

What does the African National Congress and Business for South Africa say about agriculture post-COVID-19?

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(Commentary)

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Overview

In the second week of July 2020, the Economic Transformation Committee of the African National Congress (ANC)² and Business for South Africa (B4SA)³, released their respective strategy documents for the post-COVID-19 inclusive economy recovery for South Africa. Both the ANC and B4SA prioritized the agriculture sector, for its transformative potential and aligned their strategies with chapter six of the National Development Plan (NDP)⁴, which reflects the commitment of both the government and private sector to the larger development agenda of South Africa.

Both plans highlight that poor infrastructure – both in the former homeland regions and in general logistics to move produce to the ports and processing plants – is a constraint that needs urgent action; that improving agricultural finance is critical to unlocking the sector's growth, particularly through the Land Bank; and that strengthening agriculture value chains is critical for fostering inclusive growth.

However, these ideas on how to strengthen the agriculture sector are not new. They first entered the policy arena in 2012.⁵ But in the subsequent eight years, little was done on the implementation front. Covid-19 presents an opportunity to change the narrative by focusing on why implementation has lagged and how it can become more effective.

The lack of implementation of agricultural government policy and infrastructure-related constraints are down to three broad reasons. First, weak coordination and misalignment of functions and priorities between different government departments and different spheres of government. Second, a misallocation of the budget by the national and provincial governments. And finally, poor coordination between the government and private sector, which has led to a misalignment of transformation programs, incentives and in some cases, vision.

To solve these challenges, the task largely lies on the government through its various Sector Master Plans to continue working with the private sector and civil society to address the aforementioned challenges. Agricultural growth and job creation will be stimulated through the development of under-utilised land, especially in former homeland areas and underperforming land reform farms (about 400K jobs); the expansion of export-led high growth areas (250K jobs); and investment in agro-processing with integrated up-and downstream linkages (350K jobs).⁶

² ANC, "Reconstruction, Growth and Transformation: Building A New, Inclusive Economy", June 9, 2020. Available: https://www.scribd.com/document/468680698/ETC-Documents-FINAL-8-July-2020#from_embed

³ B4SA, "A New Inclusive Economic Future for South Africa: Delivering an Accelerated Economic Recovery Strategy", June 10, 2020. Available: <https://www.businessforrsa.org/wp-content/uploads/2020/07/B4SA-A-New-Inclusive-Economic-Future-for-South-Africa-Presentation-10-July-Final.pdf>

⁴ NDP, "An integrated and Inclusive Rural Economy", August 15, 2020. Available: https://www.nationalplanningcommission.org.za/assets/Documents/NDP_Chapters/devplan_ch6_0.pdf

⁵ These appears in the NDP, chapter six in 2012.

⁶ This is generally a view carried in Chapter six of the NDP. Available here: https://www.nationalplanningcommission.org.za/assets/Documents/NDP_Chapters/devplan_ch6_0.pdf

Additionally, the ANC's strategy has highlighted the importance of collaboration, by noting that the state should mobilise development partners, including the World Bank, the African Development Bank, the private sector and impact funders to contribute towards developing a thriving rural economy centred on agriculture. This has become more important than ever. The 2015 Development Committee paper 'Billions to Trillions: Transforming Development Finance,' highlighted that the Sustainable Development Goals marked a shift from needing billions of dollars in official development assistance, to needing trillions. While the largest supply of development resources remained domestic public spending, the greatest area for expansion was unlocking the transformative potential of the private sector.⁷

There is evidence that partnerships between the private sector and government have, in some cases, piloted successful programmes to drive transformation. Some of these include projects of the Sernick Group, the Humansdorp Co-op and the Mohair Trust, amongst others.⁸

Three common themes run throughout these programmes: first, public-private-partnership structured finance, to help meet development goals; second, supporting market linkages to help agriculture play its part in creating a more inclusive South Africa and third, upgrading skills and technology through farmer training and the adoption of technology in production practices.

The task ahead, particularly the agriculture and agro-processing Master Plans, should focus on upscaling and replicating these strategic partnerships in various value chains across the country. As we have previously argued, incentives for agro-processing could be in a form of tax incentives for various agricultural hubs which will be determined by the type of agricultural activity. For agricultural production, the selection of the value chains to prioritise should follow the NDP's view of higher growth and labour-intensive value chains, such as horticulture. In regions where this is not possible, livestock and field crops remain key subsectors for agriculture expansion.

Points of deviation

The one important point of deviation between the ANC and B4SA is land reform, which is central to actualizing agricultural expansion. To create more policy certainty for the private sector, B4SA advocated for strengthened property rights and the extension of secure tenure or tradable leases in government land to attract investment, and by extension, stimulate long-term growth. Meanwhile, the ANC, in its efforts to reduce inequality and promote equitable land distribution, advocated that the state should release land to individuals but is not clear on whether on tradable leases or another form of tenure rights will be afforded to the holders and occupiers of these land parcels. The ANC also advocated to acquire land for redistribution, the programme to expropriate land in line with the existing legal and constitutional prescripts should be continued. To further accelerate land redistribution consideration should also be given to the taxation of unused land. A position which was not shared by B4SA.

⁷ For more information, here is a full document:

<http://pubdocs.worldbank.org/en/622841485963735448/DC2015-0002-E-FinancingforDevelopment.pdf>

⁸ I have previously narrated The Co-op work in this article: <https://www.news24.com/fin24/opinion/wandile-sihlobo-a-sleeping-giant-the-eastern-cape-20191005>

Concluding remarks

Overall, the ANC and B4SA agricultural development plans have more areas of alignment than a diversion. However, focusing on implementation, rather than just ideas, is crucial to creating inclusive growth and delivering a million jobs envisaged in the NDP. Given the current fiscal constraints, development in the sector will be private-sector driven as acknowledged by both the ANC and B4SA, but the private sector involvement will require clear policy guidance on land reform and more assurance on property rights. The release of the land the ANC argued for, will need to be on long-term tradable leases so that investment could flow, particularly in areas with better infrastructure.