

# RICHMOND OPKOMENDE BOERE CO-OPERATIVE

## CLOSE - OUT EVALUATION REPORT



Prepared By:

**Talent Net Consulting**

'a new dawn for talent'

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## Executive Summary

The Richmond Op-komende Boere Co-operative was conceptualised for the members of the co-operative to move from being emerging farmers to commercial farmers within 5 to 6 years. The co-operative was founded in 1999 by previously farm workers who used the commonage for their own stock. The members at that point in time with the support of the local municipality envisaged developing a viable farming business that would:

- Acquire the necessary resources within a set period of time, 6 months to be active goat farmers;
- To strengthen the Richmond Opkomende Boere Co-operative's institutional and financial sustainability through mentorship and capacity building;
- To utilise the Department of Agriculture for technical support and mentorship over twelve months in releasing their potential as commercial livestock farmers;
- To supply goats to the Middle East market. This later changed to sheep farming to provide the local market.

The National Development Agency (NDA) funded the project in two contracts:

- The first contract for R597 394.00 spanning the period 1 March 2008 to 28 February 2009;
- The second contract for R179 00.00 spanning the period from 01 September 2012 to 31 August 2013.

The first phase linked to the first contract, to develop a livestock business focus on goat production failed due to:

- Lack of business and technical support from various organisations needing to support the co-operative;
- The acquisition of the Merweville farm although positive in itself impacted the project costs;
- The project was negatively impacted by cash-flow problems during this phase.

A new board was established when the second contract was granted by the NDA.

The new leadership of the project implemented a turnaround strategy that required farming with merino sheep. This with the loan obtained from the National Empowerment Fund (NEF) and the additional funding from the NDA has had positive results on the project.

The project has to-date within 10 months grown the livestock herd to 1031 animals and 400 lambs at the time of the evaluation visit. In the interim the project has had receipts of approximately R 541 822 and paid wages and salaries to the amount of R319 904, income that has reduced the dependencies of beneficiaries on social grants. Currently the project has made loss of R1 276 212 for the financial year but has been able to meet all its commitments.

The current leadership is developing a plan to address their funding problem and need to ensure improved profitability to ensure viability of the farming project. These include adding vegetable production to the long term plan and expanding the livestock production till the carrying capacity of the

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farm which is in the order of 1400 animals. The current leadership has developed a good organisational structure and well-rounded skills in merino farming.

The current project is likely to encounter cash flow challenges based on how the leadership mitigates the risks facing the project. In addition to possible funding from the NDA for mentoring support and possibly further investment in the infrastructure on the farm, the leadership can also be assisted with business training and skills development. In general, where technical or business support is to be provided to a NDA project by an agency of state or other third party this should be written up in a service level agreement.

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## Table of Contents

1. Background .....	4
1.1 Scope.....	4
1.2 Project Description.....	4
2. Evaluation Aim and Objectives .....	5
3. Evaluation Methodology.....	6
4. Results.....	6
4.1 Description of participants.....	6
4.2 Findings .....	7
5. Discussion.....	10
6. Conclusions .....	13
7. Recommendations .....	14
8. Sign-off of Report.....	16
Annexure A: Site Visits and Monitoring .....	17
Annexure B: Relevance of the Project .....	20
Annexure C: Financial Report.....	22

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## Table of Figures

Figure 1: Richmond Population Size (by Gender) ..... 20

## List of Tables

Table 1: Support Organisations and sectors ..... 5

Table 2: Initial Leadership of the ROBC ..... 6

Table 3: Current Leadership of the ROBC ..... 7

Table 4: ROBC Project Site Visits ..... 17

Table 3: Key Findings from ROBC Project Site Visits ..... 17

Table 6: Richmond NC household annual income ..... 20

Table 5: Employment profile of household heads in Richmond, NC ..... 21

Table 8: Tranches of NDA Funding to Project ..... 22

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## Abbreviations and Acronyms

Abbreviation	Word or Term
DRDLA	Department of Rural Development and Land Affairs
DWA	Department of Water Affairs
ELI	Ethics Leadership International
LM	Local Municipality
NDA	National Development Agency
NEF	National Empowerment Fund
ROBC	Richmond Opkomende Boere Co-operative
SAPS	South African Police Service
Stats SA	Statistics South Africa

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# 1. Background

## 1.1 Scope

The scope of this assessment is a close out evaluation of the Richmond Op-komende Boere Co-operative (ROBC) project. The project had two funding phases based on two contracts:

- The first contract for R597 394.00 spanning the period 1 March 2008 to 28 February 2009;
- The second contract for R179 00.00 spanning the period from 01 September 2012 to 31 August 2013.

A close evaluation was undertaken on the first contract on 26 February 2013, and this evaluation, for the second contract, collates that particular assessment with this one.

## 1.2 Project Description

The ROBC project was conceptualised for the members of the co-operative to move from being subsistence/emerging farmers to commercial farmers within 5 to 6 years. The co-operative was founded in 1999 by previously farm workers who used the commonage for their own stock. The members at that point in time, with the support of the local municipality, envisaged developing a viable farming business that would:

- Acquire the necessary resources within a set period of time, 12 months, to be active livestock farmers with the support of an active government support network primarily led by the Department of Agriculture;
- To strengthen the Richmond Op-komende Boere Co-operative's institutional and financial sustainability through mentorship and capacity building;
- To acquire quality rams and ewes within six months to be active livestock farmers, focusing on goats;
- To utilise the Department of Agriculture for technical support and mentorship over twelve months in releasing their potential as commercial livestock farmers;
- To supply goats to the Middle East market and the international market. This later changed to sheep farming, with the support of the second contract signed with the NDA.

As part of the local municipalities' economic development programmes, the co-operative managed to lease farmland that belonged to the Ubuntu Local Municipality. The Department of Land Affairs assisted facilitated in the leasing of the farm. The farm and the project are located in the town of Richmond, in the heartland of the Karoo.

The predominant farmers in the area are commercial sheep farmers who use extensive tracts of land for sheep farming to ensure that over-grazing does not occur and large portion of monies required for any farming activity requires large-scale investment into infrastructure to ensure viability of the farming activities.

The immediate area in and around Richmond consists of a rural population that largely relies on work from the commercial farmers or generates income from small scale farming or small enterprises. In the larger

commercial sheep farms, there is limited number of permanent employment opportunities with large variations in seasonal work that centres on activities such as sheep shearing, supply of services and products to the agricultural and agro-processing industry, and the like. Economic activities are limited and the rural population in an area such as Richmond are generally poor. The Richmond area provides its produce of wool and meat to the larger centres in South Africa either through direct contract with specific clients or through intermediary institutions such as abattoirs or wool merchants.

In the development of the project, various organisations provided support to the co-operative, these being tabulated below.

**Table 1: Support Organisations and sectors**

	Organisation or Sector	Type of support
1	National Development Agency	Funding and capacity building
2	Ubuntu Local Municipality	Support services
3	Dept. of Agriculture, Land Reform and Rural Development	Technical training and support
4	National Empowerment Fund	Financial loan
5	Ethics Leadership International (ELI)	Mentorship, capacity building and technical services
6	Local veterinarians and state veterinarian	Veterinarian services
7	Kalahari Kid	Marketing of goats and assistance to goat co-operatives
8	South African Police Services	Security, administrative support

## 2. Evaluation Aim and Objectives

The aim of this evaluation is to provide a close out assessment of the ROBC project by assessing the following:

- Implementation of the agreed contractual project activities and the extent to which this were successful;
- Assessing the impact of the project on the beneficiaries to the project.

The evaluation questions that were required to be answered during the course of the evaluation were:

- Which of the activities, agreed in the contract, were implemented?
- What was the degree of success of the project interventions conducted?
- Did the project realise the aim of being successful commercial famers in the time frames allocated, that is, 12 months?
- Did the project receive the requisite support from government agencies initially envisaged within the project objectives?
- What was done well on the project? Why did this success materialise?
- What was done poorly and what action, if any, was taken to address this?
- What lessons can be learned from the project?



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### 3. Evaluation Methodology

For this evaluation, the project was initially assessed using the various reports and information made available by the NDA, the project owners and the current mentors to the project. In addition, a broad environmental scan of the project location was done using Stats SA Census data to further understand the dynamics within the locality (see Annexure B).

The above was used to formulate questions for the interviews with the project owners and the mentors.

The site was visited on 13<sup>th</sup> August 2013. Meetings took place with 6 members of the Board (the de facto management team) and the project mentors. These meetings were followed up with telephonic interviews with both the mentors and the farm manager/supervisor in terms of issues of clarity.

### 4. Results

The project results will be discussed based on the two contracts. Each section hereunder follows the said format.

#### 4.1 Description of participants

The project implementing organisation is the ROBC, which initially consisted of 19 members and 2 shepherds that were employed by the co-operative. From the due diligence and the initial monitoring reports it is indicated that the members lacked technical skills in farming and an organisational and governance skills to adequately run the co-operative, thus the intended interventions in training and capacity building.

The key role players of the organisation are listed below and their role they play within the organisation.

**Table 2: Initial Leadership of the ROBC**

Name	Gender	Function
July Tom	F	Senior Project Manager
Johannes Gwaza	M	Secretary
Julia Kini	F	Treasurer

This leadership however changed by the time of the end of the first contract. Younger members of the co-operative then took over the leadership role of the co-operative. Some of the existing members of the co-operative either passed away or some had re-located from Richmond, NC. The current board of the co-operative as constituted is tabulated below.

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**Table 3: Current Leadership of the ROBC**

Name	Gender	Function
AJ Robertson	Male	Chairperson
NV Kalolo	Female	Deputy Chairperson
M Kini	Female	Treasurer
TT Yanta	Male	Member
RN Nakwa	Female	Member
CD Bruce	Male	Farm Supervisor/Manager

The co-operative is supported on part time basis by the mentors from the Ethics Leadership International organisation in the name of Mr Daan van Merwe and Mr Leon Diedrichs. The co-operative currently has 47 individual shareholders with a 2.13% shareholding each.

## 4.2 Findings

Secondary data that was used to evaluate the project were the following:

- Contracts for the project;
- Due diligence report;
- Monitoring reviews undertaken by the NDA Developmental Managers;
- The close out report for the first contract;
- The current financial statements from the ROBC auditors.

Primary data used was the interviews conducted with the 6 board members and the mentors in a focus group setting. In addition, observations were made by the evaluator on the measures implemented by the project owners using the interviews, observations of technical proficiency and the record from the reports and information provided/ made available for inspection.

Based on the above, the following findings were made:

- The first contract phase failed to realise the key objective of developing a commercial livestock farm within 12 months using goats as livestock. This is evidenced by the change to merino farming before the granting of the second contract. This failure was a result of the following factors:
  - The project owners and leaders did not have the requisite business and technical skills to meet the expectations to accelerate the project from subsistence farming to emergent and then to commercial within the 12 months given for the project. In addition there was limited skills transfer from the original board to the new board of directors and project leaders. Comments from the current board relate to *'a lack of knowledge in computer skills and financial management'* amongst them and *'we did not know what the previous board tried to accomplish, but we failed to make the project work'*

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- Originally the co-operative was to use the commonage and only pay a fixed fee per goat to the municipality. The acquisition of the farm with its attendant operational costs over and above the ones budgeted for such as electricity resulted in the project experiencing difficulties related to cash flow management. This is resulted in the co-operative immediately re-using income derived from the project to cover expenses. The development managers' reports indicate the project owners constantly indicating that the cost of electricity was much higher than anticipated. In addition, the current farm supervisor intimated in the focus groups *'it was difficult to understand all the costs being incurred and the income generated.'*
  - The normal increased costs, at times above inflation, within the timeframe of the project added to the above. This was particularly for items such as transport and fuel. The larger number of the beneficiaries preferred to stay in the town and required to be transported to the farm.
  - The group intimated that the agencies of government that were required to provide support were not readily available and this caused them to incur additional expenses at times to care for the animals- for example additional medicines and veterinary services from the private sector.

However the project did result in the following positives:

- Training of some of the co-operative members on financial management and governance, and provided exposure to the co-operative to a more structured approach to business and farming;
- Support from the Department of Land Affairs in acquiring the farm and the support of the Ubuntu Local Municipality to provide a lease until 2015 for the land;
- Providing the co-operative members the experience to understand the difficulty of farming without the requisite support, infrastructure and resources.
- The first contract of the project provided the beneficiaries the opportunity to continue operating on a subsistence basis and complement their income with the stipends received and the income generated from the project.

These initial experiences provided the current project owners with invaluable lessons which actions not to repeat as indicated by one of the team *'that they do not want to learn those lessons again'*- as translated from Afrikaans.

Key findings from the close out report of the first contract were the following:

- There was no service level agreement in place for support to the project by the intended government service providers and agencies;
- The time frames for the acquisition of skills was overly ambitious;
- The project did not receive technical assistance on a consistent basis.

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Based on the information provided by the interviews and the secondary data from the various stakeholders to the project, the above findings were confirmed as being valid.

The second contract, of R179 000 provided for the purchase of merino sheep and the attendant medicines to improve the livestock yield. With the aid of the loan acquired from the National Empowerment Fund of R3 799 484 the co-operative implemented a turnaround strategy. This has resulted in the following:

- The support of a mentor organisation in the form of Ethics Leadership International (ELI) has provided much needed business and technical skills to the co-operative. The supervisor on the farm intimated *'the turnaround has largely been due to the support of ELI, in particular the manner in which the mentors have taught them about farming'*.
- The technical skills imparted have been demonstrated in the manner in which the farming activity is currently taking place: the farm has been demarcated into camps and the pasturage of the sheep is kept on record using an Excel spread-sheet by the farm supervisor. The 'feedlot' area has been designed and implemented to ensure systematic feeding, monitoring and care of the sheep in the various pens. For example each sheep is tagged and weighed daily, and duly recorded to understand when they will be sent to the abattoir for sale.
- The supervisor reported 1031 sheep and 400 lambs on the property on the day of the site visit. This has been achieved during the course of the last 10 months after the initiation of the turnaround strategy.
- The financial resources obtained from the NEF has been used to purchase the requisite equipment for the farming activities: tractors (2 off), a functional shearing shed with a barely sprout machine for growing feed for times when feed-stock availability is low, a van for transport and a 'feedlot area', inclusive of feeding troughs, weigh scale and feeding pens.
- An improved management system, evidenced by the visual management charts and information pinned onto the office section of the farmhouse used for this purpose. This indicates information such as guidelines on working hours, the current camps in use on the farm, the activities for the various members working on the farm and the intended targets for the farm.
- The loan acquired from the NEF and the grant provided by the NDA in the form of the second contract, has led to the project to be more successful.
- Housekeeping on all aspects of the property visited, farmhouse, the shearing shed, the holding pens near the farmhouse, the feedlot area and the equipment, was well kept and tidy.

The current project 'success' has led the co-operative to consider attendant activities such as both open field and hydro-phonic vegetable growing and sale of prickly pears to various markets.

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The ROBC faces the following challenges:

- The current leadership of the co-operative would need to have support with more business skills training particular in the following areas:
  - Financial management and governance;
  - Improvement of computer skills;
  - Business strategy, planning and risk management.
- The wool industry is characterised by the following basic features: wool consumption is decreasing as a percentage of total fibre consumption with wool products mainly seen as up-market, high quality and consumption concentrated in developed markets, where the price of wool is high compared to other fibres. The challenge for the ROBC in relation to this market description is the ever increasing need to improve quality of the wool produced and the sheep sent to abattoirs as the total income received by the ROBC will be influenced by:
  - The genetic quality of the sheep. Currently the ROBC has invested in a good stock of sheep for wool and meat production.
  - Lambing percentage of the sheep;
  - Feed quality, better feeds which lead to improved wool and meat quality.
  - Grazing quality, this has the same impacts as feeds used.
- Keeping the various machinery, implements and farm infrastructure such as fencing and roads in good condition to ensure that these support the activities on the farm;
- Developing the farm into a profitable business in time for the loan repayments to be effected, despite the vagaries of the market for both wool and mutton;
- Increasing costs to operate the farm, which in certain instances are above inflation, for example, the costs of energy carriers such as fuel in the form of diesel and electricity.

## **5. Discussion**

The initial project to farm in goats (the first contract) failed due to the following:

- Lack of adequate support from support organisations such as the Department of Agriculture and Kalahari Kid;
- Change in the circumstances of the project with the acquisition of the Merweville farm that were not mitigated through a revised risk assessment of the project;
- The short period to acquire both the relevant technical and business skills;
- Lack of skills transfer between members of the co-operative.

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The project has been largely effective, despite the failure of the goat farming during the first contract. The switch to merino farming has effectively saved the project. The initial failures have in part contributed to this success, namely:

- The new leadership realised the areas in which they lacked technically to implement the project and ensured that they got assistance from a mentor organisation, as recommended by the independent evaluation performed after the closure of the first contract.
- The switch to merino farming was informed by the lack of production of the goats and the difficulties experienced with support from agencies such as Kalahari Kid.
- The project has grown to the extent that is able to employ the various members of the co-operative without them requiring to be reliant on stipends.
- The members of the co-operative have upgraded their skills both in farming and in business. A challenge has been the lack of skills transfer from the previous leadership to the current leadership of the co-operative.
- The project has developed the basic elements to develop into a viable commercial farming venture with the co-operative members having acquired some of the necessary skills to implement this.

Currently the project has largely had a positive impact on the different stakeholders and the community at large. The following impacts are evident:

- All the beneficiaries currently actively involved in the co-operative are employed within the project. This has had a positive impact on at least 21 beneficiaries directly and 63 other beneficiaries indirectly, when considering the current household size in Richmond.
- The project, with the change to merino farming, has gained the respect of the local community in that it has proven to provide employment for its members.
- The co-operative members have had skills training in business processes as in financial management and governance. This however was restricted to the previous leadership and limited skills transfer took place from them to the current leadership. The current mentorship and capacity building undertaken by ELI has proven to be highly effective, particularly in respect of the technical elements related to farming.
- The co-operative has developed and implemented methodologies that will ensure that farming activities are conducted on scientific methods.
- In terms of the wider community in Richmond, the project has generated additional economic activity in its requirement for different services and products such as veterinary services, purchase of consumables and other farming related products which are readily available in the town. In addition, the project has generated income into the area with its sale of wool, mutton and other farming produce outside of the immediate area of the town.
- The project is currently being linked to other similar farming projects through the ELI network of projects and affiliates. This allows the projects to harness the experiences from other current projects.

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The ROBC farming project's sustainability will be dependent on:

- Continued enthusiasm amongst the leadership of the co-operative to pursue the original objectives to develop a fully functional commercial farming operation;
- The up-skilling of the current board in the following:
  - Financial, business and risk management;
  - Governance;
  - Computer skills.
- Adequate resourcing for the project to ensure that the various infrastructure requirements on the farm are kept operational and are well maintained;
- Increasing the number of merino sheep to between 1400-1500 sheep, the estimated maximum carrying capacity of the current farm land and pasturage available.

Although over time the mentorship relationship by ELI will be downscaled, it still will be needed for at least another 2 years. This will assist in embedding the current processes and systems developed with enough members of the co-operative to ensure an adequate competency exists in the group.

Opportunity exists for the farming activities to be extended to a more extensive vegetable production operation and to market the current yield of prickly pears to the market. The limiting resource in the first opportunity will be the amount of water available for use on the farm from the various aquifers directly under the farm. An alternative would be for the farm land to be extended, by either entering into another agreement with current landowners for more pasturage or to purchase a larger farm in the vicinity of the farm, when the co-operative is able to do so from a financial perspective.

The ROBC, assisted by ELI, has effected a turnaround on the project. Currently the farm Merweville is being run as a commercial entity, although it is not as yet profitable. The manner in which the ROBC has developed the farming business and the intent to move the project to profitable sets the project up as a potential project to use a centre of development. An important consideration, is for the project team to document the journey on an on-going basis through monthly or quarterly reports, thus not losing a history of the decisions taken.

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## 6. Conclusions

The conclusions drawn from the above report on the activities of the ROBC are:

- The first contract ended in the failure to establish a viable goat farming operation. This was the result of amongst others:
  - The lack of technical skills amongst the members of the co-operative and the lack of skills transfer from the members that were trained on business skills;
  - The opportunity of acquiring a lease for the farm Merweville but with not attendant changes in the scope and resourcing of the project;
  - The significant cost burden of the Merweville farm over and above the approved cost items. Amongst the other difficulties was the requirement to pay for services and products in cash, impacting negatively on the governance of monies entrusted to the ROBC for the project.
  - Lack of technical support to undertake a commercial farming venture in goats.
- The lessons learnt from the first contract however provided a platform for the turnaround strategy by the current leadership. A mentor, in the form of ELI was appointed with the granting of a R3.799 484 loan from the NEF. This has impacted positively on the current progress on the farm in that the cash-flow position has improved to the extent that the farm has been able to grow the number of livestock whilst servicing its costs
- The above relationship has developed into the farm manager/supervisor and the members working on the farm having a well organised technical farming management system that was developed scientifically. This is evidenced by the pasturage rotation, the running of the feedlot and the human resource management that is currently practised on the farm.
- The second contract of R179 000.00 was used to purchase sheep for the farm to make the switch from goats to merino farming.
- Stock theft and the vagaries of nature still remain a substantial threat to the developing business. Efforts have been made to curb the first one, with closer working relationships with the SAPS and the neighbouring farms. In terms of the potential risks from nature, the co-operative are exploring the options of insurance and diversifying their risks by:
  - Adding vegetable production as a part of their produce in the long term;
  - Assessing the option to increase the pasturage available through further leases of land or through an additional farm.
- The above options of expansion of merino farming will be considered once the current Merweville farm has stabilised and proven to be viable.
- Despite the loss that the current financial indicates of approximately R1 273 633, the business has had the ability to service its debts, as these have come due in the normal course of business. The



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company has not had a secretary during the course of the last year and the members must appoint one.

- The investments made in infrastructure (approximately R 534 953 was spent on plant and equipment) will stand the project in good stead to develop further. This however is likely to impact the cash-flow of the business to deal with any risk mitigation in the immediate future. The value of the live-stock on the farm is currently estimated to be in the order of R1 687 600 (ROBC financial audit report, 2013).
- The ROBC needs to deal with the extension of the lease of the property from the local municipality to ensure the current lease that expires in 2015 does not impact the business negatively.

## **7. Recommendations**

The following recommendations are made based on the findings and the conclusions drawn:

### **1. Funding and Mentoring**

The ROBC has managed to fund the turnaround strategy from the loan provided by the NEF and the additional funding acquired from the NDA. Although the ROBC has been able to service its debts from its current operations, the cost of investing in farm equipment and mentoring has impacted the ROBC's cash-flow. It would require additional funding for these activities for the immediate future. The quantum and scope of services in the case of the mentoring are not defined as yet going forward, but the evaluation is that ELI has been an invaluable support system to ensure the viability to date. The NDA should consider future funding for this activity.

### **2. Business management training**

The ROBC leadership needs additional training in business management. The initial training undertaken by the NDA was not transferred to the current board members. This training should focus on:

- Financial management;
- Computer skills;
- Governance, and;
- Risk management strategies.

### **3. Development of other related projects in support of the ROBC**

Consideration should be given to developing other projects in support of the ROBC that may not be directly financial to the co-operative. For example fence mending with another co-operative in the same locality which would supply services to the ROBC.

Provide support to the ROBC in developing alternative income sources such as growing of vegetables and the like.

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#### **4. Support to NDA projects**

All support to NDA projects should be undertaken within the ambit of an service level agreement. This should be established before the project is initiated.

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## 8. Sign-off of Report

The above report has been duly signed off by the following authorised representatives.

### For Service Provider

*Dr. Tumi Jantjie*

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*Service Provider Representative*

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*Signature*

*18 September 2013*

\_\_\_\_\_  
*Date*

### For National Development Agency

\_\_\_\_\_  
*Senior Manager: Monitoring and Evaluation*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Executive Director: Research and Development*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

## Annexure A: Site Visits and Monitoring

The project was visited approximately eight (8) times after the contract was signed. The latest visit by NDA Northern Cape office was in April 2012 for interim monitoring reporting.

No new baseline study was undertaken before the project was initiated. The due diligence was undertaken before contract signing. The project in the process time from contract signing to this close out evolved into two funding contracts, with personnel in charge of the co-operative also changing during the interim between the funding contracts. In addition, the development managers supporting and overseeing the project also changed during the course of the project.

A summary of the site visits to date are tabulated below.

**Table 4: ROBC Project Site Visits**

	Reason for Visit	Undertaken By	Date of Visit
1	Due Diligence	Blue Disa Business Consultants	October 2007
2	Monitoring assessment	NDA: Development Manager	20 June 2008
3	Monitoring assessment	NDA: Development Manager	15 February 2009
4	Monitoring assessment	NDA: Development Manager	20 October 2009
5	Close Evaluation (1 <sup>st</sup> contract)	ConsultADAM & Associates	26 February 2010
6	Monitoring assessment	NDA: Development Manager	10 June 2011
7	Monitoring assessment	NDA: Project Manager	19 and 25 April 2012
8	Close-out evaluation (1 <sup>st</sup> & 2 <sup>nd</sup> contracts)	Talent Net Consulting (Pty) Ltd	13 August 2013

For this evaluation, the methodology used was to assess the project initially analysing the various reports and information made available by the NDA, the project owners and the current mentors to the project. The site was visited on 13<sup>th</sup> August 2013. Meetings took place with 6 members of Board (the de facto management team) and the project mentors. These meetings were followed up with telephonic interviews with both the mentors and the farm manager/supervisor.

**Table 5: Key Findings from ROBC Project Site Visits**

	Visit	Observations, Actions and Findings
1	October 2007	The ROBC complied with the general requirements of poverty alleviation projects to be funded by the NDA. Issues raised in the due diligence: no verifiable way to show that the ROBC is able to implement financial management processes from the onset of the project, need to implement training and up-skilling. No asset management system in place, and no issues related to accountability could be ascertained at that stage. The technical assessment of the viability of the venture was based on the support of the Department of Agriculture and Kalahari Kid organisation.
2	20 June 2008	No office space and the farm had not been fenced into camps. Stipends paid to beneficiaries had to be increased to mitigate impact of inflation. Accountability was accepted to be reasonably sound, and the beneficiaries had some training in financial management and technical training in farming. Infrastructure costs were indicated to be prohibitive in implementing some practices such as fencing into camps.

	Visit	Observations, Actions and Findings
3	15 February 2009	<p>The co-operative had been defined as 19 members and 2 shepherds.</p> <p>The Merweville farm had been acquired through the assistance of the Department of Land Affairs- it is approximately 7250 hectares in size.</p> <p>Production equipment was purchased: 103 ewes and 1 ram, with an additional 3 rams being provided by the Department of Agriculture.</p> <p>Operational costs for the running of the farm were much greater than budgeted for: electricity costs greater than budget by a factor of 7.5 times.</p> <p>The co-operative also started growing cash crops for additional income.</p> <p>The funding budget was not consistent with the size of the farm acquired.</p>
4	20 October 2009	<p>The project was showing elements of good organisation, with the majority of the members older people;</p> <p>The stipend provided to the beneficiaries assisted them to tide over for the initial start up phase of the farm.</p>
5	26 February 2010	<p>Key findings of the evaluation report: no SLA in place for technical support from Dept. of Agriculture;</p> <p>The training and skills to be acquired were ambitious and would not be adequately attained in the short period of time for the project- 12 months.</p> <p>Circumstances changed from the communal land situation to the acquisition of the Merweville farm- a new business plan needed to be adopted and the funding had to be changed to meet the new challenges.</p> <p>Project management of inputs and co-operation from other role players lacked better clarity;</p> <p>A key recommendation was for technical assistance to be provided on a more consistent basis to the co-operative.</p>
6	10 June 2011	<p>Project had progressed to where the goats had been kidding;</p> <p>The operational costs were much higher than budgeted- electricity at about 4 times than budgeted per month;</p> <p>The co-operative had experienced a high mortality rate of kids, and high rate of stock theft. Due to the requirement for payment in cash for veterinary services and medicines and other supplies, the ROBC had cashed a large number of cheques. Deposits from the ROBC's sales were being deposited into the cheque account and they were advised to open a separate savings account for future use.</p> <p>It was assessed that the farm operated far below its carrying capacity.</p> <p>The ROBC had started implementing systems and processes but the losses experienced had indicated that the sustainability of the venture was under threat. The ROBC had established linkages with ELI, a group that had a mentorship program for livestock farmers.</p>
7	19 and 25 April 2012	<p>The ROBC had obtained loan funding from the NEF and adopted a new strategy to farm with merino sheep. With the additional funding from the NDA under the second contract the ROBC acquired sheep to undertake this venture.</p> <p>The ROBC had undertaken to continue with goat farming on the remaining commonage.</p>
8	13 August 2013	<p>The evaluation was conducted by interviewing the current board and the mentors at Richmond and then undertaking a site visit to the farm.</p> <p>The ROBC had implemented the strategy to farm with merino sheep.</p> <p>With the assistance of the R3.6 million funding from the NEF, the co-operative had developed the infrastructure on the farm to ensure more effective, scientific methods.</p> <p>The farm has the requisite equipment to support keeping approximately 1400 merino sheep on the pastures of the farm. In addition the ROBC had the requisite cash flow to manage the farm operations.</p> <p>The ROBC had also developed a garden to sell cash crops from open field production and currently assessing sale of prickly pears to the Western Cape market.</p> <p>A high level of technical competency in farming was evident by the ROBC. The ROBC had a well-developed organisational structure with relevant policies and</p>

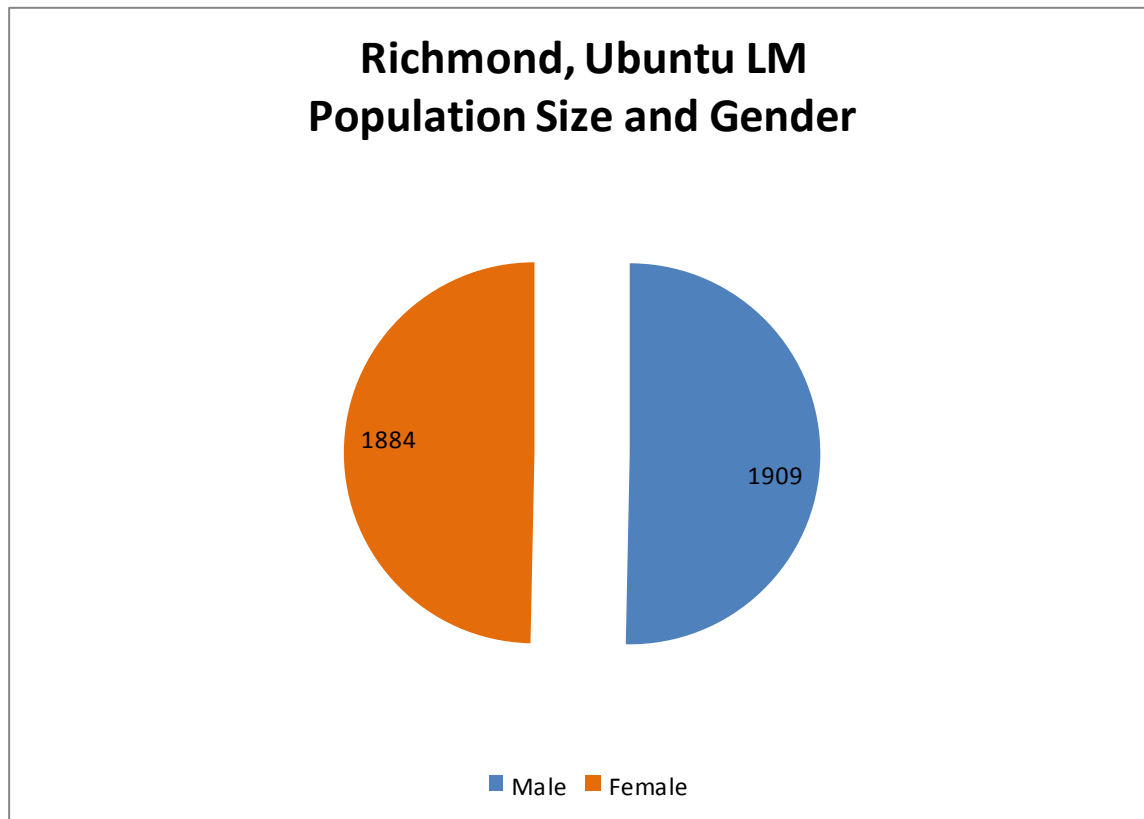
	Visit	Observations, Actions and Findings
		<p>plans.</p> <p>The farm manager/supervisor, a member of the ROBC board, was proficient on the systems developed in Excel to monitor the pasturage of the sheep in the camps, the feedlot that had been developed and management of the farm.</p> <p>The farm showed all the elements of being well kept and run by the farm manager and the beneficiaries that worked on the farm: well-maintained farming implements such as the bakkie, the tractors, feeding pens and weigh scales and the like.</p> <p>The mentorship programme showed to be yielding results and the beneficiaries indicated that this was very beneficial to their current success. Currently the ROBC supplies both wool and sheep for slaughter to the local abattoirs. Income generated has been re-invested into the farm.</p> <p>The ROBC is currently reviewing their long term plan and possibly assessing the option to increase the carrying capacity by leasing of purchasing another farm in the area.</p> <p>The ROBC has a working relationship with other similar projects through ELI.</p>

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## Annexure B: Relevance of the Project

The project is relevant to the region as the local municipality has become impoverished over time. Limited economic activity exists in the town of Richmond and the current level is largely due to passing trade from the national highway adjacent to the town and the commercial farming in the area. The relevance of the project is understood in the light of the profile of the region as shown by the latest StatsSA Census data provided below.

**Figure 1: Richmond Population Size (by Gender)**



The population of Richmond, NC is given as 3793 people with the split between male and female being 50.3% to 49.7%. The household income profile for Richmond, NC is tabulated below.

**Table 6: Richmond NC household annual income**

	No income	R1-R19600	R19601-R307600	>R307601
No of households	149	247	479	35
% of households	16%	27%	53%	4%

The number of households earning less than R19600 per annum is in the order of 43% of the total households of 911 in the municipal area. This provides a high level of poverty in the area. The average household size in the area is estimated to be about 4 people per household. Thus the number of people living in poverty in the municipal area is estimated to be about 1584 people or close to half of the population. In order to understand this better one needs to look at the unemployment rate.

**Table 7: Employment profile of household heads in Richmond, NC**

Employed	Unemployed	Discouraged work-seeker	Other not economically active	Age less than 15 years	Not applicable	Total
409	130	32	338	3		911
839	425	133	886		1510	3793

The above table indicates that the official unemployment rate is in the order of 11% in the municipality, with the rate for household heads estimated to be in the order of 14.2%. When considering the income level of households on annual basis, this indicates that most people are employed but at low level paying jobs. Although this indicates a better than national employment status for Richmond, NC the low income levels are unlikely to alleviate poverty dramatically without concerted intervention from developmental partners.

### **Project preparation and design**

The project design was centred on the poor, indigent and low income farm workers in the municipality. The project participants are poor, unemployed and or employed with low incomes. The project was targeted at farm workers who are women and those who are disabled. Of the initial members of the co-operative, these were largely women with person having disability.

The project activities on the first contract were designed to meet the set objectives of the project by:

- Implementing capacity building interventions for the key members that ran the operations of the co-operative. This included some financial training and some technical support from Kalahari Kid and the Department of Agriculture.
- Development of the co-operative by supplying them with livestock with which they could farm with on the commonage that was made available to them.
- Development of the market through Kalahari Kid to export the goats to the Middle East and where possible, supply into the local market.
- Providing business and technical support to the emerging farmers through agencies of state such as Kalahari Kid, the Department of Land Affairs and Department of Agriculture.

In the project, the NDA provided financing, monitoring and support services. For the second contract phase, the NDA provided financing and support services, however the projects main business support has been through the NEF loan financing that has been arranged. The project also as part of this, acquired the services of mentor for technical services, Ethical Leadership International (ELI), with whom the ROBC has a service level agreement. This largely performance based in terms of the remuneration and rewards received by ELI.



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## Annexure C: Financial Report

The NDA provided a total of R597 394.00 for the first contract and then additional sum of R179 000.00 as part of the second contract. This is tabulated below.

**Table 8: Tranches of NDA Funding to Project**

Item	Amount	%
<b>Total</b>	<b>R 776 394.00</b>	<b>100%</b>
<i>Contract 1</i>	<i>R 597 394.00</i>	<i>76.95%</i>
<i>Contract 2</i>	<i>R 179 000.00</i>	<i>23.05%</i>

The project has drawn down both tranches to date.

In addition the NDA has assisted the ROBC in facilitating a loan of R3 799 484 from the National Empowerment Fund (NEF) which is comprised of three loan tranches as follows:

- |                        |                |
|------------------------|----------------|
| 1. NEF Senior Loan     | R 2 565 632.00 |
| 2. NEF Mezzanine Loan  | R 647 345.00   |
| 3. NEF Suspensive Loan | R 586 507.00.  |

Save to repeat the audited financial statements for the last financial year ending in February 2013, the key financial aspects are:

- The ROBC has had a loss of R1 272 693 for the year, but has managed to service all its debts;
- Invested in approximately R459 027 worth of plant and equipment;
- Paid R319 904 worth of salaries and wages to the members and community people that have worked on the project, and paid approximately R420 000 in consultancy fees.

The auditors indicated that the statement of accounts reflects fairly the financial position of the ROBC and the audit is unqualified.