



**New Partnership for
Africa's Development (NEPAD)
Comprehensive Africa Agriculture
Development Programme (CAADP)**



**Food and Agriculture Organization
of the United Nations
Investment Centre Division**

GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

SUPPORT TO NEPAD–CAADP IMPLEMENTATION

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Volume I of V

**NATIONAL MEDIUM TERM INVESTMENT PROGRAMME
(NMTIP)**

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SOUTH AFRICA: Support to NEPAD–CAADP Implementation

Volume I: National Medium–Term Investment Programme (NMTIP)

Bankable Investment Project Profiles (BIPPs)

Volume II: Woodlands and Forest Resources for Improving Livelihoods and Income Generation

Volume III: Sustainable Natural Resources Management and Use Options to Improve Livelihoods

Volume IV: Biofuels (Bioethanol and Biodiesel) Crop Production: Technology Options for Increased Production, Commercialisation and Marketing

Volume V: Livestock Development: Increasing Productivity, Commercialisation and Marketing

REPUBLIC OF SOUTH AFRICA

NEPAD–CAADP National Medium–Term Investment Programme (NMTIP)

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Currency Equivalents

(September 2006)

Local Currency	=	ZAR (Rand)
US\$1.00	=	R7.48
R1.00	=	US\$0.13

Abbreviations

AADP	African Agricultural Development Programme
AgriBEE	Agricultural Broad–Based Black Economic Empowerment
Agri–SA	Agriculture South Africa
AIDS	Acquired Immune Deficiency Syndrome
ARC	Agricultural Research Council
ARS	Agricultural Regulatory Services
BATAT	Broadening Access to Agriculture Thrust
BIPP	Bankable Investment Project Profile
CAADP	Comprehensive Africa Agriculture Development Programme
CAS	Country Assistance Strategy (WB)
CASP	Comprehensive Agricultural Support Programme
CIDA	Canadian International Development Agency
CMA	Common Monetary Area
CPIX	Consumer Price Index
CPMIS	Crop and Pest Management Information System
DANIDA	Danish International Development Assistance
DBSA	Development Bank of South Africa
DEAT	Department of Environment and Tourism
DFID	Department for International Development
DLA	Department of Land Affairs
DoA	Department of Agriculture
DPA	Department of Public Administration
DPW	Department of Public Works
DST	Department of Science and Technology
DWAF	Department of Water Affairs and Forestry
EIB	European Investment Bank
EPP	EcoPort Programme
EPWP	Expanded Public Works Programme
ESTA	Extension of Security of Tenure Act
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GPPIS	Global Plant Protection Information System
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Technical Assistance)
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IFSNP	Integrated Food Security and Nutrition Programme
IMF	International Monetary Fund
IWMI	International Water Management Institute

NEPAD – Comprehensive Africa Agriculture Development Programme
South Africa: National Medium–Term Investment Programme (NMTIP)

LRAD	Land Reform for Agricultural Development
M&E	Monitoring and Evaluation
MAFISA	Micro Agricultural Financial Institutions of South Africa
MTEF	Medium Term Expenditure Framework
MTERF	Medium Term Economic Review Framework
NAFU	National Agricultural Farmers’ Union
NAMC	National Agricultural Marketing Council
NDA	National Department of Agriculture
NEPAD	New Partnership for Africa’s Development
NGO	Non–Governmental Organization
NMTIP	National Medium–Term Investment Programme
NRM	Natural Resources Management
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
PPECB	Perishable Produce Exports Control Board
PRSP	Poverty Reduction Strategy Programme
R&D	Research and Development
RDP	Rural Development Programme
SA	South Africa
SACU	South African Customs Union
SADC	Southern African Development Community
SAEM	South African Excellence Model
SAPIP	South African Pesticides Initiative Programme
SEK	Swedish Krona
SFM	Sustainable Forestry Management
SIDA	Swedish International Development Agency
SMMEs	Small, Medium and Micro Enterprises
SPFS	Special Programme for Food Security
SPS	Sanitary and Phytosanitary Measures
TCIS	Southern and Eastern Africa Service, FAO Investment Centre Division
TCP	Technical Cooperation Programme
UN	United Nations
UNAIDS	The Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organization
ZAR	South African Rand

Preface

*In an effort to halt and reverse the decline of the agricultural sector in the continent, the African Ministers for Agriculture unanimously adopted, at the 22nd FAO Regional Conference for Africa, held on 8 February 2002 in Cairo, a resolution laying down key steps to be taken in relation to agriculture in the framework of the **New Partnership for Africa’s Development (NEPAD)**. As a follow–up to this resolution, they endorsed, on 9 June, 2002, the **NEPAD Comprehensive African Agriculture Development Programme (CAADP)**. The follow up **Declaration on Agriculture and Food Security in Africa**, ratified by the African Union Assembly of Heads of State and Government during its Second Ordinary Session, held in Maputo between 10 and 11 July 2003, provided strong political support to the CAADP. During this session, the Heads of State and Government agreed to adopt sound policies for agricultural and rural development, and committed themselves to allocating at least 10 percent of national budgetary resources for their implementation within five years.*

*The CAADP provides an integrated framework of development priorities aimed at restoring agricultural growth, rural development and food security in the African region. In its very essence, it seeks to implement the key recommendations on food security, poverty reduction and sustainable use of natural resources, made at recent global conferences. The CAADP comprises **five pillars**:*

- 1. Expansion of the area under sustainable **land management** and reliable water control systems;*
- 2. Improvement of **rural infrastructure and trade–related capacities** for improved **market access**;*
- 3. Enhancement of **food supply and reduction of hunger**;*
- 4. Development of **agricultural research, technological dissemination and adoption** to sustain long–term productivity growth; and*
- 5. Sustainable development of **livestock, fisheries and forestry resources**.*

As an immediate follow–up to the Maputo Declaration, representatives of 18 African ministries for agriculture from member countries of the NEPAD Implementation Committee, the NEPAD Steering Committee, the African Development Bank, the World Bank, the International Fund for Agricultural Development, the World Food Programme, FAO and civil society, participated in a meeting held in Rome on 17 September 2003, in order to discuss the implementation of the CAADP, and more specifically the:

- Methodology for the review/update of the **national long–term food security and agricultural development strategies**.*
- Preparation of **National Medium–Term Investment Programmes (NMTIPs)**.*
- Formulation of the related “**Bankable Investment Project Profiles**” (**BIPPs**).*

*It is within this context that the Government of the Republic of South Africa (GRSA), in an effort to reinforce its interventions aimed at fighting poverty and food insecurity, has requested FAO to assist in preparing a **NMTIP** and a **portfolio of BIPPs**, with the aim to:*

- Create an environment favourable to improved competitiveness of the agricultural and rural sector;*
- Achieve quantitative objectives and mobilize resources to the extent needed for the associated investment in agriculture;*

- *Achieve the targeted allocation of national budgetary resources to this area, reflecting the commitment made in the Maputo Declaration; and*
- *Create a framework for coordinated bilateral and multilateral financing of the sector.*

The present NMTIP draws on recent key strategy/policy documents, notably the Integrated Rural Sustainability Development Policy (IRSDP), the Department of Agriculture (DoA) Strategic Plan documents, the Accelerated and Shared Growth Initiative for South Africa, (ASGISA), the Medium Term Economic Review Framework, (MTERF), and Budget Statements all of which are intended to contribute to the Poverty Reduction Strategy Programme (PRSP). It was prepared by the Lead National Consultant¹ under the supervision of the International Consultant² and in close collaboration with the National Project Coordinator/NEPAD focal point in the DoA³.

Experts from the FAO Investment Centre Division⁴ assisted the team while the Office of the FAO Representative provided crucial administrative support in the process of preparing this document. Participation was also sought from major stakeholders from government, development partners, private sector and civil society. This draft NMTIP was informed by the outcomes of the National NEPAD Stakeholder Workshops of 17–18 June 2003, Pretoria, South Africa, during which a preliminary priority list was drawn up for further development into Bankable Investment Project Profiles (BIPPs⁵) that were prioritised and agreed–upon at a follow–up Stakeholders Validation Workshop held on the 1–2 August 2006 in Pretoria 2006. The following four areas were developed into Bankable Investment Projects Profiles (BIPPs):

- *Woodlands and Forest Resources for Improving Livelihoods and Income Generation;*
- *Sustainable Natural Resources Management and Use Options to Improve Livelihoods;*
- *Bio fuels (Bio ethanol and Bio diesel) Crop Production: Technology Options for Increased Production, Commercialisation and Marketing;*
- *Livestock Development: Increasing Productivity, Commercialisation and Marketing.*

This document starts with a brief description of South Africa’s agricultural sector in the context of the country’s economy and poverty and food security situation. A review of national and development partner strategies and programmes, lessons learned, and an analysis of the principal constraints to, as well as opportunities for, the development of the sector follows. Based on this analysis and taking into account current government strategies and the five pillars of CAADP, preliminary priority areas for investment have been identified. Finally, an attempt has been made to estimate the financing gap in terms of additional resources that would be required to meet the target of allocating 10 percent of national budget to the sector within five years, and a proposal put forward for monitoring and evaluation of the NMTIP implementation.

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I. INTRODUCTION

A. The Economy

I.1. South Africa has a population of 46 million (National Census, 2001) with a surface area of 1 219 912 km² and an abundant supply of natural resources. It is a middle–income emerging market with well–developed financial, legal, communications, energy, and transport sectors; a stock exchange that ranks among the ten largest in the world and a modern infrastructure supporting an efficient distribution of goods to major urban centres throughout the Southern African region. South Africa’s economic dominance in the region is such that the currencies of Lesotho, Namibia and Swaziland are pegged at par to the Rand, and the country plays a regulatory role with regard to exchange rate and trade and monetary policies within the framework of the Common Monetary Area (CMA) and the South African Customs Union (SACU) which also includes Botswana. Furthermore, the Rand is a tradable currency within most of SADC countries.

I.2. The country is divided into nine administrative provinces *viz*: Eastern Cape, Free State, Gauteng, KwaZulu–Natal, Limpopo, Mpumalanga, North West, Northern Cape and Western Cape (Annex 1). When the first democratically elected Government of South Africa took office in 1994, it inherited a country of gross inequalities with high unemployment, apartheid policies and institutions that had resulted in a stagnant economy, absolute poverty amongst the majority of the population, income and wealth inequalities, and extremely skewed access to basic services, natural resources and employment. Although significant progress has been made in education, health care, housing and in the provision of basic services, poverty still remains widespread.

I.3. The percentage of population living below US\$1 per day has increased from 9.4 percent in 1995 (3.7 million people) to 10.5 percent in 2002 (4.7 million people). Using the national poverty line of R354 per month based on the Income and Expenditure Surveys of 1995, absolute poverty marginally declined between 1995 and 2002, from 51.1 percent to 48.5 percent of the population over the same period. However, the total number of the poor is staggering and has increased from 20.2 million in 1995 to 21.9 million in 2002 due to the population growth over the same period.

I.4. Income disparities have continued; unemployment is still high at 26.2 percent (IMF Selected Issues, 2005) and many people lack basic necessities and social needs such as shelter and education. The Gini coefficient, which measures the extent of income inequality in a country, confirms the much skewed income distribution in South Africa. The Gini coefficient, which was 0.596 in 1995 rose to 0.635 in 2001 suggesting the country’s worsening income inequality. Accordingly, South Africa is one of the most unequal societies in the world. Total average household incomes range from R11 403 – R35 156, translating to about R950 – R2 929 per adult per month (*OECD Review of Agricultural Policies*, 2001).

I.5. According to the Human Development Index (HDI), which is a composite index of three equally weighted indices — life expectancy index, educational attainment index, and Gross Domestic Product index — to measure a country’s economic and social well–being, South Africa’s HDI shows a gradual improvement until 1995, after which it declined. It declined due to the fact that life expectancy’s decline after 1995 was greater than the combined increase in education and GDP indices. In 2002, the country had a HDI value of 0.680, which is regarded as medium level of human development. Despite the good performance in GDP per capita, South Africa’s progress as measured by HDI is relatively slow.

I.6. An important feature of the post–1994 South Africa has been growth in exports. Between 1994 and 2004, the volume of exports rose on average by 4 percent a year, with 2005 being the highest

recorded. South Africa's export growth is expected to strengthen from an annual average of 1.1 percent between 2002 and 2004 to 6.7 percent over the next three years, as both commodities and manufactured exports respond to rising global demand, and as competitiveness improves. The agricultural export sector has benefited tremendously, from trade liberalisation policies and integration of world markets. South Africa is currently one of the leading exporters of agro–food products such as wine, fresh fruit and sugar.

I.7. According to the Comtrade Database 2005, 47 percent of agricultural exports are destined for Europe, and 26 percent are sold in African markets. Asia receives 18 percent of South African agricultural exports while the USA and Canada get 7 percent. Latin America and Oceania receive 1 percent each. Agricultural imports are also increasing, though at a much reduced rate than exports. As from 2000, agricultural imports have grown by 5 to 6 percent of total imports on an annual basis.

I.8. South Africa is by far the largest economy in Africa. She alone, accounts for 70 percent of the SADC GDP with a per capita GDP of US\$3 530, more than four times the African average. The country has enjoyed a steadily increasing GDP growth, averaging between 2.7 to 5 percent in 2001 and 2005, respectively. The economy continues to exhibit vigorous and broad–based expansion across most sectors. Real GDP growth is expected to average 5 percent for 2006, and this is forecast to continue over the Medium Term Expenditure Framework (MTEF) period of 2006/07–2008/09.

I.9. The two main sources of government revenue are taxes on income and wealth, and indirect taxes, which in 2002 were 54 and 43 percent, respectively.

I.10. Real growth in government expenditure after debt costs has averaged 9.5 percent a year over the past three years and, following the expansionary trend in government expenditure that begun in 2001, is expected to rise by 7.9 percent in 2006/07, and average 6.4 percent over the MTEF period. Education remains the largest category of government spending. If the expenditure is directed to productive sectors such as agriculture, the long–term direct and trickle–down effects could benefit the economy in terms of industrial development, employment creation, and poverty reduction, among other positive effects.

I.11. Between 1995 and 2002, overall government real investment declined from R13.1 billion to R12.9 billion, and real per capita investment declined by 14.1 percent over the same period. Total investment as a share of GDP was 21.1 percent during the 1960s and 26.4 percent during the 1970s. Thereafter, the ratio has gradually declined and in 2002 it was 15.1 percent. By the end of 2008, fixed investment is expected to rise to 19 percent of GDP. It is anticipated that investment spending will grow by more than 9 percent in 2006, rising to about 10 percent in 2008, supported by increased capital flows and better export growth.

I.12. In 1994, the national debt stood at R189.9 billion; by March 1999, it had ballooned to R375.9 billion. Approximately, 96 percent of the debt is owed to South African creditors. South Africa's total debt declined from a high 56.2 percent of GDP in March 1996 to an anticipated 55.6 percent by the end of the 1998/99 fiscal year. In its management of the national debt, it can be argued that government has achieved a certain measure of stability after the steep increases of the debt to GDP ratio in the first half of the 1990s; the size of the national debt has fallen from 41.4 percent of GDP in 2001 to 35.8 percent in 2004.

I.13. The magnitude of South Africa's external debt grew from US\$21.7 billion to US\$27.8 billion in 2003. The small increase is a result of strategic financing where the government has adopted a more conservative borrowing policy, depending more on domestic financing because of declining domestic interest rates and inflation levels.

I.14. Accelerated and sustained economic growth depends to a large extent on raising the rate of investment and on appropriate policy reforms. Post 1994, South Africa has been characterised by wide-ranging and fundamental policy and legislative reforms. In spite of all these policies and laws developed, the country has seen growing unemployment, income poverty and inequality and shortcomings in service delivery. This could be due, mainly to the fact that some of the policies were not successfully implemented while others had some undesirable effects. The benchmark for the new government’s economic and social policies and initiatives is contained in the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution (GEAR) plan.

I.15. The RDP is the basic social development policy that articulates the vision and development path for South Africa’s transformation in terms of housing, land, health, education and services. The objectives of the policy are to implement the land reform programme by supplying residential and productive land to the poorest sections of the rural population and prospective farmers. As part of the comprehensive rural development policy, the RDP is aimed at raising rural incomes and productivity while encouraging use of land for agriculture. Together with the White Paper on Agriculture the RDP has specifically been applied to the Broadening Access to Agriculture Thrust (BATAT) in order to address both agricultural and regional development objectives.

I.16. GEAR is South Africa’s basic macroeconomic policy proclaimed in June 1996 to stimulate economic growth and job creation, reduce inflation and budget deficit, accelerate domestic savings and increase the flow of foreign direct investment. Unfortunately, rising unemployment, income inequality, low investment and other issues made it necessary for government to introduce, in 2005, the Accelerated and Shared Growth Initiative for South Africa (ASGISA) policy aimed at addressing, the following key desirable priorities: infrastructure, sector investment strategies, skills and education initiatives, second economy interventions, macro–economic issues and public administration issues.

I.17. Table 1 below shows the overall size of the economy based on 2003 estimates of the basic measures of the economy, namely population, land area, income, output, and growth in output. This table broadly indicates that South Africa’s actual and potential resources are, in a global setting, comparable to other emerging economies.

Table 1: South Africa – Basic Economic Indicators	
Indicator	Level / size
Population (million)	46
Surface area ('000 km ²)	1,219
Population density (persons km ⁻²)	38
Gross National Income (US\$ billion)	126
Gross National Income per capita (\$ billion)	2,750
Gross Domestic Product per capita (US\$)	3,530
Gross Domestic Product (percent growth 2002–03)	1.9
Source: <i>World Development Indicators</i> , 2005, p.24.	

I.18. Table 2 below shows selected macroeconomic indicators that summarise the projected economic outlook for South Africa up to 2008. With a balanced mix of economic policies, the economy is projected to grow by a steady 5 percent over the period of the economic outlook.

NEPAD – Comprehensive Africa Agriculture Development Programme
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Table 2: Summary of Macroeconomic Outlook				
	2005 Est.	Forecast		
		2006	2007	2008
Real growth				
Household consumption (percent)	6.7	4.9	4.4	4.7
Capital formation (percent)	8.0	9.4	9.7	9.9
Exports (percent)	12.6	7.1	6.2	6.7
Imports (percent)	10.9	9.4	7.2	7.2
Gross domestic product (percent)	5.0	4.9	4.7	5.2
Consumer price inflation (CPIX)	3.9	4.3	4.5	4.8
Balance of Payments current account (percent GDP)	-4.2	-4.4	-4.3	-4.2
Source: 2006 Budget Review, p.12				

I.19. Table 3 below shows economic performance for national income, prices, and the labour market, the external sector, money and credit, investment and savings, national government budget and the Balance of Payments position from 2001 to 2004.

Table 3: Economic Performance Indicators 2001 – 2004				
	2001	2002	2003	2004
National income, prices, and labour market	<i>(Annual percent change, unless otherwise indicated)</i>			
Real GDP	2.7	3.6	2.8	3.7
Real GDP per capita	1.6	2.4	1.8	2.7
CPI (annual average)	5.7	9.2	5.8	1.4
Unemployment rate (percent)	29.5	30.5	28.2	26.2
Investment and saving	<i>(In percent of GDP, unless otherwise indicated)</i>			
Investment (including inventories)	15.3	16.1	17.2	17.7
Gross national saving	15.4	16.8	15.7	14.4
National government budget				
Revenue, including grants	23.4	23.4	23.4	24.4
Expenditure and net lending	24.9	24.6	25.4	26.1
National government debt	41.4	37.1	35.7	35.8
Borrowing requirement of the non-financial public sector	1.0	1.0	2.0	2.1
External sector				
Current account balance	0.1	0.7	-1.5	-3.2
Overall balance of payments	0.6	3.2	4.1	3.8
Total external debt	26.0	29.5	22.4	19.8
Source: IMF Selected Issues, 2005, p.4				

B. The Agricultural and Rural Sector

(i) Structure of the Agricultural Sector

I.20. The South African agricultural sector is strongly influenced by the past history of the country with a dualistic nature of a thriving and well–developed commercial sector and a largely poor and subsistence rural sector. Approximately 70 percent of country’s poor population resides where significant human and material agricultural resources lie unused or under–utilised in the former homeland areas. These factors have undermined the income–earning potential of rural people.

I.21. South Africa lies within the southern temperate zone between 22 and 35°C. A high escarpment rises steeply from the east and southeast, slopes gradually to the west coast and encircles a vast interior plateau. The major part of the country has an elevation ranging from 1 200 to 1 800 m except for a narrow coastal belt at a mean altitude of less than 300 m, a narrow table land in the south at an elevation of some 450 m and the interior of the Cape province (“Great Karoo”) with an altitude of 600 to 900 m.

I.22. Some 86 percent of South Africa has summer rainfall (see Annex 2); 11 percent of the country located in the south–western corner enjoys a Mediterranean climate with winter rainfall and the remaining area along the south coast receives rain all year round. The country is, to a large extent, characterized as semi–arid with erratic or unreliable rainfall. Annual rainfall averages 500 mm, with a maximum of around 1,000 mm in the eastern part of the country and a minimum of less than 100 mm in the western semi–desert region. A vast area is considered arid (21 percent with less than 200 mm) or semi–arid (44 percent of the area between 200 mm and 500 mm).

I.23. Agriculture alone consumes 50 percent of the country’s water resources including for irrigation, and production is constrained by uneven distribution of water. South Africa is periodically afflicted by severe and prolonged droughts often followed by intense floods. Summer temperatures are generally high and, with the exception of the wettest part of the country, average seasonal potential evapotranspiration exceeds rainfall, and crop growth in critical plant development stages depends on water stored in the soil profile. Winter temperatures in the interior often drop below zero and frost is common.

I.24. The agro–ecological zones most suited for farming are along the Western Cape and the coastal area of KwaZulu–Natal, which provide ideal conditions for winter and summer crops. The rest of the country is relatively dry with the Northern Cape falling under arid conditions. The South African ecological zones are summarised in Table 4.

I.25. There are approximately 57 000 large–scale predominantly white commercial farmers occupying approximately 80 percent of the arable land. They farm, on average, 1 300 ha against 5.2 ha for the majority of the black farmers and employ about one million workers, which is 11 percent of total formal sector employment in the country. Many of these workers live on the farms and their children receive education in farm schools. There are close to 1 000 primary cooperatives and agribusinesses throughout the country, and 15 central cooperatives. Deregulation of the sector has seen transformation and consolidation of some of the cooperatives into private companies.

I.26. There are also 240 000 small–scale farmers⁵ who provide livelihood to more than 1 million of their family members, and occasional employment to another 500 000 people. These farmers supply

⁵ Smallholder farmers, black farmers, previously disadvantaged rural communities/farmers and LRAD farmers are used interchangeably to mean marginalized black farmers who have been affected by the dualism of the agricultural sector.

local and regional markets where large numbers of informal traders make a living. An additional estimated 3 million household farmers are located mainly in the communal areas of the former homelands that produce largely for family consumption and their livelihood only from about 15 percent (3 million hectares) of the total available arable land.

Table 4: Agro–ecological Zones of South Africa

Southern and Western Cape	The most productive part of the country, with winter wheat, deciduous fruit, grapes, citrus and vegetables being the major crops.
Karoo	Is arid and almost exclusively a sheep farming area, and centre of fine–wool production. A much smaller, but profitable, racehorse breeding industry is located here.
Eastern Cape	High–potential arable areas are located in the eastern highlands. Along the hot, dry river valleys wheat, maize, cotton, tobacco, vegetables and subtropical fruit are grown under irrigation. The area around East London is the centre of the South African pineapple industry. Away from the river valleys, extensive sheep and cattle production predominate. Along the wet escarpment, timber plantations are common.
KwaZulu Natal	The inland areas of KwaZulu Natal practice intensive animal production and timber growing. Along the coast, the warm, wet climate is suitable for subtropical crops such as sugarcane, fruit and also timber. In the drier north, sisal and cotton are grown. Along the hot, dry river valleys there are extensive cattle ranching and some irrigated vegetable production.
The Free State	Overwhelmingly a cattle and sheep ranching area, with some wheat, vegetable and fruit production along the eastern part. Part of the North West province is in this area.
Northern	The Northern provinces are mostly arid, and used for cattle farming. Small areas are suitable for irrigated or dry–land production. In Mpumalanga, there is extensive fruit and vegetable production. Along the escarpment the largest timber plantations in the country are found. Gauteng and the eastern part of North West provinces are included in this zone.
Highveld	The Highveld of Gauteng, Mpumalanga, part of the Free State and of northern KwaZulu Natal, is the largest grain–growing area, the heartland of the agricultural economy. The highveld has a stable soil system, reasonable rainfall, and mostly flat topography.

(ii) Land Use

I.27. Agricultural land comprises 81 percent of the country’s total area. Grazing land represents 83 percent of the agricultural land while the remaining 17 percent is used for growing a wide range of cash and food crops. Intensive livestock farming (dairy, poultry and pork production) is confined to the more arable areas, generally closer to the major metropolitan markets or on the coast where access to imported stock feed is easier. Climate, type of soil, natural vegetation and the type of farming practiced mainly influence agricultural activities. Approximately 12 percent of the land is reserved for conservation while less than 2 percent is under forestry.

I.28. Activities range from intensive crop production, which constituted 33 percent of total agricultural output in 2001–2003, and mixed farming in high rainfall areas to extensive cattle production in the semi arid southern and western interior areas, which represented 40 percent of total output. Horticulture over the same period contributed 27 percent of total output.

I.29. Rain–fed farming is highly risky because of prolonged dry spells. As a consequence, irrigation has assumed importance and currently there is 1.3 million ha of irrigated farmland mainly under white commercial ownership. The potential to extend the facility to small–scale farmers exists and is a target that government is considering in its policy on land reform and redistribution.

I.30. Available estimates of the main crops produced in South Africa are maize (10.7 million tonnes in 2005/06), wheat (1.8 million tonnes in 2005), sugarcane (21.3 million tonnes in 2005/06) and sunflower (645 000 tonnes in 2004/05). South Africa is the world’s eleventh largest producer of sunflower seed and the world’s twelfth biggest sugarcane producer. Some of the farmland is occupied

with deciduous fruit and grapes. South Africa is a net agricultural products exporter. With the United Kingdom, the Netherlands, Zimbabwe, Germany and Japan as her major trading partners, the country exported R10 180 million worth of commodities to its major markets during the period 2004/05.

I.31. Real output in agriculture improved during 2005 from a 2.7 percent decline in the first nine months of 2004 to a 5.5 percent increase in the first nine months of 2005. This was largely due to an improvement in field crop output, which grew by 9.1 percent compared to 2004. Horticultural production increased by a modest 0.5 percent while animal production expanded by 1 percent.

I.32. Almost all the productive and social activities of rural towns and service centres are dependent on primary agriculture and related activities. This includes increasingly popular and economically significant agrotourism and game–farming activities, which are potentially good sources of income and livelihood sustainability. Channelling funding to this area would promote the government policy of GEAR and ASGISA.

(iii) Contribution to Economy

I.33. Agriculture provides a strong backbone for economic growth and development. Primary agriculture accounts for less than 5 percent of the GDP of South Africa and almost 9 percent of formal employment. The sector has strong backward and forward linkages with agro–industrial and relevant service sectors and, therefore, in real terms its contribution to the economy may be as high as 30 percent of GDP.

I.34. South Africa is largely a net food exporter. Wines, citrus, sugar, grapes, maize, fruit juice, wool and deciduous fruit constitute the major agricultural export basket. Other exports include meat, avocados, pineapples, groundnuts, preserved fruit and nuts, hides and skins and dairy products as shown in Table 5 below.

Table 5: Agricultural Commodity Exports 2000 – 2005 (tonnes)						
Commodity	2000/01	2001/02	2002/03	2003/4	2004/5	2005/06
Wheat	103,000	149,000	179,000	158,00	158,00	
Maize	1,300,000	1,100,000	1,100,000	700	350	
Sorghum	40,000	48,000	66,000	49,00	38,00	43,000
Groundnuts	44,900	50,500	48,900	20,00	21,00	25,500
Soya beans	2,800	1,400	1,00	5,00	2,00	9,240
Dry beans	6,461	8,087	3,75	1,38	11,48	
Sugar	1,725,500	1,321,300	988,00	1,55,00	1,16,00	1,255,000
Hides & skins	15,343	14,323	11,79	18,44	22,43	
Beef*						
Fruit (fresh & dried)	1,349,073	1,654,765	1,698,828	2,34,67	1,810,050	
Vegetables*						
* Data not available. Source: <i>Abstract of Agricultural Statistics 2006</i> , Department of Agriculture.						

(iv) Livestock

I.35. Livestock is produced in most parts of South Africa at both commercial and subsistence levels, and the country produces 85 percent of its meat requirements. Stockbreeders concentrate mainly on the meat breeds that are well adapted to diverse climatic and environmental conditions. The industry is, however, characterised by uncompetitive and low global prices, skewed participation, low

investor confidence, inadequate, ineffective and inefficient support and delivery systems and poor and unsustainable management of natural resources. Dairy farming also forms a significant component of livestock production and is largely limited to local markets.

I.36. Cattle, sheep and goats are produced extensively on pasture in the arid and semi arid areas of the country while poultry, milk and pig production dominate the intensive production systems located close to main consumption centres.

I.37. As shown in Table 6, cattle numbers (80 percent beef and 20 percent dairy) have varied little between 2001 and 2005, as also did the population of pigs. The number of sheep dropped slightly in 2005 compared to 2001 while that of goats remained virtually constant. The contribution of livestock towards total agricultural output declined from 44 percent in 1990 to 39 percent in 2003.

	2001	2002	2003	2004	2005
Cattle	13,507	13,634	13,538	13,513	13,763
Sheep	26,100	25,727	25,820	25,359	25,316
Goats				6,370	6,360
Pigs	1,678	1,710	1,663	1,651	1,656
Poultry		185,073			

Source: *Abstract of Agricultural Statistics 2006*, Department of Agriculture.
Trends in the Agricultural Sector 2005, Department of Agriculture.
 * Data not available.

(v) **Forestry**

I.38. South Africa has one of the largest cultivated forest resources in the world. Commercial forests provide jobs and present economic opportunities for many people in the rural areas. The range of products includes pulpwood, mining timber, matchwood and charcoal, saw logs, veneer and poles. Exports from this sector are dominated by the pulp and amounted to R2.6 billion in 2001. Capital investment in the industry amounted to some R16.3 billion in 2001, having grown at an annual real rate of close to 5 percent since 1980. The turnover of the industry was an annualized R12.8 billion in 2001.

I.39. The two main pulp and paper manufacturing companies in South Africa rank among the largest in the southern hemisphere and own assets in many parts of the world. Collectively, the forestry sector employs about 100 000 people. The commercial forestry industry in South Africa is committed to practising Sustainable Forest Management (SFM) and is a world leader in forest certification.

I.40. The Department of Water Affairs and Forestry (DWAF) is pursuing a reform programme in the forestry sector which will see the government leasing State–owned forest land to private–sector operators. The objective is to move from the management of plantations towards promoting, regulating and developing the forest industry.

I.41. The forestry industry is promoting rural development and economic empowerment through a small–grower afforestation programme. Currently, there are more than 18 000 emerging small black soft wood timber growers. These growers, most of whom are women, cultivate 48 000 ha of plantations. The objective is to promote a thriving forest sector to be utilised for the lasting benefit of the nation, and developed and managed to protect the environment. The role of the South African government in forestry has been development of policy, strategies and guidelines for SFM in

association with relevant stakeholders. Government has also been active in coordinating strategic forestry research and its participation in international policy making.

(vi) Fisheries

I.42. South Africa has a large commercial fishing industry with the Western Cape accounting for more than 90 percent of its fish production. More than 4 500 commercial fishing vessels licensed by the Department of Environment Affairs and Tourism (DEAT) work its nearly 3 000–kilometre coast. It is an industry that has a high percentage of private ownership with entry conditions that demand considerable experience and huge capital investments, which, therefore, makes it difficult for small fisher groups to qualify. South Africa exports about 80 percent of its fish in most years valued at R1.8 billion on average. Trawling alone accounts for more than 50 percent of the fishing activities, while pelagic fish contributes 20 percent at between 300 000–400 000 tonnes per annum. Line fish accounts for 18 percent of total production. Hake production contributes 12 percent of total production and fluctuates between 150 000–200 000 tonnes p.a. Fish that is not exported or consumed domestically is processed into fishmeal and fish oil.

I.43. The monitoring and surveillance of the coastal waters is costly. Government enforces strict conservation measures, which include fishing quotas and closed seasons to prevent over–fishing and to protect the fishing industry. Portnet, the national port authority, supervises fishing near the large ports. The industry is undergoing transformation and there are initiatives to promote aquaculture to involve previously disadvantaged black communities particularly along the Orange River in the Northern Cape. Reforms, in part, entail reallocation of fishing rights. While there is now a more enabling policy for small fisher groups, the sector requires huge resources for equipment and skills development to enable sustainable operations by emerging farmers.

(vii) Main Institutions Involved in Agriculture and Rural Development

I.44. The DoA is the lead agency in the formulation, facilitation and implementation of the agricultural policy. It houses a number of directorates namely: (i) Agricultural Economics and Business Development; (ii) Agricultural Production and Resource Management; (iii) Operations Management and Governance; (iv) Programme Planning, Monitoring and Evaluation; and (v) Agri–Seta. The structure of the DoA cascades down to provincial, district and community levels. There are nine autonomous provincial departments of agriculture, which are responsible for developing and implementing agricultural development strategies for administrative and regulatory services, facilitation of marketing and access to rural financing. The Department’s Agricultural Extension Agents (AEAs) are coordinated by district agricultural development coordinators who operate at community level. Subject specialists provide technical back up at both regional and provincial levels. Furthermore, the Department is supported and extensively interacts with other government departments in carrying out its mandate key among which include the ones listed in Table 7.

I.45. The Department of Health, through its programme on nutrition, also plays an important role in the delivery of rural agricultural activities. The allocation of resources for effective implementation of agricultural policy and the coordination of donor funding for the sector is premised in the Department of Finance.

I.46. Under local government, district municipalities provide infrastructure and other developmental facilities in rural and agricultural areas surrounding towns and villages. At local level, formal governance coexists with traditional leadership.

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Table 7: Government Departments with Agricultural and Rural Development Mandates

Department	Mandate
Department of Agriculture	Agricultural policy implementation
Department of Land Affairs	Management of land redistribution and reform process
Agri–Seta	Agric Skills Training Management and Accreditation for farmers
Department of Water and Forestry	Infrastructure development (irrigation water) and water management
Department of Provincial and Local Government	Infrastructure development (roads) and Integrated and sustainable rural development programme
Department of Environmental Affairs and Tourism	Management of natural resources and tourism promotion, including biodiversity and environmental programmes
Department of Trade and Industry	Marketing, pricing, trade, value adding and licensing for commodity imports and exports
Department of Social Development	Food security and poverty reduction
Department of Public Enterprises	Rural development, community empowerment
Department of Public Works	Construction and maintenance of rural roads

I.47. The DoA also interacts with a network of other private sector and quasi–government institutions for agricultural support, policy implementation and advisory services including the following:

I.48. *The National African Farmers’ Union (NAFU)* was established in 1991 with the aim of creating a “home” for thousands of black farmers who had previously been excluded from the mainstream of agriculture. NAFU strives to actively promote the interests, primarily, of black farmers who are largely a disproportionately disadvantaged farming community. The focus of NAFU has been on advocacy and it has and continues to lobby for access to critical resources such as land, credit, information, extension and other support services. NAFU also plays a role in building the capacity and strength of its membership through the use of effective communication systems, training, improving management skills and exposing farming to the latest and most up–to–date production techniques.

I.49. *The National Agricultural Marketing Council (NAMC)* was established in 1997. Its main function is to advise the Minister of Agriculture and Land Affairs on agricultural marketing environment, policies and applications and to coordinate agricultural marketing policy in relation to national economic, social and development policies as well as international trends and developments in order to ensure a diverse and competitive sector. The council also disseminates information to farmers, and assists with marketing programmes for new entrants in the various commodity sectors in collaboration with the private sector and government as part of the transformation and empowerment initiatives.

I.50. *The Agricultural Research Council (ARC)* is a publicly owned and funded agency, which provides agricultural research interventions to and supports strategic technology development, in the agricultural community working in association with various levels of government, universities and farmer organisations.

I.51. *Agri–SA* is a confederation of agricultural organisations comprising 28 national commodity organisations and the Agricultural Business Chamber, which deals with policy advocacy. The *Land Bank* promotes equitable distribution of agricultural land so as to increase ownership of agricultural land by historically disadvantaged people, as well as facilitating agricultural entrepreneurship.

C. The Strategic Framework

(i) Government Objectives and Strategy

I.52. The focus of South Africa’s agriculture is driven by the vision of “*a united and prosperous agricultural sector*”. The main objectives of the agricultural policy are geared towards increasing agricultural production and poverty reduction through:

- ensuring access to sufficient, safe and nutritious food;
- eliminating skewed participation and inequity in agriculture;
- maximizing growth, employment and income in the sector;
- improving the sustainable management of natural agricultural resources and ecological systems;
- ensuring effective and efficient governance; and
- ensuring knowledge and information management.

I.53. The agricultural policy objectives are pursued through a number of strategies *viz*:

- Land reform, consisting of the restitution, redistribution and tenure reform programmes;
- Deregulation of the marketing of agricultural institutions as well as institutional reform influencing the governance of agriculture;
- Changes in the fiscal treatment of agriculture, including the abolition of certain tax concessions that favoured the sector;
- Trade policy reform, which includes the ratification of farm commodities and a general liberalisation of agricultural trade including free trade agreements;
- Institutional reform influencing the governance of agriculture;
- The application of labour legislation to the agricultural sector; and
- Employment creation through stimulation of the development of small, medium and micro enterprises (SMMEs) focusing on historically disadvantaged businesses to fuel broad based growth that generates benefits for all.

I.54. In the specific case of redressing historical imbalances, the following strategies and institutions have been constituted and adopted:

I.55. The *Land Reform for Agricultural Development (LRAD)* programme was designed to expand the range of support measures that will be available to previously disadvantaged South African citizens to access land for agricultural purposes. The components of the programme include disposal of publicly owned agricultural land, equity sharing schemes, contract farming, rental farming, tenure reform in communal areas and private land acquisition.

I.56. The goal of the *Integrated Food Security and Nutrition Programme (IFSNP)* is to eradicate hunger, malnutrition and food insecurity by 2015. Between 2002 and June 2005, 245 000 households benefited from the National Food Emergency Scheme in which agricultural starter packs to the tune of R31 million, were delivered to 18 575 households in all provinces as a measure of encouraging the development of sustainable food gardens.

I.57. The ***Broad–Based Black Economic Empowerment (AgriBEE)*** is a sectoral Black Economic Empowerment framework intended at deliberate and systematic support of black South Africans to actively participate fully in the agricultural sector as owners, managers, professionals, skilled employees and consumers. It offers diverse and integrated social and economic strategies to enable blacks to address the past imbalances.

I.58. The ***Comprehensive Agricultural Support Programme (CASP)*** was launched in 2004 to promote agricultural production among previously disadvantaged individuals and communities. The programme provides post settlement support. It includes access to finance and credit for small–scale farmers and cooperatives, as well as the six pillars of non financial support: agricultural extension, R&D, information dissemination, access to markets, capacity building and access to infrastructure needed to support sustainability and commercial viability of emerging farmers and land reform beneficiaries.

I.59. The 1997 White Paper on Land Policy dealt with ownership, security of tenure, sustainable use of land, land for development purposes, rights in property and effective administration of public land in both urban and rural environments as set out in a number of key legislations.

I.60. Under the ***Restitution of Land Rights Act, 22 of 1994***, a person or community dispossessed of property after 19 June 1913 (the date of the Natives Land Act), as a result of racially discriminatory laws or practice, is entitled to lodge a claim for restitution of that property or seek comparable redress. By the cut–off date of March 1999, 67 531 claims by groups and individuals had been lodged, of which about 80 percent are urban.

I.61. The ***Provision of Land and Assistance Act, 1993*** was the main piece of legislation adopted for the redistribution programme. The programme is based on a demand–driven approach and land is to be bought at market related prices. However, beneficiaries would receive grants to assist them in acquiring land through a willing buyer–willing seller principle.

I.62. The ***Land Reform (Labour Tenants) Act, 1996 (Act No.3 of 1996)*** provides for the protection of the rights of labour tenants and gives them the right to claim land. The Interim Protection of Informal Land Rights Act, 1996 (Act No. 31 of 1996) was passed as an interim measure to protect people in the former “homelands” against abuses of their land rights by corrupt chiefs, administrative measures or property developers who fail to consult the occupiers of affected land.

I.63. The ***Extension of Security of Tenure Act (ESTA) of 1997***, aims to protect people who live on land with the consent of the owner or person in charge against unfair eviction and create long–term tenure security through on–or–off–site settlement assisted by a government grant and the landowner.

I.64. The following strategies are used by the DLA to implement the various provisions of the land policy:

- ***Redistribution:*** its scope includes the urban and rural very poor, labour tenants, farm workers as well as new entrants to agriculture. The main products of the redistribution programme took several forms such as group settlement with some production; group production; commonage schemes; on–farm settlement of farm workers and farm worker equity. Initially, lengthy project cycles, excessive bureaucracy and low levels of support services resulted in slow delivery of products and limited sustainability of projects. However, constant programme review and development of new legislative and policy innovations such as supply led and needs based distribution have seen the programme deliver according to expectations.

- **Land Restitution:** under this programme, the Commission on Restitution of Land Rights considers all cases of forced removals, which took place after 1913. The Commission also, mediates in disputes such as in grazing conflicts, processes transfers and assists with development grants and post settlement training amongst other activities. Between 1995 and 2003 a total of 36 686 claims on 516 910 ha of land from 83 661 households representing 444 002 beneficiaries have been settled at a cost of about 2 billion Rand.
- **Land Tenure Reform:** is addressed through the review of present land policy, administration and legislation to improve the tenure security of all South Africans and to accommodate diverse forms of land tenure, in communal areas and the tenure of security of labour tenants, farm dwellers and farm workers on commercial farmlands.

I.65. In 2004, the *Micro Agricultural Financial Institutions of South Africa (MAFISA)* was established to offer micro and retail agricultural financial services on a large scale with the projection that over the next ten years, MAFISA could reach out to 10 million small–scale and communal beneficiaries.

I.66. The Department of Land Affairs (DLA) is responsible for the management of state land. The extent of state land in South Africa is 25 509 004 million hectares, of which 13 332 577 million is the responsibility of the DLA; the bulk of state land is in the former homelands. Of the state land for which DLA is responsible, about 700 000 ha are potentially available for land reform and development purposes.

I.67. The DWAF sees its role in the agricultural and rural sector in these objectives: conserving, managing and developing water resources and forests in a scientific and environmentally sustainable manner in order to meet the social and economic needs of the country. Furthermore, DWAF has the mandate to manage, protect and safeguard the country’s natural forests and plantations and natural resources to make them ecologically stable.

I.68. The Department of Local and Provincial Government (DPLG) has the objectives of ensuring effective management and utilization of provincial government land and to strengthen capacity of the Department and to provide efficient institutional frameworks for effective management and provision of infrastructure for rural development.

I.69. The objectives of the DEAT include integrating natural resources and biodiversity into socio–economic development and sustainable livelihoods and managing biodiversity and biosafety, climate change and air quality, as well as global environmental governance.

I.70. In the Department of Trade and Industry (DTI), the relevant objectives relate to sustaining economic growth, development of SMMEs, export of “value added” goods as well as creation of economic benefits for disadvantaged communities while promoting technology transfer, job creation and R & D collaboration.

I.71. The Department of Social Work (DSW) contributes to sector development through the following objectives: (i) strengthen the capacity of civil society to actively engage in social and economic development, contribute to the alleviation of poverty, address its causes, and strengthen the capacity of civil–society organisations to combat poverty; and (ii) Food security through the distribution of food parcels to the most vulnerable sections of the population as well as operating Integrated Nutrition Programmes (food gardens).

I.72. The objectives of the Department of Public Enterprises are to promote economic growth, socio–economic development in an integrated and coherent manner, and ultimately to ensure optimum economic and development impact to re–dress historical imbalances and ensure wider active participation in the economy and promoting sectoral (agriculture included) markets.

I.73. Within the Department of Public Works (DPW) the following are the objectives: (i) promote property ownership and development by previously disadvantaged people; (ii) promote human resource development through job opportunities for the poor; and (iii) promote the social objectives in the construction industry employment equality in public works projects some of which are done to enhance rural development. The DPW is the custodian of the Community Based Public Works Programme (CBPWP), which is a short–term programme aimed at poverty alleviation, skills training, delivery of needed assets and capacity building. The programme aims to contribute to infrastructural development through labour–based construction, especially targeting women. It creates temporary jobs while providing assets that add to income–generating capacity and improve accessibility of remote communities.

I.74. The following policies have also had influence on agricultural and rural development in South Africa: the Integrated Sustainable Rural Development Strategy (ISRDS) (2000); the Local Economic Development (LED) (2001), the Expanded Public Works Programme (EPWP) and the Poverty Reduction Strategy Programme (PRSP) of 1998.

I.75. The prevalence of HIV/AIDS in South Africa is detailed in Table 8 below. Approximately 40 percent of adult deaths and 25 percent of all deaths in 2000 were due to AIDS. Recent studies predict the epidemic could cost South Africa as much as 17 percent in GDP growth by 2010. The extraction industries (agriculture included), education and health are among the sectors that will be severely affected.

	percent
Adults (18–64 years)	14.2
Adult men	23.4
Adult women	23.3
Childbearing–age women (15–49 years)	23.5
Youth (15–24 years)	25.9
Male youth	13.7
Female youth	5.8
Total population infected with HIV	21.6
Source: CIDA's Country Development Programming Framework for South Africa (2003–2008), April 2004.	

I.76. It is projected that over the next decade the number of employees lost to AIDS could be as high as 40–50 percent of the current workforce. This is a set back for agriculture as it deprives the sector of its most active and productive segments of the population in terms of labour, technical support services, production and potential buyers/consumers of agricultural products. HIV/AIDS has a very high and negative impact on the agricultural sector. Communities struggle to deal with the challenges of caring for the sick, supporting the living, and providing for a growing number of orphans with fewer resources at their disposal. South Africa has one of the most developed private health care systems in Africa, but its public health care system has a limited ability to deliver services to those unable to pay. This calls for investment in support of awareness and educational campaigns and for more funding. The UNAIDS and its partners have doubled their funding to government to support broad issues of HIV/AIDS.

(ii) Major Donor Strategies

I.77. South Africa has a conservative policy towards borrowing from international financing institutions for agricultural development. She is, however, a recipient of multilateral and bilateral donor resources for support of agricultural programmes to promote growth of the sector and reduce poverty especially in the previously disadvantaged sectors. The main strategies of the donor community assistance to South Africa can be summarised as to:

Reduce poverty and inequality through strategic rural development initiatives that anchor on land reform, sound environmental management, efficient and equitable natural resource utilization, infrastructure development and human capital investment so as to ensure food security and generate income and employment.

(iii) Project Pipeline

I.78. **Public Sector Investment Programme (PSIP).** The PSIP is indicative of the sector’s long–term vision and policies for poverty reduction and employment creation. The 2006 Strategic Plan for the Department of Agriculture outlines the priority programme development areas. These are indicated in Table 9 below:

Table 9: Agriculture, Food Security & Nutrition Programmes (2006/07)	
Programme	PSIP Allocation (R million)
1. Livelihoods, economic & business development:	
• Livelihoods Developments Support	571
• Trade & Business Development	135
• Economics & Statistical Services	27
• National Agricultural Marketing Council	13
Subtotal	746
2. Biodiversity & Disaster Management:	
• Plant Health & Inspection Services	95
• Food, Animal Health & Disaster Mgmt.	149
Subtotal	244
3. Production & resource management:	
• Agricultural production	58
• Engineering, Energy, Resource Use & Mgmt	181
Subtotal	239
4. Sector service & partnerships:	
• Sector services	54
• Intergovernmental & stakeholder relations	34
• Agricultural Research Council	386
Subtotal	474
Source: 2006 Strategic Plan for the Department of Agriculture.	

I.79. Programmes and projects that impact on agriculture and rural development but are implemented in other arms of government are presented below in Tables 10 to 17.

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Table 10: Land Affairs Programmes (2006/07)	
Programme	PSIP Allocation (R million)
1. Surveys & Map.	77
2. Cadastral Surveys	88
3. Restitution	1,157
4. Land Reform	619
5. Spatial Planning	20

Table 11: Agriculture, Food Security & Nutrition Programmes (2006/07)		
Programme	Area	PSIP Allocation (R million)
1. Water Resources Management	Uncompleted projects	8
	Nandoni Dam Limpopo,	10
	Kalahari East	53
	Drought relief projects.	104
2. Water Services	Water services projects	57
	Drought relief projects (municipalities, drilling boreholes, hand pumps, protecting springs)	44
	Refurbishment projects	46
	Provision of sanitation facilities	24
3. Forestry	Management of plantations	15

Table 12: Provincial and Local Government Programmes (2006/07)	
Programme	PSIP Allocation (R million)
1. Urban and Rural Development	10
2. Provinces and municipalities	13
3. Free basic services and infrastructure	6

Table 13: Environment Affairs and Tourism programmes (2006/07)		
Programme	Area	PSIP Allocation (R million)
1. Marine and Coastal Management	Expansion of existing fisheries, and related activities	15
2. Biodiversity and Conservation	National Botanical Institute for Wetlands poverty relief project	30

Table 14: Trade and Industry Programmes (2006/07)		
Programme	Area	PSIP Allocation (R million)
Enterprise and industry development	National Empowerment Fund to agribusiness, aquaculture, tourism, mining and agro-biodiversity projects	17

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Table 15: Social Development Programmes (2006/07)

Programme	Area	PSIP Allocation (R million)
1. Poverty Alleviation	Communication and marketing strategies.	7
2. HIV and Aids	Research projects on antiretroviral HIV and AIDS	600,000
	Aids projects	1,250
3. Poverty Alleviation	Development roll-out of the food emergency relief programme.	8
4. Urban and Rural Development	Free Basic Services and Infrastructure	764,000

Table 16: Public Enterprises Programmes (2006/07)

Programme	Area	PSIP Allocation (R million)
1. Restructuring of SOEs	Infrastructure Development (Energy, transport, etc.) with BEE component	18
2. Performance Monitoring and Strategic Analysis		17

Table 17: Public Works Programmes (2006/07)

Programme	PSIP Allocation (R million)
1. National public works	69
2. Capital works subprogramme	48

I.80. ***Donor Projects.*** Donor funding for projects is cross cutting on different agricultural issues and land reform. The largest donor is the EU along with the European Investment Bank (EIB), who together with their member states contributes 70 percent of the Overseas Development Assistance (ODA) to South Africa. Other key development partners include USAID, GTZ, the FAO and other UN agencies, the World Bank, the IMF and a number of other bilateral partners:

I.81. ***European Union (EU).*** The European Commission has pledged direct support towards a number of programmes that include land reform, improving living standards and infrastructure, and support of HIV/AIDS, in order to promote rural development and livelihoods sustainability. The European Commission provided a grant under the South African Pesticides Initiative Programme (SAPIP), Perishable Produce Exports Control Board (PPECB), Agricultural Regulatory Services (ARS) and strengthening civil society. The grant, which amounts to about R40 million has been running since 2004 and will end in 2007. The EU interests cover *CAADP Pillars 2, 3 and 4.*

I.82. ***United States Agency for International Development (USAID).*** USAID set up an agribusiness linkages programme to assist historically disadvantaged farmers and agribusinesses in rural South Africa identify and access marketing, business and training opportunities with larger processing, marketing and export firms. During 2005, 1 778 new jobs were created and US\$22.4 million in agricultural sales were generated through 3 382 sale contracts for emerging farmers selling chilli peppers, lobster tails, paprika, specialty teas, grains, oil seeds, honey, cheeses, livestock, wine, cut flowers, fresh fruits and vegetables. The programme also assists national, regional and international buyers to build relationships with emerging farmers in order to bring the producers into formal marketing relationships with these buyers (*CAADP Pillars 2 and 3*).

I.83. USAID has continued to assist “willing seller–willing buyer” transactions between large commercial agricultural enterprises (e.g. farms or agroprocessors) and groups of their full–time workers who become equity shareholders in and managers of the enterprises; in 2005, 1 313 small and medium agribusinesses benefited from such assistance (*CAADP Pillar 3*). The programme demonstrated how successful transformation of ownership and equity can be achieved in a manner that helps to stabilize the rural business sector, sustain jobs and agricultural enterprises while responding to South African black economic empowerment goals in agribusiness.

I.84. USAID’s ongoing biotechnology research and outreach–related activities supported the development of domestic propagation techniques for indigenous wild plants (used for such niche value–added products as specialty teas, cosmetics and soaps, and for medicinal purposes), development of hardy or disease–resistant produce such as fruit trees (apricots and peaches) and development of new, highly reliable diagnostic tests for illnesses affecting pigs produced in smallholdings. In 2005, research focused specifically on potentially higher–value crops for emerging farmers, increasing their ability to produce on the marginal lands and harsh environments they inhabit. This activity is ultimately expected to increase household level of self–employment income (*All CAADP Pillars*).

I.85. ***Food and Agriculture Organization of the United Nations (FAO)***. The FAO, whose main strategic goal is food security, has provided funding for a number of projects under the Special Programme for Food Security (SPFS), and these include:

- A 15 month Marketing extension support project valued at US\$254 000 which commenced in 2000 (*CAADP Pillars 3 and 4*).
- A pilot project in Gauteng for development of a Crop and Pest Management Information System (CPMIS) at a cost of US\$375 000 by working with farmers and extensionists (*CAADP Pillar # 4*). During project implementation, a needs assessment was undertaken which resulted in the transformation of the project into the Global Plant Protection Information System (GPPIS) whose focus was, broadly, ecological encompassing information on livestock, pastures, irrigation, market and conservation agriculture. The project was consequently renamed the EcoPort Programme (EPP) framework (*All CAADP Pillars*).

I.86. ***World Bank (WB)***. The World Bank has provided technical assistance to the formulation of the government’s Land Redistribution for Agricultural Development (2001) and its review. The government’s Integrated Sustainable Rural Development Strategy (2001) also benefited from World Bank technical assistance, drawing on the Bank’s international experience with decentralized rural development. Much of the Bank assistance has been in support of *CAADP Pillar 1*. As of February 2005, the World Bank had approved 13 loans for South Africa, including for agriculture, for a total amount of approximately US\$302.8 million. There were eight active World Bank operations with a commitment value of approximately US\$15 million and US\$13.3 million in undisbursed funds.

I.87. ***Department for International Development (DFID)***. DFID’s strategic goal supports *CAADP Pillar 1* and is to strengthen the efficient, effective and equitable utilization of developed irrigation and water sources potential in South Africa through the establishment of joint activities with government and International Water Management Institute (IWMI), as well as support to the land reform programme and food security and poverty alleviation.

I.88. ***Swedish International Development Agency (SIDA)***. SIDA’s 2004–2008 cooperation agreement with South Africa is mainly geared towards supporting the poverty reduction and economic

growth based on the Millennium goals. There are some areas which are cross cutting affecting the environment, human rights, women, children, young people, the disabled, gender equality and HIV/AIDS. Funding was at a peak of SEK 337 million in 1999. In 2003 support declined to SEK 180 million but is expected to increase to SEK 300 million during the period 2004–2008.

I.89. Others donors such as AusAID, DANIDA, GTZ, etc. are engaged in projects that deal with environment and natural resource management, poverty reduction, capacity building and HIV/AIDS while NGOs such as Farm Africa, Care International, World Vision, etc. have agricultural programmes that are coordinated and funded at provincial level.

(iv) Conclusion

I.90. It is apparent that there is a common and coherent focused shared strategic vision by most development partners in the field of agricultural development, particularly towards government policy to redress the skewed participation and historical dualism and imbalance. The projects in the pipeline compliment government’s strategic development policies and initiatives to eradicate poverty through promotion of rural development. There is realisation on the critical importance of research and development. Substantial financial resources have been channelled towards rural agricultural development with interventions focusing on provision of water, road networks and market access, information dissemination and skills development which are key issues highlighted to be addressed by ASGISA.

II. CONSTRAINTS AND OPPORTUNITIES

A. Macro–economic

II.1. *Constraints.* Negative effects on the economy are still being felt as a result of the exclusionary nature of apartheid, and distortions caused by the country’s international isolation until the 1990s. Some quantitative credit controls and administrative control of deposit and lending rates still remain. The effects of HIV/AIDS on the working population pose a challenge to the economic achievements of the country. The country still faces the development challenges of creating faster growth capable of generating sufficient jobs, overcoming the scourge of poverty and inequality, and broadening participation. Many farmers have limited capacity to adjust to policy and market changes caused by the rapid process of deregulation and liberalisation of the economy necessitated by globalisation. The deregulation of the agricultural sector coupled with removal of subsidies exposes the sector to volatile and changing international commodity prices and moving exchange rates in relation to surplus and shortage periods and as determined by market forces. Other major players such as the US often exert pressure on price movements while locally; varying climatic conditions influence price fluctuations. Some farmers are not very familiar with the export logistics and requirements for specific export markets and the situation is made worse by cheap imports from Europe and the Far East.

II.2. *Opportunities.* Following the democratic elections of 1994, the economy is now more open to international competition and there is access to new markets. South Africa has a sophisticated financial structure with a large and active stock exchange and banks that adhere to core standards of international banking. Previously disadvantaged communities are being facilitated to farm commercially and contribute to the export market. Securing return to a long–term growth trend; reducing budget deficit; reforming the tax system and reprioritising public expenditure; decreasing

inflation and easing balance of payments is evidence of a sound macro–economic management system. Gradual reduction of foreign exchange controls is expected to promote foreign investment.

II.3. ASGISA is expected to introduce further reforms to relieve constraints to economic expansion and improve the competitiveness of certain sectors. Over the long term, sustaining macroeconomic stability remains the government’s central priority, particularly given variations in the international business cycle and commodity prices, which are currently at high levels.

II.4. There is potential for the development of the agricultural sector through linkages with other sectors particularly with agroprocessing for it to be instrumental in economic and rural development, and thus in reducing poverty. The disparities between established commercial and smallholder farming provides room for technology and skills transfer programmes. Mentoring is an example of an effective and practical skills transfer mechanism.

II.5. The deregulation of the agricultural sector and setting up of the NAMC has opened up competition for the sector and this presents opportunities for farmers to look afar in terms of markets and product diversification for the different markets.

B. Natural Resource/Environmental

II.6. **Constraints.** There is competition for resources and pressure on limited arable land. There is significant population growth that exerts more pressure on the land and there are competing land uses for prime agricultural land. 80 percent of South African land is shallow soils and only 3 percent of the arable land is of high potential. Soils are generally poor with low fertility and low organic matter content. The infrastructure and services to support sustainable land use are inadequate. South Africa is periodically afflicted by severe and prolonged droughts often followed by intense floods. Acidification on intensely cultivated land is also becoming a major problem. Five million hectares of arable land are under threat of water logging, and about 50 percent of the country’s arable land is under threat of desertification, which is a major threat to agricultural production and biodiversity. Soil erosion is also a serious threat. There is very low available water for irrigation due to unreliable rainfall. Land degradation remains a problem on good and marginal lands.

II.7. **Opportunities.** Government and its development partners are committed to sustainable resource utilization. There are successful government programmes such as Land Care and Working for Water, which are aimed at protecting the resource base. Effective methods for managing land sustainably and preserving biodiversity exist. Investing in educational programmes that create awareness about sustainable natural resource utilization is critical.

C. Crop Production

II.8. **Constraints.** Severe droughts, particularly in the last few years, have resulted in below target crop and cereal production. The deterioration of natural resources by over utilization and poor land and water management has affected agricultural production resulting in low yields. Majority of previously disadvantaged people do not as yet have the competitiveness to enter the commercial and high value commodity market. Lack of skills and logistics, among other challenges, are impediments to full participation by emerging small–scale commercial farmers. The unutilised land of good potential is very scarce, and there is a limit to the horizontal expansion of agricultural production. Poor network of rural roads result in high transport cost for agricultural commodities and farm inputs, which raises the domestic production cost. Similarly, rising energy costs increase the domestic production costs. Poor marketing and communication network is a major constraint in the

commercialisation of agriculture, which makes it difficult for farmers to market their produce competitively. There are inadequate agricultural extension services and research development for emerging and poor resource farmers.

II.9. **Opportunities.** South Africa has a vast untapped potential in its people and material resources. Present policies support measures targeted at creating an agricultural sector of knowledge (analysis, evaluation and extension) and best agricultural practices that ensure cost effective production methods, food safety and sustainable utilisation of natural resources. The fossil fuel and renewable energy sources (e.g. biomass, solar and wind) play a crucial role in agricultural sustainability and productivity. South Africa has many developed irrigation schemes and the strategy is to increase the area under irrigation. There is scope to increase agricultural production and exports if more resources are channelled towards infrastructure development to include the previously disadvantaged emerging farmers. Government has accorded high priority to restructuring of agriculture so that the multiplier effects of high impact investments cascade to down stream economic activities in the rural areas. Indigenous crops with market potential can be encouraged to create an opportunity for small–scale farmers to actively participate in the local and international markets. There are opportunities for research and training in seed and food preservation and in situating of markets and storage facilities within reach of centres of production. The initiatives which government has put in place namely AgriBEE, CASP and MAFISA have the potential to boost crop production.

D. Livestock Production

II.10. **Constraints.** Inadequate infrastructure, limited access to credit, high input costs, poor transport and communication networks and poor laboratories and other support services for veterinary extension, marketing, etc. have kept the bulk of the farming community from participating in the subsector. Overgrazing and poor breeding techniques have resulted in poor breeds with stunted growth, which fetch very low prices at auctions, and abattoirs and render emerging farmers uncompetitive. There is a very limited marketing information and support service. Most marketing facilities are private, restrictive and costly for small scale and communal farmers to market their livestock.

II.11. **Opportunities.** The deregulation of policies in marketing and government initiatives, such as AgriBEE, CASP and MAFISA offer an opportunity to increase livestock production. There are programmes encouraging innovative methods of sustainable range management. Indigenous breeds have superior attributes, which can be translated into marketable commodities that will boost the economic welfare of the people living in communal areas. It is necessary to promote marketing of livestock in rural areas through provision of market information on a regular basis and support for the construction of marketing infrastructures in strategic locations. Agrotourism and game farming is becoming increasingly popular and economically significant.

E. Marine and Inland Fisheries and Aquaculture

II.12. **Constraints.** It is a hurdle for small fisher groups to enter the fishing industry because it is dominated by exclusive private elite. The monitoring and surveillance of the coastal waters over a 3,000 km stretch is costly.

II.13. **Opportunities.** Development in the fishing industry present scope for involvement and participation by small–scale fisher groups including in the lucrative fish export market. The government enforces strict conservation measures, such as fishing quotas and closed seasons, to prevent over fishing and to protect the fishing industry. Sustainability of the fisheries subsector requires training of more professionals and technicians to enforce the quota system strictly. There are

initiatives to promote aquaculture to involve previously disadvantaged communities. Furthermore, there is strong need for capacity building and resource mobilization for the smallholder fishers in order for them to undertake sustainable fishery activities and contribute meaningfully to the generally lucrative fishery subsector. High hygiene standards and knowledge of preservation are of the essence in this industry.

F. Institutional

II.14. **Constraints.** The main challenges being experienced by the agricultural sector, especially the emerging farmers include inadequate extension services, poor research and development as well as poor policy implementation. The majority of the farmers do not have access to telecommunication and information to facilitate planning. Financial resources for institutional support are still inadequate while training and capacity building are by and large poor. Access to financing remains a challenge for most smallholder farmers, as they do not fulfil the requirement for collateral security that is a condition by most traditional financing institutions.

II.15. **Opportunities.** Programmes such as CASP and MAFISA are a positive development as they will assist most farmers to easily access funding. Other initiatives like the development of marketing training materials for LRAD farmers under FAO assistance also build the necessary capacity and knowledge among farmers. Similarly, it is also vital to utilise participatory research process and to link and coordinate the activities and programmes of agricultural and rural development sector to policy institutions, agriculture and rural development Colleges and Universities, research and development institutions, and Non Governmental Organisations that are involved with the sector.

G. Lesson Learned

II.16. South Africa's agricultural sector has received significant donor support earmarked for poverty reduction, equitable participation for all and environment and natural resource management. The mixed results of various donor programmes provide useful lessons for the successful implementation of CAADP bankable projects. The key lessons drawn are that:

- Over the long term, sustaining macroeconomic stability remains the government's central priority, particularly given variations in the international business cycle and commodity prices.
- The benefits of the land reforms and deregulation need to be consolidated and reinforced through introduction of more directed resources such as financial incentives and inputs, facilities, including extension services, research and development, etc. Any donor support to the agricultural sector should compliment government policy in terms of eliminating the second economy. Thus donor interventions should not be in isolation of evolving policy and economic development frameworks.
- The development of the agricultural sector should build linkages with other sectors particularly with agroprocessing/value adding for it to be instrumental in economic and rural development, and thus in reducing poverty.
- There is inherently untapped potential in the export sector for which farmers need capacity and resources to penetrate the lucrative business. However, quality products need to be produced if farmers are to survive in this sector. Donor support in this field would boost farmers' capacity.

- The LRAD has resulted in deregulation of the agricultural sector, which has opened up opportunities for the previously marginalized group of farmers, and donor resources should be directed towards such programmes.
- More priority and incentives for smallholder farmers to transform them and orient them towards commercial production and position them in the mainframe economy.
- To learn from best practices of successful programs in the sector and replicate them to other areas working for water harvesting projects and the success farmer mentoring programmes in Limpopo and in the Northern Cape.
- Research and training and set up demonstration and trailing plots of different indigenous crops within the farmers’ fields and manage and collect information under the ARC monitoring and supervision.
- There is need for comprehensive and continuous stakeholder consultation at project inception and during implementation to ensure community buy–in, ownership and accountability.
- Monitoring and evaluation constitutes a critical component of the programme life cycle, and often helps in appraising the impact of programme resources.
- Donor programmes need to have high impact in terms of labour absorption capacity and employment creation to reduce poverty.
- The empowerment of rural women should be fast tracked since women are involved in most agriculture activities in rural areas.
- There is a need for Human Development in the different technical skills in the sector(such as management, research and development);
- The Higher Education Colleges and institutions in Agriculture and Rural Development to widen and diversify the scope of training curriculum to include different subjects e.g. agroprocessing and appropriate technology transfer.

H. Conclusion

II.17. Land reform, liberalization and deregulation of the economy alone are not sufficient for the small–scale farmer. These initiatives without other supportive interventions put them in a vulnerable position and exposure to competition without resources. Rural infrastructure development remains critical to provide support to emerging farmers. The foregoing reveals that interventions need to be put into place to address the constraints and unlock value from the agricultural sector. There is need to capitalize on the opportunities that exist in the sector and address the constraints to harness the untapped potential in order to develop the sector and improve the contribution of agriculture to overall GDP. A more enabling environment needs to be created with more focus on employment and value addition of products. There is also a need to widen the scope of research and development at all levels in the sector.

II.18. The above, however, clearly shows that a lot needs to be done to address the constraints cited above in order to make the medium term programme workable. The constraints are closely interlinked and should not be treated in isolation. For instance, the poor management of natural resources is also impacting on crop production yields that are already low due to poor levels of soil nutrients and wash

away and inadequate water resources for irrigation. The cross cutting issues like HIV/AIDS are also affecting the sector as a whole in terms of labour, technical skills and customer patronage. There is a crucial need for scaling up the agriculture sector. The different initiatives like AgriBEE should be monitored and evaluated during implementation. There is need for new investment in areas with high employment creation potential. Technical advice and extension services coupled with research and development should be enhanced and be accessible especially to emerging and historically disadvantaged farmers. The challenges identified need to be addressed with great urgency to enable the agricultural sector to move from its current reality to the strategic objectives of “equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all”.

III. INVESTMENT PROGRAMME

A. Priority Areas for Investment

III.1. The stakeholder workshop held in June 2003 identified a number of investment areas in line with the government policy of employment creation, rural development and poverty reduction. Other investment areas have also been identified based on challenges that continue to constrain potential capacity in the sector and are represented in the CASP. Specific projects to boost agricultural production have been further identified and are listed in Annex 3 and 4.

III.2. The CASP is premised on the need to consolidate the gains so far achieved from the land reform programme as well as the need to translate their potential into more tangible projects and some of them fall within the CAADP pillars. Priority has thus been placed on:

- Accelerated land reform with a focus on state purchase of good quality land endowed with water resources as well as other necessary conditions up to 2014. The estimated cost of land acquisition is projected to be R10 billion by 2014.
- Irrigation to increase total national land under irrigation by 50 percent through a combination of rehabilitation of existing schemes and the development of new irrigation schemes to maximise horticultural production over a ten–year time frame at an estimated investment of R80 billion.
- Livestock development by increasing livestock productivity, quality and marketing possibilities among black farmers, focussing initially on goats and goat products such as cheese and milk and subsequently beef poultry and aquaculture. The investment requirements in the livestock subsector are estimated at R50 million.

III.3. ***Priority 1: Irrigation infrastructure and water conservation (CAADP Pillars 1, 2 and 4).***

The need for effective and efficient management of water is critical to South Africa’s agricultural development. Limited water supply due to reliance on unreliable rain water and competing crop, livestock and human needs makes it imperative to invest in irrigation infrastructure to meet the needs of cropping. Some of the proposed projects are the Olifants/Doring river project that will open up an additional 5 300 hectares. The expansion and rehabilitation of existing irrigation schemes like Makhathini, Taung Ncora and Mzimvubu will result in increased production of fruit, vegetables, flowers and wine, industrial crops and new crops that include essential oils, colouring agents and herbs. Use of irrigation water should be optimised and combined with use of best and appropriate soils. Efforts need to be directed, through research, towards identifying water conservation methods to

minimise the effects of erosion, evaporation and run–off water to harvest and harness water for irrigation and aquaculture.

III.4. ***Priority 2: Research and Development (CAADP Pillars 3 and 4)***. In order to promote research and development, it was proposed that a common R&D agenda that takes into account the technical needs of the whole sector be developed. This should be adequately funded with strong and supportive institutional arrangements, which should also have the capacity to monitor and evaluate the implementation of the national agenda. There should also be a technical transfer strategy. Farmers should have the capacity to absorb and adopt technologies, and extension should encompass training, transportation, performance audits and support structures. The issue of capacity is a major constraint, which further needs to be addressed through funding, value adding research prioritisation of the sector and coordination of the sector at national level.

III.5. ***Priority 3: Land Reform, Market Access and Rural Infrastructure (CAADP Pillars 2 and 3)***. Acceleration of land acquisition is central to agricultural development and has a positive investment effect with other economic sectors (throughput to agro–industries, exports, etc.) and overall economic development. Efficient utilization of land requires an effective rural infrastructure to allow for cheap flow of inputs to centres of production and outputs to areas of consumption. Access to markets is a major challenge to smallholders farming in rural areas. Market diversification and integration into international and regional markets is a critical strategy for market access. Capacity building in the relevant directorates within the DoA should reinforce this.

III.6. ***Priority 4: Livestock Improvement and Product Development (CAADP Pillar 5)***. Government has set targets to increase livestock productivity, quality and marketing options among black emerging farmers, focusing initially on goats and goat products such as cheese and milk. There are also plans to diversify into beef and aquaculture. The objective is to grow the current goat stock from 7 million by 30 percent by 2014. This project is being implemented under the Kgalakgadi Dipudi Enterprise Programme in the North West and is expected to spread to the Eastern Cape, KZN, Northern Cape and Limpopo. Further it is planned to develop feedlots for cattle and sheep and facilities for poultry.

B. Selection Criteria for Bankable Projects

III.7. The selection criteria for the bankable projects will be based on the following:

- the project should match with government strategic objectives;
- the project should be consistent with the priority areas that are highlighted in the PSIP programme and the CASP;
- the project should address at least one of the five CAADP pillars;
- the project should meet the overall objectives of poverty reduction, create employment and generate incomes, and reduce inequality;
- the project should promote and involve active participation by previously disadvantaged black;
- the project should contribute towards food security.

III.8. *There are four identified BIPP's for South Africa.* The following Bankable Projects were identified in line with the government priorities:

- Woodlands and Forest Resources for Improving Livelihoods and Income Generation;
- Sustainable Natural Resources Management and Use Options to Improve Livelihoods;
- Bio fuels (Bio ethanol and Bio diesel) Crop Production: Technology Options for Increased Production, Commercialisation and Marketing; and
- Livestock Development: Increasing Productivity, Commercialisation and Marketing.

III.9. The four projects are summarized in Boxes 1, 2, 3 and 4 in the following pages and the BIPPs are presented in Volumes II, III, IV and V.

Box 1: Bankable Investment Project Profile 1 – Summary Sheet	
Proposed Project Name: Woodlands and Forest Resources for Improving Livelihoods and Income Generation (WFRILIGP)	
Estimated Cost: US\$655.62 million	Project Duration: 2 years
<p>1. Rationale</p> <p>The project endeavours to focus on the promotion of all aspects of rural development including agriculture, forestry, fisheries and other relevant socio economic variables. It will also provide policy–makers and development institutions an understanding of the interaction between land use and management practices, natural resources and ecosystems functions and services. The project has potential to promote and ensure cross–sectoral inter–linkages between livelihoods and environmental services. It falls within the strategic framework and vision for NEPAD, which promotes opportunities for increased concerted efforts through both CAADP and Environmental Action.</p>	
<p>2. Project Objectives</p> <p>2.1 Overall Goal/Development Objective</p> <p>The main project objective is to realise an integrated assessment of woodland resources in order to promote future sustainable management and revenue to local communities. This also helps in policy formulation, institutional capacity building, planning, conservation and utilization of NR on a sustainable basis that reduces poverty, enhances food security, and creates employment and wealth, while taking into consideration indigenous knowledge and the role of women in natural resource management.</p> <p>2.2 Project Development Objectives</p> <p>The project development objectives are to:</p> <ul style="list-style-type: none"> • Identify information needs and adapt methodology and approach to integrated woodland assessment. • Develop an integrated woodland resources assessment within pilot zones; and identify certain woodland types that can be protected and conserved. • Enhance local livelihoods through increased forest revenues and supply of subsistence forest products; • Build on the findings of this approach; carry out policy impact analysis and cross–sectoral studies to support inter–sectoral policy dialogue. 	
<p>3. Project Description</p> <p>3.1 Project Area and Beneficiaries</p> <p>The project will focus on inventorying woodland resources and cover all other activities that are conducted such as, wildlife, demographics, livestock, and crop production, water resources focusing on agro–biodiversity and ecosystems services and integrity, and disaster management and training pilot in North West and Limpopo provinces.</p> <p>3.2 Project Components and Main Activities</p> <p>As an integrated approach towards the assessment of woodland resources, the project involves 13 different components that ultimately promote future sustainable management and revenue to local communities. These project components are:</p> <p>Component 1: <i>Support to Capacity Building and Institutional Strengthening</i></p> <ul style="list-style-type: none"> • Organise major users of land use resources to identify information needs • Establish consensus on approach and methods to integrate woodland resources • Strengthen capacity of national institutions to plan and conduct a nationwide assessment of natural resources <p>Component 2: <i>Technology Development and Adaptation</i></p> <ul style="list-style-type: none"> • Carry out a cross–sectoral policy analysis and address major issues of poverty • Develop a land use classification system and produce an updated land use map • Construct and operationalize a National Natural Resources Database <p>Component 3: <i>Support to Project Coordination and Management</i></p>	
<p>4. Main Benefits</p> <p>The main benefits of the project are: to protect, manage and sustainably utilize communal woodland resources over the long term through improved water discharge and quality; natural resources regeneration in degraded areas; reduced incidences of fire; reduced illegal activities; reduced encroachment of agricultural land into forest areas; increased game and wildlife numbers/diversity. Also to promote capacity building and integrate wood management planning with other sectors. The project will also address cross–sectoral policy analysis and major issues of poverty, environment degradation, water biodiversity etc in a more coordinated woodland and forestry management programme.</p>	

NEPAD – Comprehensive Africa Agriculture Development Programme
South Africa: National Medium–Term Investment Programme (NMTIP)

Box 2: Bankable Investment Project Profile 2 – Summary Sheet

Proposed Project Name: Sustainable Natural Resources Management and Use Options to Improve Livelihoods (SNRMUOLP)

Estimated Cost: US\$456.2 million

Project Duration: 2 years

1. Rationale

The majority of South African lives in rural areas and are dependent on natural resources for their livelihoods. However poor quality seeds, land degradation, and inefficient natural resource management practices constrain production in these areas and affect livelihoods. Inefficient agricultural practices also mean that agricultural production absorbs an important proportion labour time, thus leaving little opportunity for livelihood diversification. By increasing the productivity and/or efficiency of natural resource staple and cash crop production can be increased and livelihoods, including food security of the rural poor can be improved

2. Project Objectives

2.1 Overall Goal/Development Objective

The overall objective of the project is conserving the natural resources (soil, water and vegetation) through sustainable utilization and the creation of a conservation ethic through education and awareness while at the same time seeking to address rural poverty by means of sustainable job creation and improved agricultural production.

2.2 Project Development Objectives

The project development objectives are:

- To strengthen the livelihoods of people dependent on degraded natural resources by introducing more sustainable natural resource management practices and/or help them diversify into other activities.
- To create and diversify sources of income for the poorest.
- To help people who live in areas prone to natural disasters (e.g. floods and droughts) plan, respond to and mitigate the impacts of natural disasters.
- To form self-sufficient and income generating programs (such as SMMEs).

3. Project Description

3.1 Project Area and Beneficiaries

The project follows an integrated ecosystems approach including water harvesting and Veldcare. These projects are multidisciplinary with partners drawn from the community itself, lead farmers, agricultural extensions and researchers, economists, engineers; marketing and financial services; and the private, mechanization and manufacturing sectors. The success of these projects, dictated by the adoption of best practice technologies and project ownership by the communities, are firmly seated in a participatory approach.

The project will identify within each province, areas which have the greatest potential to increase the productive potential of natural resources and ecosystem integrity as well as provide economic returns to land users through review of agro ecological conditions taking into account plausible scenarios of climate change, institutional capacity, market conditions and competing land use options including alternative livelihoods.

3.2 Project Components and Main Activities

The main components of the project are:

- Component 1:** To increase the efficiency and productivity of natural resources management using effective water conservation methods, water harvesting and storage system and rehabilitation/construction of appropriate irrigation schemes. This component also aims to improve integrated pest management systems, growing high yield and resistant species, and enhance appropriate use of technologies and research techniques.
- Component 2:** To increase and support sustainable land management practices such as identification of geographical areas with potential to increase ecosystem integrity and provide sustainable economic returns to land users. Also institutional support and capacity building to farmers, forest users and rural communities with integrated approaches to conservation and natural resources management techniques.
- Component 3:** To improve women's access and control over natural resources and capacity building in appropriate and sustainable land use that ultimately enhances their livelihood.
- Component 4:** To promote the use of appropriate techniques and technologies that enable communities to protect biodiversity and encourage use of traditional varieties which are pest and drought resistant and have higher yields.
- Component 5:** To mitigate for effective policies on the effects of natural hazards, prevention of soil erosion and landslides, reforestation to improve soil cover, water control and conservation measures, and flood mitigation through the construction of water diversion structures, etc.

4. Main Benefits

The main benefits of the project are:

- Livelihood security will be improved by planting species high in nutritional value in a tree/crop planting arrangement (agro-forestry) and capacity building for farmers, women and municipalities; and
- Income generated from the natural resources will be maximized and reduced effects of natural disasters.

Box 3: Bankable Investment Project Profile 3 – Summary Sheet Proposed Project Name: Bio fuels (Bio ethanol and Bio diesel) Crop Production: Technology Options for Increased Production, Commercialization and Marketing (BF CPP)	
Estimated Cost: US\$2.42 million Project Duration: 2 years	
1. Rationale	To promote rural development through the development of the bio–fuel industry in order for it to realise its full potential towards economic growth so as to reduce rural poverty while promoting the development of diverse and clean energy sources with a long – term effect of reducing the fuel import bill for the country.
2. Project Objectives	
2.1 Overall Goal/Development Objective	The bio–fuels development project aims to identify and promote accelerated growth of bio–fuel crops while increasing the synergies between the agriculture and energy sub–sectors in order to accelerate economic growth and development and poverty reduction
2.2 Project Development Objectives	<ul style="list-style-type: none"> • To effectively utilise finite agricultural resources bay promoting effective participation of small emerging farmers for them to effective participation in mainstream economic development • To effectively utilise finite agricultural resources by promoting effective • To promote employment creation particularly among rural, small–scale and emerging farmers • To create a cash economy for the rural farmers for improved standard of living for the generality of the rural population • To stimulate economic growth and activity from farmers
3. Project Description	
3.1 Project Area and Beneficiaries	The project has a national perspective to target bio–ethanol and bio–diesel crop resources initially in Limpopo, Mpumalanga and the KwaZulu Natal provinces of South Africa. The crops currently under consideration include sugar cane, sugar beet, grain sorghum, and maize for the production of bio–ethanol. Oil–seed producing crops like sunflower and canola are the potential sources bio–diesel. The project will mainly benefit small–scale emerging farmers mostly born out of the land Redistribution Agricultural Development programme as well as existing large–scale commercial farmers. The petroleum industry would benefit immensely from the project which will provide throughput for bio–ethanol and bio–diesel production.
3.2 Project Components and Main Activities	The initial focus of the project is mainly on the bio–fuel strategy and policy development, processes that involve a number of key stakeholders who include the Department of Agriculture, the Department of Minerals and Energy, the Agricultural Research Council and petroleum production companies. Component 1: The first main project component entails policy development, institutional collaboration to ensure effective policy implementation, coordinated Research and Development by the Agricultural Research Council to develop cultivar varieties for maize, sorghum, sugar beet and sugar cane. Component 2: A number of crop breeding and multiplication programmes will be introduced through which funds and inputs will be disbursed to farmers. Farmers will be involved in long–term outreach programmes which will produce feed stock for the petroleum sector.
4. Main Benefits	The project will contribute immensely towards economic growth. The project will satisfy the government objective of integrating and empowering small–scale farmers, while bridging the gap between the first and second economies. There will be employment creation and growth of a cash economy among the rural poor. The anticipated long–term benefit is the switch over from fossil fuels to more clean renewable energy sources that have environmentally friendly options and eco–environmental spin offs. The bio–fuel sub sector will trigger growth of the petroleum sector and result in down stream employment creation. Some of the crops such and sweet sorghum have a dual and secondary value adding consumption and industrial purpose as crops can provide nutritional value to families from the seed while bio–fuels can be extracted from the stock. In the long–term foreign currency savings are realised through substitution of crude oil with bio–ethanol and bio–diesel production and blending, and the country will educe its dependency on volatile international crude oil prices. The sector also has the potential to generate foreign currency and at the same time lead to skills development and down–stream technology transfer the fuel extraction and refining stages.

NEPAD – Comprehensive Africa Agriculture Development Programme
South Africa: National Medium–Term Investment Programme (NMTIP)

Box 4: Bankable Investment Project Profile 4 – Summary Sheet

Proposed Project Name: Livestock Development – Increasing Productivity, Commercialization and Marketing (LDIPCMP)

Estimated Cost: US\$34 million Project Duration: 2–5 years

1. Rationale

Livestock sub–sector has considerable contribution towards rural livelihood sustainability. About 40% of the South African beef cattle are owned by black emerging and communal farmers, and yet only 5% of production goes through formal marketing. The Accelerated South African Growth Initiative fully recognises the potential of livestock production to economic development through full integration of the previously disadvantaged farmer communities and groups into the mainstream economy to spearhead rural and agro industrial development.

2. Project Objectives

2.1 Overall Goal/Development Objective

The overall project objective is to transform and integrate black emerging and communal farmers to address the previous imbalance which resulted in a dual economy, accelerate rural development through market access and rural infrastructure development and poverty alleviation.

2.2 Project Development Objectives

The project development objectives entail effective disease control to produce quality and healthy livestock, increase livestock production with specific target on previously disadvantaged black farmers, diversified value added products, improved market access and for farmers to acquire best practice stock production principles.

3. Project Description

3.1 Project Area and Beneficiaries

The project offers multi–pronged holistic and integrated livestock development programme that will benefit communal and rural farmer households and the livestock sector which will realise significant production levels and agro industries that will realise increased and improved throughput. The project has four components that are grouped into sub–projects.

3.2 Project Components and Main Activities

Component 1: *Animal Health and Disease Control.* South Africa plays a critical role in national and regional disease control in an environment where markets have been deregulated and are much more vulnerable to trans–border stock movements and international trade. The country has the key role of disease monitoring and surveillance in order to provide effective control and eradication programmes. Critical to this initiative is the need to have modern equipment and veterinary infrastructure and skills to effectively curtail any disease outbreaks.

Component 2: *Livestock Development in Nodal Areas.* The Project component aims to increase livestock productivity, quality and market access. Focus is placed on providing support and extension services for black emerging farmers in the areas of beef, goat and aquaculture development with emphasis on breeding programme, best practice production principles, skills development, livestock disease control, value addition and market access.

The activities of rangeland monitoring and the improvement’s thrust are to address the challenge of land degradation and deteriorating pastures and rangeland. Mentorship programmes for intents range officers to monitor veldt land in accordance to national guidelines is currently underway, and research capacity building programmes targeted at post graduates from universities has been introduced.

Component 3: *Small–scale Aquaculture Farming.* The Project component seeks to transform the aquaculture sub–sector to integrate previously marginalised black communities. Provincial fish farming programmes have been instituted and project proposals are being developed for farmer cooperative groups along the Northern, Eastern and Western Cape provinces especially on irrigation dams. A number of business development and management models for effective growth of the sector are under consideration.

Component 4: *Commercialisation of the Goat Industry.* Goat Interest Groups have been formed and are actively involved in rearing, quality improvement, product development and diversification by focusing on goat rearing, clubbing, sale of goat meat, milk, skins and other value addition activities to alleviate rural poverty. Farmers are receiving husbandry training and advisory services, and the plan is to expand the project to have a national perspective.

4. Main Benefits

The multiplier effect of benefits derived from the project will have positive developmental effects on farmers, government, agricultural research and the country. The project will benefit farmers in terms of improved incomes, nutrition and a better standard of living will be enjoyed by households. Through capacity building programmes farmers will become more knowledgeable. Improved production methods will increase stock levels and result in wealth creation for farmers.

More coordinated rural growth and development will take place as more farmers become integrated into the mainstream economy. The country will earn foreign currency from diversified livestock and fish exports. The country will have healthy and quality stock as the capacity to deal with diseases will be improved.

IV. FINANCING GAP

IV.1. At the Maputo Summit of July 2003, African Heads of State and Government pledged themselves to commit “... allocating at least 10 percent of national budgetary resources for the implementation of CAADP...” and sound policies for the agriculture and rural development within five years, i.e. by July 2008. South Africa has been striving to achieve this target within the given time frame. It is clear from various sources that the underpinning concept at political level was that this 10 percent be domestic funding; i.e. expenditures from domestic tax revenues. However, because it is difficult to differentiate between domestic and external funding, the 10 percent is defined as *the amount of the total national budget, including domestically funded (“revenue account, hard and soft loan–funded, and grant funded resources (“development account”) allocated to agriculture and rural development.* Thus, the “financing gap” herein reflects the shortfalls in projected budgetary allocation to the sector vis-à-vis the 10 percent target.

IV.2. The total public resources allocated to agricultural and rural development comprise the budgets of DoA, DLA, DWAF and DEAT as well as the budgets of other departments for activities related to agriculture and rural development. For calculation of the financing gap, 100 percent of the budgets of DoA, DLA, DWAF and DEAT were assumed expended while for the other departments the following situation was assumed to obtain: DPW (60 percent); DPLG (20 percent); DSD (20 percent); DTI (10 percent) and DPE (5 percent). Estimation of the resources required to reach the target of 10 percent is given in Table 18 below.

Table 18: South Africa Agricultural Sector Financing Gap (R million)					
Fiscal year	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Agricultural Programme Requirement to reach 10 percent goal	11,742	22,610	33,477	44,280	54,709
Agricultural Programme Forecast	11,742	13,025	13,892	15,283	16,814
Estimated Gap	0	9,585	19,585	28,997	37,895
Total Budget	337,960	411,085	446,362	492,003	547,091
percent Actual	3.47	3.2	3.1	3.1	3.1
percent Requirements	3.47	5.5	7.5	9.0	10.0

Calculated from National and Provincial Budget estimates (2005, 2006).
 2006/07–2008/09 is the MTEF period. Provincial expenditure estimates for 2007/08 and 2008/09 were estimated by annual increases of 10 percent from allocations of previous years.
 Infrastructure projects that do not directly contribute to agricultural development have been excluded (development corridors, road, energy, etc.).

V. MONITORING AND EVALUATION

V.1. The overall objective of monitoring and evaluation is to review performance and take corrective measures where necessary. The monitoring and evaluation of the investment programme framework falls within the broader M&E system within the Presidency and across government. The framework outlines an approach advocating for an adoption of a system for the evaluation of the impact of government programmes against set goals.

V.2. The government–wide M&E is operationalized on the understanding that each individual department will take responsibility for its own monitoring and evaluation of its policies, programmes and activities. Once the bankable projects have been finalized the action plans will outline a variety of monitoring indicators ranging from input and output to outcome and impact and will be affected at both national and provincial levels.

V.3. Programmes can further be monitored and evaluated through semi–annual reports for a specific programme, and via annual country plans that are set on specific donor formats, which sometimes formulate mid–term evaluation and review of country and donor strategy. Projects will be evaluated through reports, project visits, the rating system, sector reviews and evaluations by external and internal evaluators as per set goals. This is to ensure that targets are maintained and outputs are delivered. In some cases evaluations and financial audit at the end of the programme by an independent consultant are conducted.

V.4. Some of the monitoring and evaluation process and indicators for investment projects are outlined in Annex 5.