

MAFISA PROCESS FLOW DOCUMENT (M5)

1. Introduction

The Land Bank, in terms of section 38(1) of the Land Bank Act, was appointed as agent (**Agency Agreement**) to the Department of Agriculture to facilitate the implementation of the Micro Agricultural Finance Institutions Schemes of South Africa. Other Provincial Development Finance Institutions (PDFI s) will also be used along with the Land Bank to act as accredited conduits for MAFISA products.

The scheme, to give small and emerging farmers access to credit for the production season that starts in August, is being implemented through three pilots in Limpopo, Eastern Cape and KwaZulu-Natal. The pilot launch of the first production credit facility was on the 30th May 2005 at Nebo in the Sekhukhune District. The Eastern cape Launch in the O R Tambo District was launched in early July and KwaZulu-Natal is to be launched in the Umkhanykude District on 9th October 2005.

Loans not exceeding R100, 000 shall be made available to farmers with the first payment expected to be made on the 1st August 2005.

2. Access to application forms

Application forms shall be available from the following:

- Local Extension Officer
- Land Bank Branches
- PDFI s and
- Post Bank Branches

3. Extension Officer

The local extension officer (“EO”) shall be the first point of contact with the applicants. The EO shall be responsible to complete the operational report (**Operational Report M2**) as well as obtain all other documents as prescribed by the checklist (**List of requirements – Checklist M6**) currently used by the Land Bank.

If the EO is satisfied that all documents have been duly completed and attached, he/she will personally present each application to the Credit Evaluation Committee for provisional approval.

It is their responsibility to inform the applicant if the application is incomplete or has been declined by the Credit Evaluation Committee.

If the application has been provisionally approved (**Credit Evaluation Report M3**) by the Credit Evaluation Committee, the local extension officer shall deliver said documents to either the Land Bank branch office or the PDFI Branch of the client's choice and inform the applicant of provisional approval.

The Land Bank/PDFI credit committee shall inform the extension officer, after submission of the application documents, if the application has been accepted or declined. It will be the duty of the extension officer to convey this message to the applicant.

The Land bank/PDFI will be responsible to manage the disbursement of approved loan funds via the payment of approved invoices to suppliers.

Extension shall be provided with Training material (**Guidelines and manuals M13**)

4. Credit Evaluation Committee

The Credit Evaluation Committee is a committee appointed by the Minister and to be chaired by the District Extension Officer, unless otherwise agreed.

All loan applications (**Loan Application M1**) and other required documents (**Operational Report M2 & List of requirements – Checklist M6**) shall be presented to the Committee for provisional recommendation. The provisional recommendation shall be based on the completeness of the documents received as well as the recommendation from the extension officer (**Operational Report M2**).

If the Committee is satisfied with the requirements set out above, it shall furnish the extension officer with a credit evaluation report (**Credit Evaluation Report M3**), which should accompany the EO to the Land Bank branch.

The Credit Evaluation Committee shall be provided with Training material (**Guidelines and manuals M13**)

5. Land Bank Branch/PDFI Branch

The Land Bank/PDFI branch offices will be responsible for capture and approval or decline of all loan applications (**Loan Application M1**) received.

Each application shall be accompanied by an operational report (**Operational Report M2**) prepared by the Local Extension officer as well as a credit evaluation

report (**Credit Evaluation Report M3**) signed off by the Credit Evaluation Committee.

The application should also be accompanied by the necessary documents contained in the checklist (**List of requirements – Checklist M6**) currently used by the land Bank.

Application forms and accompanying documents shall be delivered to the Land Bank/PDFI branch office after reviewed by the Credit Evaluation Committee.

The Credit Committee approval process shall be based on a credit policy document (**Credit Policy M4**), which shall be made available to each committee. The credit committee must be available on a daily basis to approve loan applications received.

A) After approval of a loan, the branch shall issue the following documents to finalize the transaction:

To the applicant:

1. Loan Agreement **M8**
2. Letter of Acceptance **M7**
3. Withdrawal application
4. Spousal consent **M9**

To the Land Bank/PDFI Head Office:

1. Request regarding payment **M10**

To the Local Extension Officer & Credit Evaluation Committee:

1. Confirmation of Loan approval

B) If a loan application has been declined, the branch shall issue the following documents:

To the applicant:

1. Letter confirming decline

To the Local Extension Officer & Credit Evaluation Committee:

1. Letter confirming decline

6. Land Bank/PDFI Head Office

The Land Bank/PDFI shall enter into a loan agreement (“**Loan Agreement**” **M8**) with eligible farmers as *principal* to the agreement. The loan agreements shall be

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provided to the Land Bank Branch Offices, focusing on Polokwane, Umtata and Vryheid for the Pilot Launch. PDFI s in the pilot areas will nominate which branch offices are to be used.

Following a successful application and receipt of the payment request (**Request regarding payment – Authorisation M10**) from the Land Bank Branch Office/PDFI, the Land Bank Head Office shall make bulk EFT payments to each of the various Land Bank Branches/PDFI s. The payments shall occur on a regular basis as agreed between the Land Bank and PDFI.

After payment the Land Bank shall generate an upload report (**Upload Report M11**), which shall be sent electronically to each of the PDFI s for upload into their banking system to facilitate the transfer of funds to the successful applicants.

Reconciliation of paid and unpaid accounts shall be facilitated at Land Bank Head Office. A Report (**Debtor's report M12**) shall be generated on a monthly basis which shall be forwarded to the various local extension officers for follow up.

7. Post Bank Branches

For the pilot launch all applicants are required to have Bank accounts. Applications from applicants without these accounts shall not be evaluated. This is to facilitate the payout of expenses budgeted for items that cannot be invoiced, such as labour wages.