Memorandum

Department of Land Affairs . Departement van Grondsake

Kgoro ya tsa Naga . UMnyango wezoMhlaba

ACCESSING THE BALANCE OF THE SETTLEMENT/LAND ACQUISITION GRANT FOR THE PURCHASE OF CAPITAL GOODS via PAYMENT ADVICE 1084

Reference:RC6/2/P

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1. PURPOSE

1.1 I have been informed that some provincial offices are not clear on the above procedures. Thus this memo to set out the procedure for accessing the balance of the Settlement/Land Acquisition Grant (S/LAG) for the purchase of capital goods through a direct transaction with a service provider via the form 1084 route.

2. LEGAL PROVISION

2.1 A 1084 form is a payment advice form that is available in all public sector departments. It is generally used when there are no tender procedures to be followed.

2.2 The 1084 form can be utilised if the following legal provisions were included in the recommendations of the Approval/Designation memo which were signed by the Minister:

Section 10 of the Provision of Land and Assistance Act, 1993 (Act 126 of 1993) allows the Minister, on such conditions as he or she may determine, to grant an advance or subsidy to any person contemplated in subsection (2):

10(1)(b)(ii): for the acquisition of capital assets for the development of land contemplated in subparagraph (i);

10(1)(b)(iv): for the improvement of any land contemplated in subparagraphs (i) and (iii).

3. SYSTEM

3.1 Policy Document 35/1998 (Flexible Application of the Balance of the S/LAG to accommodate the purchase of a broader range of agricultural inputs) makes provision for the purchase of agricultural inputs, equipment and services that increases the productive value of the land.

3.2 The above-mentioned document provides a list of capital goods that can be purchased, which is not exhaustive as the proviso stipulates that the goods
purchased must contribute towards enhancing or sustaining the productive value of the land.

3.3 Paragraph 2.2.3 of PCDOC 35/1998 provides for the option of payment directly to a service provider. If this option is pursued, the following criteria should be considered:

3.3.1 In cases where funds have been rolled-over, the balance of the grant should be utilised within one year of the approval of the project by the Minister (designation).

3.3.2 The business plan should clearly indicate the desirability and feasibility for use of the balance of the funds.

3.4. In order to ensure that communities get value for money when purchasing high value agricultural input items, the practice has been to obtain three quotes from service providers. It is recommended that this approach continue. The following exceptions do, however, apply:

3.4.1 when standard prices apply, e.g. fuel;

3.4.2 where only one service provider is available in the area; and

3.4.3 where particular goods are available through only one supplier.

3.5 The community should not pay more than the market value for the capital goods and goods received should be functioning, e.g. equipment should be in good working condition.

3.6 The request to purchase certain capital goods, should be in the interest of the whole community and not certain section(s) of the community. This decision can be facilitated through the CFS if necessary.

4. PAYMENT PROCEDURE

4.1 Request for purchases can be made via a formal resolution of the legal entity, as outlined in the business plan or if the whole community approaches the Provincial offices with a list of items that they would like to purchase.
4.2 The goods should then be valued or the value of the livestock should be verified by an agricultural extension officer. If the value of the capital goods were not included with the land valuation, the Planning Grant can be accessed to appoint a service provider to value the goods. In the case where a bakkie/tractor/truck is purchased from a recognised car dealer, the value of the vehicle will be deemed to be the true value and will not need to be independently valued.

4.3 The payment procedure is as follows:

4.3.1 A memo requesting authorisation to pay the service provider must be sent to the Provincial responsibility manager with the list of goods to be purchased (reasonable motivation and description if not outlined in the business plan). The memo should contain the objective code of the project and the balance of the S/LAG. The financial manager in the Provincial office should confirm that funds are available.

4.3.2 The community’s written request should also be attached to the memo as well as the valuation/certification/quotation and payment advice form 1084 which must be made out to the service provider.

4.3.3 The responsibility manager has the delegated authority to approve the payment and it need not be sent to the national office.

4.3.4 The payment is processed by the Provincial financial manager. The payment can be done via electronic transfer or through a cash on delivery basis (COD). In case of the latter option, a Warrant Voucher (government cheque) is issued to the business after the goods/services have been delivered and have been found by the planner and community to qualitatively and quantitatively meet the requirements agreed upon. NOTE: Warrant Vouchers may not be issued for payments of R10 000 or more. In such instances the service provider must be registered for Electronic Funds Transfer (EFT) and payment effected electronically into the service provider’s bank account.

4.3.5 Upon receipt of the goods, the legal entity/community must confirm receipt of the goods to the Provincial office in writing with a copy of the delivery note.
4.4 In some instances the community may want to substitute/amend or adjust certain items contained in the business plan because they would rather pursue alternative agricultural activities which may be more cost effective and lead to greater profits. It is recommended that the Provincial Offices allow for the exercise of flexibility in purchasing alternative agricultural input items provided that the Minister has granted in principle approval by way of the general approval clause.

ACTING DIRECTOR-GENERAL

DATE: