the contract management procedures	*Assign project to project officers *Ensure project officers visit the acquired farms quarterly with property management to monitor progress and utilisation of the farm
Activities: Land Development support	*Conduct farm assessment using assessment tool and methodology * Develop project plan * Interact with all role players * Compile and disseminate assessment reports for consideration	*Selection of suitable farms to be funded (subsistence farmers who sell their produce but not qualify for 1HH1HA policy and medium to large scale producers). * Alignment of prioritised projects with departmental plan. *Develop a project register	* Allocation of projects to Development Partners (Commodity Organisations and financial Institutions) *Development of implementation plans for execution.	*Coordination of development of comprehensive BP together with the farmer *Signing of legal agreements with farmers and all development partners	*Evaluation and appraisal of the submission *Quality assurance of the submission *Approval of the Business plans including the implementation plan and funding *Communication of the outcomes of approved business plans	*Preparation of payment parcels for processing of payments by finance *Payment of grant to farmers grants holding bank accounts *Delivery of goods and services and certification of services rendered *Payment of fund from farmers grants holding accounts by participating financial institutions	*Implementation of approved business plan by farmer and commodity organisations	* Monitor project implementation * Compile progress reports * Monitoring of progress reports against contracts *Compile consolidated progress report and submit to NJSC for noting *Submit consolidated progress report to National Treasury *Evaluate performance outcome as per approved						
Data source: Land Acquisition	Department Database	project registers from PSSC offices	priority list of farms for acquisition	valuation report	valuation report	applications from prospective lessees	district register	allocation schedule and project files	Department Database	deed of sale	ACPACC	???	Lease agreement	monthly and quarterly performance information
Data source: Land Development Support	List of applicants	farm analysis report	List of Development Partners and applicants	Business plan	List of qualifying projects	Payments sources documents	Approved Business plan	monthly and quarterly performance information						

2.7.3 *Performance Analysis*

Over the past 5 years, the Agricultural Land Holdings Trading Entity failed to achieve most of the set targets, as shown in Table 3 below. The programme acquired 373,055 hectares out of a total targeted 464,468 hectares targeted of strategically located land over the past five years.

In addition, the trading entity had planned to support 278 farmers through the land development programme per year but only supported 185 farmers during the five-year period under review.

Table 3: Selected performance indicators

No	Performance		2016/17	2017/18	2018/19	2019/20	2020/21	Total
1.	Number of hectares of strategically located land acquired per year	***Target***	180 595	85 103	81 000	94 050	23 720	**464 468**
		Actual	87 153	85 568	85 325	92 643	22 366	**373 055**
2.	Number of farms supported through the land development support programme per year	***Target***	-	-	-	162	116	**278**
		Actual	-	-	-	71	114	**185**
3.	Number of farms under the recapitalisation and development programme per year	***Target***	351	369	387	discontinued	discontinued	discontinued
		Actual			discontinued	discontinued	discontinued	
4.	Number of farms acquired through strengthening relative rights policy per year	***Target***	18	18	discontinued	discontinued	discontinued	discontinued
		Actual	10	5	discontinued	discontinued	discontinued	discontinued
5.	Number of households participating in One Household One Hectare initiative per year	***Target***	-	5 000	3 437	discontinued	discontinued	discontinued
		Actual	-	4 640	2 251	discontinued	discontinued	discontinued

Source: Department of Agriculture, Land Reform and Rural Development

There have been inefficiencies in the implementation of policies meant for post settlement support. Beneficiaries in land redistribution projects face multiple challenges such as poor infrastructure on farms, inadequate access to agricultural inputs, group tensions, lack of support from official agencies (e.g., for agricultural extension, business management, legal advice) and double dipping.

According to a recent review, South African land redistribution support has been affected by double dipping, which occurs when beneficiaries benefit from or access production support more than once.[2] Over the past 5 years some policies have been faced out/discontinued, or have become defunct, these include recapitalisation and development programme, strengthening relative rights policy, and the One Household One Hectare initiative. Despite

[2] Hall, R and Kepe, T. (2017). "Elite capture and state neglect: new evidence of SA's land reform."

the changes in policies, the Agricultural Land Holdings Trading Entity performance remains poor.

3 Expenditure Analysis

3.1 Data source

The expenditure data was extracted from the ALHA's financial systems, PERSAL, Vulindlela financial systems, estimates of national expenditure database (national treasury entities database), and the department's annual reports between 2016/17 to 2020/21. The raw data was filtered per categories of expenditure. Data sources is classified in terms of property registers and beneficiaries' information, rates and taxes of properties, information on provinces/regional offices expenditure data, staff establishment.

3.2 Revenue and expenditure over the past 5 years

Table 4: Agricultural land holding account revenue and expenditure 2016/17 - 2020/21

Items	2016/17	2017/18	2018/19	2019/20	2020/21	Total	Average growth (%)	(%) of total revenue/cost
Revenue from non-exchange transactions (grant income)	1,502,117	1,348,397	1,326,457	1,682,947	448,040[1]	6,307,958	-26.10%	89.17%
Revenue from exchange						-		
of which:						-		
Rental income	120	3,293	101,059	51,109	71,947	227,528	3.95%	3.22%
Interest received on rental income	25,773	24,091	23,172	22,687	21,672	117,395	-0.04%	1.66%
Others	79,059	89,701	93,424	121,644	37,602	421,430	-0.17%	5.96%
Total Revenue	1,607,069	1,465,482	1,544,112	1,878,387	579,261	7,074,311	-0.23%	100%
Land development support	-	-	60,000	10,523	28,573	99,096	0	1.65%
Recap and Development	330,810	646,462	83,851	16,516	4,885	1,082,524	-0.65%	18.02%
Property management	127,098	112,059	133,261	157,309	177,881	707,608	0.09%	11.78%
Impairments – debtors	12,842	68,291	28,807	83,638	674,567	868,145	1.69%	14.45%
CAPEX								
Land acquisition	685,807	577,204	985,130	759,569	241,697	3,249,407	-0.23%	54.10%
Other expenses								
Total expenses	1,156,557	1,404,016	1,291,049	1,027,555	1,127,603[2]	6,006,780	-0.01%	100%
Surplus/(Deficit)	450,512	61,466	253,063	930,533	- 548,342	6,006,780	-	100%

1 budget cut during the 2020 supplementary budget

2 2020/21 expenditure excludes Covid - 19 relief programme spending (R548,849 million)

3.3 Expenditure and revenue for the period under review

The total expenditure over the past five years was R 6 billion, whereas total revenue over the same period amounted to R 7.1 billion. Over the period under review, total expenditure increased from R 1.15 billion in 2016/17 to R 1.32 billion in 2020/21, at an annual average growth rate of -0.01 percent.

The total expenditure of R 6 billion consists of Land development support, RECAP/farmer support and payment of rates and taxes for acquired land. The rates and taxes are for payment to municipalities in areas where land has been acquired. While most of the farmers are expected to pay rent on leased land, most farmers do not pay.

The revenue is mainly derived from transfers received from the department, followed by rental income generated from leasing of land to farmers. Total revenue decreased from R 1.6 billion in 2016/17 to R 579.3 million in 2020/21, declining at an annual average rate of -0.23 percent. The decrease in total revenue over the period was mainly due to budget reduction in 2020/21 supplementary budget (special adjustment budget).

Over the review period, the entity derived over 89 % of its revenue from grant income and the remaining from its own revenue stream such as rental income and interest on rental income.

The table 5 below shows growth of debtors on leased land, which rose by 58.9 per cent when adjusted by smoothing policy and by 87.69 per cent when not adjusted by smoothing policy during the period under review. This has resulted in less revenue generation.

Table 5: ALHA Debtors[3]

	2016/17			2017/18		2018/19		2019/20		2020/21		2016/17 to 2020/21
R'000 Item	**Opening balance**	**Change (increase / decrease)**	**Closing balance**	**Change (increase / decrease)**	**Closing balance**	**Change (increase / decrease)**	**Closing balance**	**Change (increase / decrease)**	**Closing balance**	**Change (increase / decrease)**	**Closing balance**	**Avg growth (%)**
Lease Receivable (including smoothing)	323,631	13,819	337,450	6,728	344,177	35,238	379,416	60,711	40,127	74,146	514,273	0.12%
Lease Receivable (excluding smoothing)	323,631	13,819	337,450	6,728	344,177	117,754	461,932	61,133	523,064	84,362	607,426	0.17%

Debtors are growing because of the slow collection rate. The entity has indicated that it is currently outsourcing debt function, however in the report we recommended “entity should enter into performance basis contract with collection companies that is linked to its performance target”.

The revenue increase indicated is not related to any improved collection rate, but rather an increase in the number of leased properties during the review period. Furthermore, the rental

[3] Smoothing entails a lease straight-line rent which is the concept that the total liability under a rental arrangement should be charged to expense on an even periodic basis over the term of the contract. The straight-line concept is based on the idea that the usage of the rental arrangement is on a consistent basis over time; that is, the rented asset is used at about the same rate from month to month. Calculation of straight-line rent may result in a monthly rent expense that differs from the actual amount billed. This is usually because it is built on escalating rent payments into the contract. In such a case, the straight-line amount charged to expense is higher than the actual amount billed during the first few months of the contract, and lower than the amount billed during its final months. Where the amount of the expense is greater than the amount billed, it will be charged to a deferred liability account, and where the amount of the expense is less than the amount billed, is charged to a deferred asset account. At the end of the contract, the deferred liability/asset account will have a zero balance. Refer to GRAP 13 – Lease.

amount in the table above is not the actual rental money received per year but the accrual amount in the debtors account (closing balance of receivables).

3.4 Expenditure analysis

Table 6: Average of the main cost drivers over the review period

Ratio	2016/17	2017/18	2018/19	2019/20	2020/21
Number of hectares per year (asset register)	2 015 356.04	2 100 226.68	2 184 750.96	2 277 403.93	2 302 893.27
Number of farmers per year	4 618.00	4 740.00	4 873.00	4 984.00	5 046.00
Total programme cost per farmer / property	250.45	296.21	264.94	190.18	261.90
Total programme cost per hectare	0.57	0.67	0.59	0.42	0.57
Avg rental income per farmer / property	0.03	0.69	20.74	10.25	14.26
Avg rental income per hectare	0.0001	0.002	0.05	0.02	0.03
Recap/land development cost per hector	0.16	0.31	0.07	0.01	0.13
Recap/land development cost per farm or property	71.63	136.38	29.52	5.43	57.59
Property management / hector	0.06	0.05	0.06	0.07	0.08
Property management per farm or property	27.52	23.64	27.35	31.56	34.86
Capex /Land acquisition cost per hector	0.35	0.27	0.32	0.30	0.10
Capex /Land acquisition cost farm or property	153.81	121.77	143.55	136.41	47.31

Source: Entity management reports

The land acquisition cost per hector declined significantly in 2020/21 when compared to the farm development support per hector in the same period. The property management cost per hector shows significant increase from 2018/19 due to the entity assumed exclusive liability for property rates.

ALHA total expenditure of R7 billion over the review period (2016/17 to 2020/21) is the second largest land reform programme of the department after the Restitution programme which is meant to settle land restitution claims which was allocated R16 billion of the department budget over the same period. All land reform grants are granted through ALHA to beneficiaries of land reform.

The biggest share of expenditure is on grants to farmers followed by property payments. These main expenditure drivers are for the acquisition of land for distribution and to provide support to farmers post - settlement and land development. However, it should be noted that the entity does not expense compensation of employees since the employees responsible for the day-to-day operations of the entity are paid from the department personnel expenditure. The compensation of employees directly (core establishment) linked to the ALHA staff establishment paid by the department is estimated at R13.7 million per year. The support staff from the department (50 % apportionment to the work of ALHA) is estimated at R81.9 million per year. The combined core and support staff cost of the entity is R95.6 million, which accounted for 2.5 % of the departmental compensation of employees amounts to R3.7 billion expenditure outcome in 2020/21.

3.4.1 Goods and services & transfers

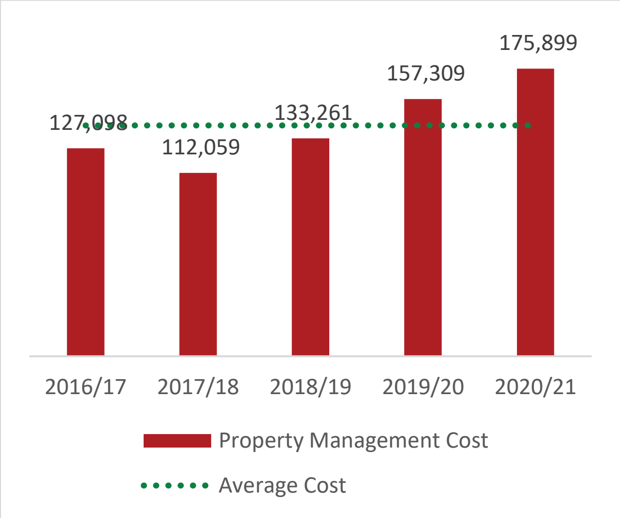
The department introduced Recapitalization and Development (RECAP), in 2010 meant to provide increased support to land reform beneficiaries to enable them to utilize their acquired land as well as to address infrastructure backlogs on the acquired farms. After the RECAP was unsuccessful, the department introduced Land Development Support (LDS), in 2018, where financial institutions are managing funds transferred to farmers, meant to assist black farmers to be sustainable, reach full production capacity and develop their agricultural enterprises to be commercially viable.

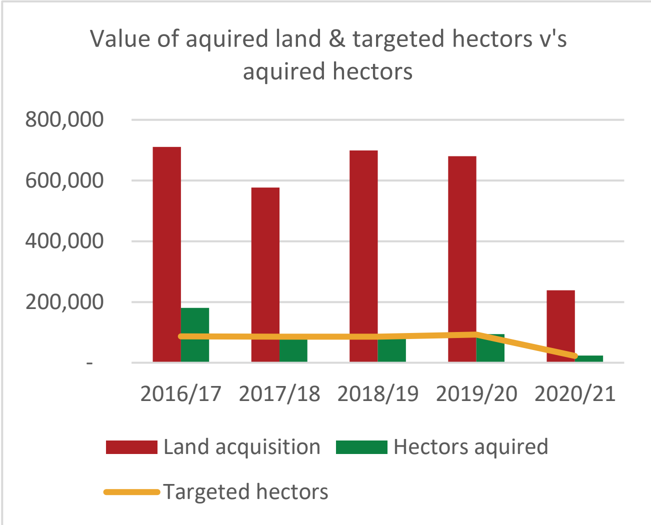
Over the past five years spending on RECAP has declined by 66.7 per cent from R330.8 million in 2016 to R4.8 million in 2021 due to the process of closing down/phasing out the RECAP, whereas LDS increasing by 87.9 per cent from R60 million in 2018 to R494.8 million in 2021. The lowest spending of the LDS in 2018/19 is due to interim disbursement model, in which commodity organisations procure for farmers and the entity pays commodity organisations.

The entities' impairments – debtors' line item increased by 28.6 per cent from R127.1 million in 2016/17 to R177.8 million in 2020/21. The impairments –debtors are funds the entity was not able to recover from unpaid rental income (liability for rental for lessees who signed valid lease arrangement with the entity) and unaccounted RECAP funds. The impairments –debtors account is equivalent to 83.8 per cent of the R227.5 million of the rental income received by the entity over the review period.

Over the review period, the property management (rates and taxes) grew by 28.6 per cent, whereas land acquisition declined by -1.8 per cent. The payment of property rates for the leased properties is in terms of section 12.2 of State Land Lease and Disposal Policy, 2019, which stipulate that, "the department shall, in relation to all properties involved in agricultural leases envisaged in paragraph 4 to 19, assume exclusive liability for property rates. This policy position of the department appears to be financially unsustainable because the property management spending is beginning to take over land acquisition spending. The decline in land acquisition will continue in 2021/22 as the entity is targeting to only spend R175.1 million that represents a decline of R66.6 million when compared to the 2020/21 spend of R241.7 million. This will slow down land acquisition and ultimately distribution, which will slow down, service delivery.

Figure 8: Property management spending and value of acquired properties (hectors v's target acquired) and 2016/17 - 2020/21





Source: ALHA annual reports

Over the review period, the entity missed its target for *hectares of strategically located land acquired* by 19.7 per cent or 91 413 hectors. Under performance (variance) is noticeable in 19/20 and 20/21 with the entity missing the target by 1 407 and 1 345 hectors respectively. Over the same period, the land acquisition expenditure has declined from R699.5 million in 2018/19 to R679.9 million in 2019/20 and R238.7 million in 2020/21. Delays in the conveyancing process and withdrawal from sales agreement are usually advanced as reasons for missing the target.

Notably in the last two years of the review period spending on property management was above the average of R141.1 million with 2019/20 recording expenditure of R157.3 million and 2020/21 coming at R175.9 million. The entity has no strategic target for settling property management; however, the data shows a shift of expenditure from the strategic target of land acquisition to the operational target of property management payments.

Table 6: Debt re-arrangement (smoothing) and write-off 2016/17 - 2020/21

Item	2016/17	2017/18	2018/19	2019/20	2020/21	Total	Average
Straight – Line/Smoothing	-	-	82,516	422	10,216	93,154	31,051
Debt write-off	5,382	12,645	4,430	10,689	-	33,146	11,049
Impairments – debtors (including - SRR)	12,842	68,290	28,808	86,921	67,457	264,318	88,106
Total lease receivable adjusting accounts	**18,224**	**80,935**	**115,754**	**98,032**	**77,673**	**390,618**	**78,124**
Closing balance of lease receivable (exclude- smoothing)	337,450	344,177	379,416	440,127	514,273	2,015,442	403,088
Closing balance of lease receivable (include - smoothing)	337,450	344,177	461,932	523,064	607,426	2,274,049	454,810

1. Lease Straight-line/smoothing rent is the concept that the total liability under a rental arrangement should be charged to expense on an even periodic basis over the term of the contract.

According to table 6 the largest modifier of the entity's lease receivable account is impairments – debtors constituting R67.7 per cent or R264.3 million of the total lease receivable adjustment accounts over the review period. Impairments – debtors are a provision for a bad debt, a methodology (debt assessment) is used to calculate the amount, it can be based on the current factors that might render a certain percentage of the debt to be written off. It is followed by the lease straight-line/smoothing, which accounts for 23.9 per cent or R93.2 million of the total lease receivable adjustment accounts over the review period. According to the entity the straight-line concept is based on the idea that the usage of the rental arrangement is on a consistent basis over time; that is, the rented asset is used at about the same rate from month to month.

Calculation of straight-line rent may result in a monthly rent expense that differs from the actual amount billed. This is usually because it is built on escalating rent payments into the contract. In such a case, the straight-line amount charged to expense is higher than the actual amount billed during the first few months of the contract, and lower than the amount billed during its final months.

Between 2016/17 and 2020/21 the entity has been using the lease receivable adjustments *(straight – line/smoothing, debt write-off and impairments – debtors (including - SRR) to* reduce lease receivable account*.* Over the review period, the smoothed lease receivable account was reduced by 19.8 per cent and unsmoothed by 17.2 per cent. The lease receivable adjustments picked at R115.7 million in 18/19 declining to R77.7 million in 20/21. Notably for the same period, the lease receivable account has increased by over 31 per cent. The increase is despite the entity's intense support of farmers (land development R285.7 million, Covid - 19 relief programme (R548.8 million) an indication of the entity's failure to turn beneficiaries' businesses into going-concerns and problem of low lease receivable collection rate.

3.4.2 Cost structure and personnel establishment of the programme

Table 7: Compensation of employees

Number of posts: Core *of which:* (level 6 – 10) * 23 (level 11 – 12) * 5 (level 13 – 14) * 3 Support (provincial) *of which:* (level 6 – 10) * 195 (level 11 – 12) * 43	**261** 24 237
Cost (R'000)	
Core	R13,720
Support (50 % apportionment) (R176, 106 – R13,720) / 2	R81,193
Average unit cost	**R363,650**

The ALHA has an approved establishment of 261 posts of which 24 posts are dedicated to the core function of the entity and 237 posts for support function. Approximately 237 staff members in different sections of the department spent a portion of their time supporting the entity. Furthermore, the department provides the services of internal audit, Information Technology and staff training to the entity. Both the entity and the department were not able to provide establishment information relating to the support function to the entity. The information used in the report was based a desktop exercise which indicated that there are no proper records for the entity establishment.

3.4.3 Expenditure per province

Table 8: Expenditure per Province

Expenditure per province	2016/17	2017/18	2018/19	2019/20	2020/21	Average annual growth %
EASTERN CAPE	**72 248 758**	**96 781 735**	**47 145 258**	**61 266 737**	**142 800 508**	**18.6%**
GRANT FARMERS EXPENSES-NON EXCHANGE	31 137 114	46 659 930	238 666	3 697 338	90 114 517	30.4%
OPERATING EXPENDITURE-GOODS AND SERVICE	2 244 015	7 534 133	10 089 140	3 256 976	106 985	-53.3%
PROPERTY PAYMENTS	24 334 641	17 415 636	23 577 173	27 935 589	30 383 371	5.7%
BAD DEBTS WRITE OFF	631 404	2 570 189	2 273 951	733 154		-100.0%
LOSS ON DISPOSAL OF ASSETS			84 809	107 005		0.0%
DEPRECIATION AND AMORTISATION	5 235 153	5 286 922	5 021 917	7 136 783	8 002 234	11.2%
IMPAIRMENTS -ASSETS	4 096 807	14 671 612	3 317 904	5 388 685	6 195 113	10.9%
IMPAIRMENTS -DEBTORS	4 569 623	2 643 314	2 541 697	13 011 206	7 998 288	15.0%
FREE STATE	**124 413 840**	**94 572 062**	**48 070 542**	**56 943 182**	**115 234 025**	**-1.9%**
GRANT FARMERS EXPENSES-NON EXCHANGE	90 399 669	72 012 060	19 868 807	2 613 761	71 642 441	-5.6%
OPERATING EXPENDITURE-GOODS AND SERVICE	3 253 611	7 088 755	10 471 531	3 828 784	504 415	-37.3%
PROPERTY PAYMENTS	20 819 037	7 526 054	7 992 775	28 642 121	20 841 787	0.0%
BAD DEBTS WRITE OFF	3 035 416	277 172	357 191	581 154		-100.0%
LOSS ON DISPOSAL OF ASSETS	131 922	0	593 815	1 365 032		-100.0%
DEPRECIATION AND AMORTISATION	7 068 728	6 832 923	6 184 450	10 686 721	9 074 470	6.4%
IMPAIRMENTS -ASSETS	2 163 750	915 781	165 251	1 019 425	5 801 565	28.0%
IMPAIRMENTS -DEBTORS	-2 458 291[1]	-80 683[1]	2 436 723	8 206 184	7 369 348	#NUM!
GAUTENG	**60 721 543**	**97 019 534**	**74 733 110**	**66 832 137**	**112 266 683**	**16.6%**
GRANT FARMERS EXPENSES-NON EXCHANGE	21 957 191	49 733 802	31 100 602	7 189 276	66 877 558	32.1%
OPERATING EXPENDITURE-GOODS AND SERVICE	2 766 348	7 489 307	9 371 486	6 174 641	5 778 766	20.2%
PROPERTY PAYMENTS	14 373 170	14 269 151	14 406 548	15 397 927	16 553 128	3.6%
BAD DEBTS WRITE OFF	880 623	6 219 913	1 444 935	2 457 782		-100.0%
LOSS ON DISPOSAL OF ASSETS		59 277	2 206 373	10 763 275		
DEPRECIATION AND AMORTISATION	5 353 733	6 119 758	6 589 176	8 078 816	9 133 341	14.3%
IMPAIRMENTS -ASSETS	8 011 456	6 443 096	4 775 751	6 341 522	6 230 512	-6.1%

Expenditure per province	2016/17	2017/18	2018/19	2019/20	2020/21	Average annual growth %
IMPAIRMENTS -DEBTORS	7 379 021	6 685 230	4 838 237	10 428 898	7 693 377	1.0%
KWAZULU NATAL	**71 693 085**	**113 340 466**	**59 865 323**	**71 582 581**	**153 162 208**	**20.9%**
GRANT FARMERS EXPENSES-NON EXCHANGE	41 447 761	71 407 434	10 958 036	17 974 025	104 639 906	26.1%
OPERATING EXPENDITURE-GOODS AND SERVICE	2 338 187	8 258 815	10 756 834	4 161 162	159 220	-48.9%
PROPERTY PAYMENTS	18 798 200	16 896 033	19 945 599	22 490 687	25 393 866	7.8%
BAD DEBTS WRITE OFF		0	84 606	4 734 805		0.0%
LOSS ON DISPOSAL OF ASSETS		80 939		1 246 007		0.0%
DEPRECIATION AND AMORTISATION	5 132 622	5 330 968	5 248 657	7 472 949	10 769 589	20.4%
IMPAIRMENTS -ASSETS	1 389 092	8 123 104	3 549 746	-73 925	2 292 722	13.3%
IMPAIRMENTS -DEBTORS	2 587 222	3 243 174	9 321 847	13 576 871	9 906 906	39.9%
LIMPOPO	**44 798 146**	**102 843 803**	**45 841 026**	**27 880 018**	**148 910 352**	**35.0%**
GRANT FARMERS EXPENSES-NON EXCHANGE	25 659 854	65 832 122	8 783 994	323 642	124 850 158	48.5%
OPERATING EXPENDITURE-GOODS AND SERVICE	4 252 352	7 434 278	9 370 162	2 048 334	307 200	-48.2%
PROPERTY PAYMENTS	6 360 535	6 764 523	8 084 389	7 428 701	8 865 216	8.7%
BAD DEBTS WRITE OFF	318 414	130 971	8 608	1 948 429		-100.0%
LOSS ON DISPOSAL OF ASSETS	3 525 241	75 525		1 412 887		-100.0%
DEPRECIATION AND AMORTISATION	5 049 102	5 068 943	4 822 018	6 480 340	7 726 757	11.2%
IMPAIRMENTS -ASSETS	-162 152	11 126 398	13 672 166	2 731 706	2 388 409	
IMPAIRMENTS -DEBTORS	-205 199	6 411 043	1 099 690	5 505 981	4 772 611	
MPUMALANGA	**58 838 684**	**157 903 433**	**67 392 051**	**86 832 930**	**140 115 485**	**24.2%**
GRANT FARMERS EXPENSES-NON EXCHANGE	29 222 748	112 668 165	15 829 522	12 152 785	72 593 493	25.5%
OPERATING EXPENDITURE-GOODS AND SERVICE	5 415 962	8 744 214	11 006 982	4 469 083	807 044	-37.9%
PROPERTY PAYMENTS	17 153 114	23 331 163	27 232 520	24 257 990	35 209 198	19.7%
BAD DEBTS WRITE OFF	262 848	2 720 906	73 914	187 750		-100.0%
LOSS ON DISPOSAL OF ASSETS			23 226	17 003 390	564 257	0.0%
DEPRECIATION AND AMORTISATION	7 101 109	7 717 799	6 681 710	10 452 272	12 014 780	14.1%
IMPAIRMENTS -ASSETS	-1 540 565	5 118 849	5 058 724	743 285	4 417 798	
IMPAIRMENTS -DEBTORS	1 223 470	-2 397 664	1 485 453	17 566 376	14 508 915	85.6%
NATIONAL OFFICE	**6 314 811**	**4 018 390**	**27 705 928**	**10 281 770**	**23 746 944**	**39.3%**
GRANT FARMERS EXPENSES-NON EXCHANGE	-1 700 000					-100.0%
OPERATING EXPENDITURE-GOODS AND SERVICE	8 014 811	4 018 390	27 705 928	10 281 770	23 746 944	31.2%
NORTH WEST	**69 700 727**	**126 089 540**	**69 949 020**	**53 746 469**	**210 135 156**	**31.8%**
GRANT FARMERS EXPENSES-NON EXCHANGE	35 923 665	96 238 087	30 962 373	13 797 214	164 360 071	46.3%
OPERATING EXPENDITURE-GOODS AND SERVICE	1 437 433	6 978 173	8 482 222	4 304 593	2 242 279	11.8%
PROPERTY PAYMENTS	10 701 746	11 793 254	16 837 365	14 903 013	21 918 856	19.6%
BAD DEBTS WRITE OFF		212 439	152 673	31 021		0.0%
LOSS ON DISPOSAL OF ASSETS		650 616				0.0%
DEPRECIATION AND AMORTISATION	7 963 105	7 953 089	7 593 948	11 797 022	13 892 035	14.9%

Expenditure per province	2016/17	2017/18	2018/19	2019/20	2020/21	Average annual growth %
IMPAIRMENTS -ASSETS	13 521 176	2 313 626	1 624 308	801 065		-100.0%
IMPAIRMENTS -DEBTORS	153 603	-49 745	4 296 131	8 112 541	7 721 916	166.3%
NORTHERN CAPE	**56 346 888**	**112 548 288**	**15 695 520**	**16 803 231**	**110 310 423**	**18.3%**
GRANT FARMERS EXPENSES-NON EXCHANGE	40 307 006	99 417 780	2 270 713	33 601	90 071 572	22.3%
OPERATING EXPENDITURE-GOODS AND SERVICE	1 536 570	4 556 267	6 235 624	3 609 690	262 483	-35.7%
PROPERTY PAYMENTS	6 643 310	6 372 784	6 253 549	6 972 455	9 277 962	8.7%
BAD DEBTS WRITE OFF	136 306	508 302	8 141	10 579		-100.0%
LOSS ON DISPOSAL OF ASSETS	7 030 883				3 684 259	-14.9%
DEPRECIATION AND AMORTISATION	677 737	882 591	978 064	2 136 469	2 997 545	45.0%
IMPAIRMENTS -ASSETS	162 694	1 242 037	-51 878[1]	490 495		-100.0%
IMPAIRMENTS -DEBTORS	-147 618[1]	-431 473[1]	1 308	3 549 941	4 016 602	
WESTERN CAPE	**51 665 191**	**148 212 492**	**52 743 689**	**41 228 742**	**91 667 025**	**15.4%**
GRANT FARMERS EXPENSES-NON EXCHANGE	38 034 488	77 563 377	29 786 141	15 457 330	66 585 478	15.0%
OPERATING EXPENDITURE-GOODS AND SERVICE	2 543 814	4 088 070	6 187 277	3 328 135	3 280 067	6.6%
PROPERTY PAYMENTS	7 914 642	7 689 944	8 930 756	9 280 694	9 437 694	4.5%
BAD DEBTS WRITE OFF	116 987	5 717	20 302	205		-100.0%
LOSS ON DISPOSAL OF ASSETS	170 155	89 174	181 606	290 491		-100.0%
DEPRECIATION AND AMORTISATION	3 325 759	3 251 161	3 215 529	4 963 543	5 684 392	14.3%
IMPAIRMENTS -ASSETS	-180 535[1]	3 257 414	1 635 849	4 228 425	2 264 961	-
IMPAIRMENTS -DEBTORS	-260 119[1]	52 267 634	2 786 229	3 679 920	4 414 433	-
Grand Total	**616 741 673**	**1 053 329 744**	**509 141 467**	**493 397 798**	**1 248 348 809**	**19.3%**

1. Reversal of the initial impairments passed due to prospects of recovery.

Major cost drivers of the provincial expenditure are property management, goods and services and impairments – debtors that together represent 32.2 per cent of the total provincial expenditure. Property management represents 18 per cent, goods and services 7.5 per cent and impairments –debtors represent 6.7 per cent of the total provincial expenditure over the review period. Mpumalanga shows the highest property management expenditure followed by Eastern Cape.

Over the review period all provinces are showing negative annual average growth on goods and services except for Gauteng and North West's goods and services that are growing at 20.2 per cent and 11.8 per cent respectively. Consistent to figure 8 data indicating a shift of expenditure from the strategic target of land acquisition to the operational target of property management payments all provinces have recoded a positive annual average growth on this item, and with Mpumalanga highest grow of 19.7 per cent.

3.4.4 Revenue per province

Table 9: Revenue per Province

REVENUE PER PROVINCE	2016/17	2017/18	2018/19	2019/20	2020/21	Average annual growth %
EASTERN CAPE	**180 722 359**	**139 110 070**	**145 165 030**	**184 576 176**	**53 095 671**	**-26.4%**
Grant income (transfers from the department)	174 889 000	133 447 000	128 960 846	173 159 517	41 778 061	-30.1%
Rental income and interest received	5 833 359	5 663 070	16 204 185	11 416 659	11 317 611	18.0%
FREE STATE	**169 325 207**	**124 080 455**	**217 263 695**	**250 766 251**	**103 676 055**	**-11.5%**
Grant income (transfers from the department)	167 889 000	122 490 000	202 568 091	244 314 228	93 425 421	-13.6%
Rental income and interest received	1 436 207	1 590 455	14 695 604	6 452 023	10 250 635	63.4%
GAUTENG	**96 976 642**	**186 263 317**	**146 038 067**	**174 915 052**	**45 636 702**	**-17.2%**
Grant income (transfers from the department)	88 889 000	178 285 000	129 955 000	166 141 791	35 348 606	-20.6%
Rental income and interest received	8 087 642	7 978 317	16 083 067	8 773 261	10 288 096	6.2%
KWAZULU NATAL	**321 414 739**	**174 883 622**	**167 905 396**	**176 578 038**	**54 646 949**	**-35.8%**
Grant income (transfers from the department)	317 505 000	170 587 000	151 812 000	163 246 484	39 709 380	-40.5%
Rental income and interest received	3 909 739	4 296 622	16 093 396	13 331 554	14 937 570	39.8%
LIMPOPO	**167 050 184**	**181 425 044**	**70 288 567**	**193 267 589**	**33 375 506**	**-33.1%**
Grant income (transfers from the department)	167 889 000	182 179 000	84 062 000	196 975 596	39 501 468	-30.4%
Rental income and interest received	-838 816	-753 956	-13 773 433	-3 708 007	-6 125 962	64.4%
MPUMALANGA	**132 908 365**	**148 584 057**	**191 798 543**	**153 705 261**	**97 560 141**	**-7.4%**
Grant income (transfers from the department)	128 889 000	144 933 000	177 870 731	134 304 035	76 566 325	-12.2%
Rental income and interest received	4 019 365	3 651 057	13 927 813	19 401 226	20 993 815	51.2%
NATIONAL OFFICE	**79 372 544**	**75 259 509**	**140 250 080**	**263 108 975**	**45 993 038**	**-12.8%**
Grant income (transfers from the department)	30 699 949	0	51 819 000	155 268 000	14 232 000	-17.5%
Rental income and interest received	48 672 596	75 259 509	88 431 080	107 840 975	31 761 038	-10.1%
NORTH WEST	**164 440 218**	**150 650 054**	**215 550 182**	**198 537 717**	**50 716 743**	**-25.5%**
Grant income (transfers from the department)	163 389 000	148 766 000	204 497 964	193 333 124	41 229 183	-29.1%
Rental income and interest received	1 051 218	1 884 054	11 052 218	5 204 592	9 487 559	73.3%
NORTHERN CAPE	**169 045 961**	**166 982 653**	**78 031 572**	**174 418 145**	**51 279 170**	**-25.8%**
Grant income (transfers from the department)	168 889 000	166 813 000	65 747 326	171 922 934	46 581 505	-27.5%
Rental income and interest received	156 961	169 653	12 284 246	2 495 211	4 697 665	133.9%
WESTERN CAPE	**124 135 497**	**116 735 605**	**144 274 366**	**101 097 384**	**31 028 642**	**-29.3%**
Grant income (transfers from the department)	123 889 000	115 277 000	134 156 000	98 017 139	25 504 412	-32.6%
Rental income and interest received	246 497	1 458 605	10 118 366	3 080 245	5 524 230	117.6%
Grand Total	**1 605 391 716**	**1 463 974 387**	**1 516 565 499**	**1 870 970 588**	**567 008 618**	**-22.9%**

Over the review period the Northern Cape has the highest growth rate of 117.6 per cent on Rental income and interest received followed by Western Cape at 117.6 per cent. The worst growth rate on Rental income and interest received is only noticeable under the National office at -10.1 per cent followed by Gauteng province at the marginal 6.2 per cent.

4 Findings and Recommendations

4.1 Findings

- ALHA has failed to achieve most of the set targets. The entity only acquired 373,055 hectares of land out of a total targeted 464,468 hectares of strategically located land over the last five years. In addition, the entity planned to support 278 farmers through land development programme per year but only supported 185 farmers during period under review (2016/17 – 2018/19).
- There have been a lot of changes in land development support policies, which brings in uncertainty in the land reform programme. This is reflected in the continuously changing nature of the purpose as well as targets (indicators) for the programme. The overall lack of policy clarity makes it difficult to measure the performance of the programme and hold it accountable.
- The cost of land acquisition declined significantly between 2019/20 and 2020/21 when compared to farm development support per hector. The land acquisition cost per hector declined from R35,000 2016/17 to R 10,000 in 2020/21. However, there is co corresponding increase in the amount of land acquired. The reasons usually advanced for missing the target are that it was mainly due to delays in the conveyancing process and withdrawals from sales agreements.
- Property management cost per hector shows significant increase from 2018/19 due to the entity assumed exclusive liability for property rates. The property rates per farm increased from R27 520 in 2016/17 to R34 860 in 2020/21.
- There is persistent problem of a low lease receivable collection rate. The lease receivable account significantly increased from R323.6 million to R514.3 million from 2016/17 to 2020/21 , at an annual average growth rate of -0.12 percent. The significant growth is despite the entity using variance method such as, straight – line/smoothing, debt write-off and impairments – debtors to legitimately adjust the lease receivable account.
- Given the size and importance of strategically acquired land required, the entity should investment in reliable information systems that can enable adequate monitor, support decision making and facilitate oversight of resources the entity uses in its processes.

4.2 Recommendations

- Policies on farmer development support keep changing. It is important to harmonise all these policies to bring certainty in the sector. The entity should institute research that will inform a review of land development support policies.
- The payment of property rates for the leased properties is in terms of section 12.2 of State Land Lease and Disposal Policy, 2019. This policy position of the department appears to be financially unsustainable due to the term of the lease (30 years lease agreements) and because the property management spending is beginning to take over land acquisition spending. This is unsustainable. There should be a comprehensive review of property management to determine the opportunity to transfer the property management function to the department. This will enable the entity to focus on its core functions/ mandate (property management is a specialised function that needs adequate capacity).
- To ensure programme's sustainability the entity should consider sharing the property rates bill with beneficiaries that are operating sustainable businesses. This will require a change of the State Land Lease and Disposal Policy.
- The entity should put measures in place to improve its lease receivable collection rate. The entity should enter performance based contracts with collection companies where remuneration is linked to performance target. The contract should also include a clause to terminate the contract where there are no valid reasons for slow collection rate.
- There is a need for a comprehensive spending review/analysis focusing on the property management section of the Lease and Disposal Policy and the billing system of the property management function.

4.3 Actions

- Operational inefficiencies need to be addressed. The entity is failing to achieve most of the set targets (acquisition of strategically located land and slow rollout of the land development programme). The entity is over reliant on department grant and there is an inability to enforce lease rental agreements.
- There is need for further research to explore the entities property management billing system to establish the cause of the fast-growing expenditure trends of this item while land acquisition cost and hectors acquired show a declining trend. This means a focused spending review/analysis of the property management, that is, the lease and disposal policy and the billing systems of the property management function.

- The entity must strengthen its lease policy to ensure better enforcement of lease rental agreements.
- The entity must strengthen monitoring and development support, to ensure farmers remain productive and sustainable. The more farmers stay productive/in business the less the risk of non-payment of rent. The entity must use commodity organisations to provide technical support and training to farmers, with financial institution focusing on transfer of grant support to farmers. Currently there is no return on investment in respect of the land development support programme. The programme's beneficiaries are not able to meet rental obligation despite department spending 19.67 per cent or R1.18 billion under the review period. This is in line with improvements from the old Recap and Development to the new Land Development Support programme.
- In case the entity continues with the function of property management, standard operating procedures for this function should be developed. Currently the entity is recording most of its core functions (property rates and lease rental) information on excel templates. This method of record keeping is not sustainable and reliable; therefore, the entity will have to invest in the modern information systems to improve its record keeping and enhance information reliability and support decision making.