OUTCOME 7

COMPREHENSIVE RURAL DEVELOPMENT:
MEDIUM-TERM STRATEGIC FRAMEWORK, 2014-19

A presentation to the
Portfolio Committee on Rural Development, 02 February 2016
Dr. Ngomane T.
# THE MEDIUM-TERM STRATEGIC FRAMEWORK (MTSF)

- The MTSF is government’s first five year implementation plan of the NDP, covering the financial years 2014/15 to 2018/2019
- There are 14 outcomes (aligned to the NDP) over the financial period 2015/16.

| 1. Quality basic education          | 8. Sustainable human settlements and improved quality of household life |
| 2. A long and healthy life for all  | 9. Responsive, accountable, effective and efficient local government system |
| 3. All people in South Africa are and feel safe | 10. Protect and enhance our environmental assets and natural resources |
| 4. Decent employment through inclusive economic growth | 11. Create a better South Africa, a better Africa and a better world |
| 5. Skilled and capable workforce to support an inclusive growth path | 12. An efficient, effective and development oriented public service |
| 6. An efficient, competitive and responsive economic infrastructure network | 13. Social protection |
| 7. Vibrant, equitable, sustainable rural communities contributing to food security for all | 14. Nation building and social cohesion |
An integrated and inclusive rural economy (1)

Chapter 6 of the NDP, “an integrated and inclusive rural economy”, provides for the differentiated rural development strategy that focuses on:

1. **Agricultural development based on successful land reform, employment creation and strong environmental safeguards.**
   - To achieve this, irrigated agriculture and dry-land production should be expanded, with emphasis on small-holder farmers where possible
   - Currently 1.6 M Ha of land is under irrigation. A detailed survey conducted by DWS, indicates that about 80 000 Ha of additional irrigation could be developed based on currently available surface water resources. An additional 500 000 ha, or >33 000ha/yr should be under irrigation by 2030
   - Priority will be given to revitalisation of the existing irrigation schemes, comprising of 111 752ha
   - Revitalising the existing irrigation schemes will improve efficiency in water use and release more water for expansion.
An integrated and inclusive rural economy (2)

Chapter 6 of the NDP continue…

2. Quality basic services, particularly education, health care and public transport.
   - Well-functioning and supported communities enable people to seek economic opportunities.
   - This allows them to develop their communities further through remittances and the transfer of skills, which will contribute to the local economy.

3. Areas with greater economic potential, industries such as agro-processing, tourism, fisheries and small enterprise development, accompanied by market support.

4. Sector transformation with the special focus on skills and capacity (business and financial management, agricultural production skills, agro-processing)
An integrated and inclusive rural economy (3)

Chapter 6 of the NDP continue…

5. Target groups identified as;
   - Smallholder producers
   - Rural women entrepreneur's with access to land and finance
   - Rural Youth entrepreneurs with access to land
   - Farm workers and dwellers
   - Food security and basic services

6. Noted that farm workers and dwellers need to gain access to land and finance

7. Recognize the wide range of opportunities present in rural areas and the need to develop strategies tailored to local conditions, including Agri-parks and agro-industries

8. Highlight institutional capacity as integral to success, especially in the reforms required to resolve contested relationships between traditional and constitutional institutions.
OUTCOME 7 MTSF PRIORITIES

Outcome 7 will be achieved through the following six priority areas as outline in the 2014-2019 MTSF:

1. Improved land administration and spatial planning for integrated development in rural areas
2. Sustainable land reform (agrarian transformation)
3. Improved food security
4. Smallholder farmer development and support (technical, financial, infrastructure) for agrarian transformation
5. Increased access to quality basic infrastructure and services, particularly in education, healthcare and public transport in rural areas
6. Growth of sustainable rural enterprises and industries characterised by strong rural-urban linkages, increased investment in agro-processing, trade development and access to markets and financial services – resulting in rural job creation.
AGRARIAN TRANSFORMATION

- Agriculture is widely recognised as a sector with significant job creation potential and with strategic links to beneficiation opportunities and Land Reform.
- The NDP calls for substantive agrarian transformation and land reform for an inclusive and productive rural economy.
- Between 1994 & 2014 employment declined by 30% to 40%. The consistent story is that of slow-to-modest growth and declining employment.
- Constraints include rising input costs, fluctuations in global markets, lack of developmental infrastructure and the drought conditions.
- However, key amongst these constraints is poor transformation of the sectors against the aspirations of South Africa as a developmental State.
- Land and agrarian reform must be used to turn around the economy. Land reform (redistribution, restitution, development and tenure) is too slow. Restitution is particularly slow, as claims on high value land remain unresolved.
- Trusts and communal property associations are in some instances imposed on communities and people, without capacitating them, or are introduced in traditional authorities, leading to endless court actions and a negative impact on socio-economic developments.
<table>
<thead>
<tr>
<th>Impact Indicator</th>
<th>2014 Baseline</th>
<th>2019 Target</th>
<th>Latest available measurement</th>
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</thead>
<tbody>
<tr>
<td>Increase in % ownership of productive land by previously disadvantaged individuals (PDIs)</td>
<td>9.0% (7 392 716 ha) of total productive land by March, 2014</td>
<td>20% (or 16.2 m ha) by March 2019</td>
<td>9.5 % (7.83 m ha)</td>
</tr>
<tr>
<td>Reduction in the number of ha of transferred land to PDIs which is underutilised</td>
<td>4 313 168 ha (5 015 farms) transferred by March, 2014 are underutilised</td>
<td>An additional 1 million ha (&lt;3 million ha) utilised by March 2019</td>
<td>156 949 ha of land in communal areas cultivated</td>
</tr>
<tr>
<td>Reduction in the % of households vulnerable to hunger (Food Security)</td>
<td>11.4% in 2011 (From 23.8% h/holds in 2002. StatsSA GHS, 2013)</td>
<td>&lt;9.5% by 2019 (10.5 % h/holds was achieved in 2007)</td>
<td>11.4% (StatsSA, GHS 2014)</td>
</tr>
<tr>
<td>Reduction in the rural unemployment rate</td>
<td>49.4% rural unemployment in 2013 (Broad definition StatsSA QLFS, 4th Quarter 2013)</td>
<td>40% rural unemployment by 2019</td>
<td>45% rural unemployment for Q3 2015 (StatsSA, 3rd Quarter, QLFS)</td>
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</table>
# AGRICULTURE: HIGH IMPACT INDICATORS - 2019 TARGETS

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Target</th>
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<tbody>
<tr>
<td>Agro-Processing sales increased by 8.4% and production by 2.1% (June –Sept).</td>
<td>Sales of Agro-processing to incr. annually by 2% (total of 10% by 2019)</td>
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<tr>
<td>Gross value add for Agriculture Forestry &amp; Fisheries increased by 5.6% (2013/14); but <strong>shrunk by -12.6% (-R16 bill)</strong> in Q3, 2015 (maize, sunflower &amp; sugar cane)</td>
<td>An annual incr. in gross value add for Agriculture Forestry &amp; Fisheries of 2%, until 2019</td>
</tr>
<tr>
<td>Total jobs in Agriculture increased by 211 000, between 2014 and 2015, Q3 (total of 897 000)</td>
<td>Job increase of 500 000 (100 000 p.a.) by 2019 and 1 million by 2030</td>
</tr>
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## Key Interventions required

1. Fast Tracking Land Reform – sustainably
2. Market Access
3. Producer Support
4. Increased Production
   - Research & Innovation
5. Agricultural machinery/equipment should be produced/ assembled locally.
6. Address challenges of market concentration.
   - Few players in the fertiliser and seed industries influence prices -- escalating input costs
Agriculture contributes to food security, ensuring improved access to food. Agriculture's return on investment is greater compared to other sectors e.g. construction, manufacturing, & mining.

(source Pan-African Research Services, 2015)
EFFECT OF DROUGHT ON FOOD INFLATION

<table>
<thead>
<tr>
<th>Item</th>
<th>Moderate</th>
<th>Worst Case</th>
</tr>
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<tbody>
<tr>
<td>All Food Items</td>
<td>11%</td>
<td>25%</td>
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<tr>
<td>Meat</td>
<td>8%</td>
<td>20%</td>
</tr>
<tr>
<td>Grain products</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>Milk, cheese and eggs</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Vegetables</td>
<td>12%</td>
<td>40%</td>
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</tbody>
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Food price inflation is expected to increase by more than 12% by Aug 2016.

Food inflation forecast:

<table>
<thead>
<tr>
<th>Nov-15</th>
<th>Dec-15</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
<th>Jul-16</th>
<th>Aug-16</th>
</tr>
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<tbody>
<tr>
<td>117.6</td>
<td>118.5</td>
<td>119.3</td>
<td>120.2</td>
<td>121.2</td>
<td>122.5</td>
<td>123.4</td>
<td>124.7</td>
<td>125.0</td>
<td>125.6</td>
</tr>
<tr>
<td>5.40%</td>
<td>6.14%</td>
<td>6.88%</td>
<td>7.62%</td>
<td>8.40%</td>
<td>9.50%</td>
<td>10.20%</td>
<td>11.30%</td>
<td>11.50%</td>
<td>12.00%</td>
</tr>
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Evaluations

• Evaluations provide a very important tool for departments to get an in-depth look at how policies and programmes are performing, and how they need to change.

• It is important for improving performance that departments do use evaluations findings, and are accountable –

• The focus is not to punish departments, but to ensure they are problem-solving and improving the effectiveness and impact of their work, and not wasting public funds.
Evaluations for 2012/13 and 2013/14

• 2 Outcome 7 evaluations for **2012/13**
  – Implementation Evaluation of Recapitalisation and Development Programme (DRDLR) – completed October 2013
  – Implementation Evaluation of the Comprehensive Rural Development Programme (DRDLR) – completed October 2013

• 3 Outcome 7 evaluations for **2013/14**
  – Implementation Evaluation of Restitution Programme (DRDLR) – completed April 2014
  – A mixed methods impact evaluation of the **MAFISA** programme within CASP (DAFF) -- completed April 2014
  – Impact Evaluation of **CASP (DAFF)** – completed June 2014
  – Over and above this, National Treasury in partnership with DPME has during the 2013/14 financial year undertaken expenditure reviews of both MAFISA and the Land Restitution Programme – completed March 2014
Evaluations for 2014/15 and 2015/16

• 4 Outcome 7 evaluations for 2014/15.
  – **MAFISA** Impact Evaluation 3ie (DAFF)
  – Restitution Impact Evaluation 3ie (DRDLR)
  – Policy evaluation on **support to small scale farmers** (DAFF/DRDLR)

• 2 Outcome 7 evaluations for 2015/16. These will be reviewed as the plan is rolled out, and additional evaluations included.
  – Evaluation of **LandCare** (DAFF)
  – Evaluation of the National Rural Youth Service (DRDLR).
GAPS

- Evaluations findings suggest benefits for rural communities and new entrant farmers. However, cost-benefit analysis suggest the interventions come at high cost for replication on scale.
- The target for food security is very low @ 200 000 hhs and unlikely to achieve the 1.6 million hhs by March 2019. Revise to >330 000 hhs.
- Target is 600 000 ha for development of underutilised land, yet the MTSF commit to be utilised 1 million hectares (ha), and performance is poor.
- Performance on smallholder numbers supported is slow with low quarterly targets. We need 330 000 smallholders receiving support—an additional 80 000 to the existing 250 000. Currently 6 000 smallholders are targeted for support each quarter, instead of 16 500.
- Land under irrigation should be expanded with 0.5 million ha (NDP), thus annually target need to be >33 000ha. The severe drought conditions have impacted negatively on this target.
- An integrated response is required for comprehensive rural development to be realised. Some departments struggle in this regard.
WHAT IS TO BE DONE: SUSTAINABLE AGRARIAN REFORM

- Implementation of the 9-Point Plan (PP) should be fast tracked targeting Cooperatives, Smallholder farmers and SMME’s.

- The DRDLRL should address the challenges around trusts and communal property associations as part of settling land claims, as follows:
  - Give consideration to appointing traditional authorities as trustees, accountable to the government;
  - empower communities to make informed and effective choices on appropriate to govern their land and landed resources;
  - firm action be taken against fraud and corruption within the system.

- On enhancing land production and development
  - State land adjacent to colleges and universities be made available for practical training; and,
  - Government structures to work in a co-ordinated and integrated manner, to enhance productivity and speed up social and economic development in the sector.
WHAT IS TO BE DONE: SUSTAINABLE AGRARIAN REFORM

- Find a solution within the communal ownership system, to unlock the commercial value of under-utilised land.
- Amend Restitution Act to correct bias against land claimants;
- The principle of “use it or loose it” must be applied to land.
- Massify high impact programmes such as training of graduates and extension officers
- Address dominance by fertiliser and seed industries, which are driving high input costs. Review and amendment of the Fertilizer, Farms Feeds and Agricultural Remedies Act 36 of 1947.
- Expedite the development of a Social Compact for the agriculture and land reform, currently led by the Office of the Deputy President
- Commence piloting the 50:50 policy to strengthen the relative rights of people working the land and consider underpinning the policy with legislation
- Improve efficiency in water-use to mitigate against the prevailing drought.
- 2016 Operation Phakisa: Agriculture, Land Reform and Rural Development taking into account research and evaluation recommendations.