

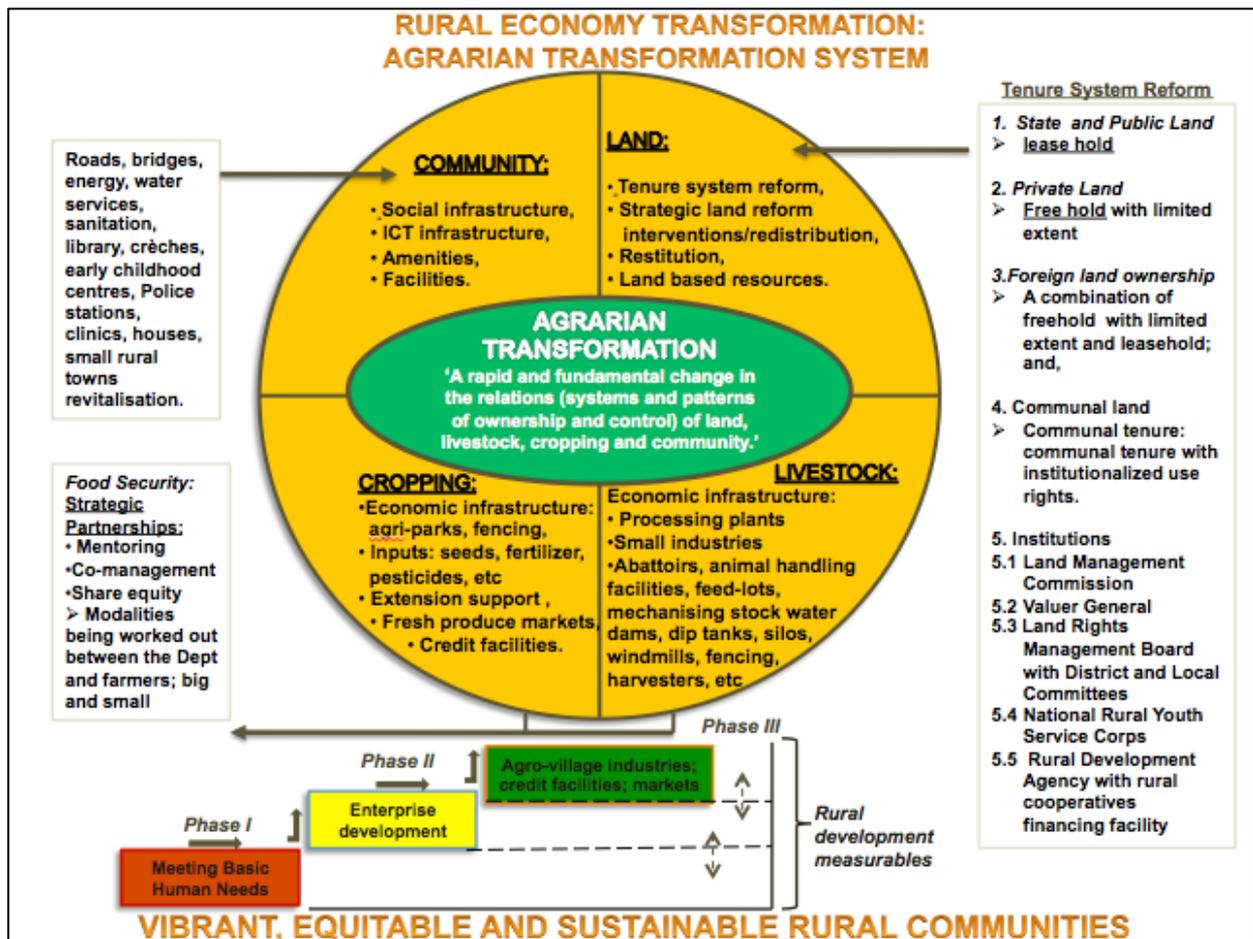


**BUDGET VOTE 39:
DEPARTMENT OF RURAL DEVELOPMENT AND
LAND REFORM
2016/2017 FINANCIAL YEAR**

**BUDGET POLICY SPEECH:
MINISTER G E NKWINTI (MP)**

26 April 2016

RURAL ECONOMY TRANSFORMATION: AGRARIAN TRANSFORMATION SYSTEM



VIBRANT, EQUITABLE AND SUSTAINABLE RURAL COMMUNITIES

INTRODUCTION

The National Development Plan (NDP) views agriculture as critical to employment and food security. It is estimated that agriculture would potentially create a million jobs by 2030. Vision 2030 of the NDP calls for an inclusive rural economy wherein: *rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. People should have access to high-quality basic services that enable them to be well nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture, and where possible by mining, tourism, agro-processing achieved through successful land reform, job creation and poverty alleviation.* The 2030 vision speaks of the inclusivity and integration of rural areas, through successful land reform, job creation and poverty alleviation, and places agriculture as the driving force behind this vision.

The NDP identifies the following as key catalytic interventions: expansion of irrigated agriculture, supplemented by dry-land production, where feasible. In areas of low economic potential, the NDP speaks of the importance of basic services such as basic education, health care and social security to support the development of human capital.

Agri-Parks will serve as important mechanisms to execute the NDP's proposed rural development strategy due to their potential for supporting small-scale agricultural production and stimulating agro-processing in rural areas. One core element of this approach is conducting commodity and value-chain analyses and mapping exercises to establish Agri-Parks based on the growth potential of value-adding commodities. As such, each Agri-Park will focus on specific prioritized commodities that have the highest prospect of succeeding in their region. This is directly in line with the NDP's approach of targeting high value commodities (most of which are labour intensive) to stimulate industrial growth, accompanied by measures that ensure sustainable production on redistributed land and an improved institutional support system.

In this regard, the NDP identifies certain agricultural sub-sectors that have the most potential for development, which are categorized into large labour-intensive industries, smaller labour-intensive industries, and large existing industries with significant value-chain linkages. For instance, small-scale labour intensive agriculture, including macadamia, pecan nut, rooibos tea, olive, fig, cherry and berry industries, are found to have the greatest expansion potential due to the significant market demand for these products. The NDP projects that approximately 80 000 jobs can be created by further developing these particular areas of small-scale agriculture. By providing the necessary

inputs, facilities, institutions, market-linkages and partnerships, Agri-Parks can enable producers and rural residents to create new and expand existing enterprises in these industries, which will have positive growth impacts on the rural economy.

Agri-Parks have been identified as one of the key drivers in revitalizing the agriculture and agro-processing value chain. During the course of last year, the Department of Rural Development and Land Reform (the Department) started planning and coordinating the implementation of this programme in all 44 Districts of the country.

This is in line with the pronouncements of his Excellency, President J G Zuma, during his State of the Nation Address, 2015, when he pronounced on the Nine Point Plan to ignite growth and create jobs. One of these catalysts, was identified as the revitalization of agriculture and the agro-processing value chain.

In this regard, the President stated that *“Agriculture is a catalyst for growth and food security. We are working with the private sector to develop an Agricultural Policy Action Plan (APAP) which will bring one million hectares of underutilized land into full production over the next three years. Among key interventions this year, we will promote the establishment agri-parks or co-operatives and clusters in each of the 27 poorest district municipalities to transform rural economies. An initial funding of R2 billion has been made available for the agri-park initiative”*.

All 44 district municipalities have since been included in this programme.

THE POLITICAL ECONOMY

South Africa is an open, middle income developing economy. Like most post- colonial economies, it is a commodity-based export economy, with a dependency relationship with its former imperial power, Britain, and its trading partners, especially Western Europe, Canada and North America. This renders it extremely vulnerable to even the slightest disturbance in these countries' economies. Historically, mining and agriculture were the main drivers of the economy. Later on, manufacturing and financial and other services sectors became prominent as well.

But all these industries and services are situated in what used to be exclusively 'white areas' of the country. Even where raw materials happened to be located in the 'black spots', they were owned and controlled by white monopoly capital, employing black labour recruited from the then exclusively 'black spots' or ethnic homelands. These two contrasting, but mutually dependent 'white/black spots' - the former well developed,

wealthy and internationally connected, and the latter underdeveloped, poor and isolated, define the enduring legacy of South Africa's unique variant of colonialism, Colonialism of a Special Type (CST). In its seminal document, The Road to South African Freedom, 1962, the SACP had the following to say in this regard:

The African Reserves show the complete lack of industry, communications, transport and power resources... Non-White South Africa is the colony of White South Africa itself... Real power is in the hands of monopolists who own and control the mines, the banks and finance houses, and most of the farms and major industries... These monopolists are the real power in South Africa. The special type of colonialism in South Africa serves, in the first place, their interests.

It is this CST legacy which must be fundamentally and radically transformed. Part of what we have to do to reverse this situation is to craft a rural socio-economic infrastructure master plan around the District Agri-Parks. The strategy is the Rural Economy Transformation Model (RETM). THIS WORK HAS BEGUN!

THE MEDIUM TERM STRATEGIC FRAMEWORK (MTSF 2014 - 2019)

The Medium Term Strategic Framework (MTSF 2014 - 2019) emanates from the governing party's Manifesto (2014 – 2019) and the National Development Plan: Vision 2030 (NDP). It is a medium-term plan of government for the current electoral cycle. The MTSF has 14 Outcomes that must be implemented by Government (2014 – 2019). The Department of Rural Development and Land Reform is responsible for leading Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all. The new financial year marks the second year of implementing the current MTSF.

The following are the six priorities of the MTSF:

1. Improved land administration and spatial planning for integrated development in rural areas. (DRDLR): The Spatial Planning and Land Use Management Act (SPLUMA).
2. Sustainable land reform (agrarian transformation) (DRDLR): The Rural Economy Transformation Model (RETM).
3. Improved food security.(DAFF/DRDLR): Agricultural Policy Action Plan (APAP)/Strengthening Relative Rights of People Working the Land (50/50 Policy Framework) (SRR).

4. Smallholder farmer development and support (technical, financial, infrastructure) for agrarian transformation.(DAFF/DRDLR): One Household, One Hectare.
5. Increased access to quality basic infrastructure and services, particularly in education, healthcare and public transport in rural areas. (Various departments lead; DRDLR supports): The National Development Plan.
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. (DSE leads DRDLR supports): The National Development Plan.

PRONOUNCEMENTS FROM THE STATE OF THE NATION ADDRESS (2015): THE 9-POINT PLAN

Honourable members, ladies and gentlemen, in his previous State of the Nation Address, that of February 2015, His Excellency, President Zuma, introduced a 9-Point plan to boost economic growth and create jobs. Due to the transversal nature of rural development, almost all these nine points link up with the work of the Department, particularly the one on revitalising agriculture and the agro-processing value chain.

Below, we report on progress on the implementation of the President’s announcements:

PROGRESS ON THE SONA	
Pronouncements	Progress
Promote the establishment of Agri-Parks or Cooperatives and clusters in each of the 27 poorest district municipalities to transform rural economies. An initial funding of R2 billion has been made available for the Agri-Park initiative.	<ul style="list-style-type: none"> ❑ 44 District Municipalities identified as the Agri-hub sites. ❑ Site analyses completed; and, Governance structures established in each District. ❑ Completed 36 district business plans ❑ District Agri-Parks Management Councils (DAMCs) established and presented at SPECIAL Minmec in November 2015. <ul style="list-style-type: none"> ❑ Agri-parks construction commenced in seven sites (Farmer Production Support Units and Agri-hubs). (Chris Hani, Ngaka Modiri Molema, Nkangala, Cape Winelands, West Rand and Sedibeng District Municipalities). <p>Provincial Project Management Units established at National Office and in four provinces.</p>

PROGRESS ON THE SONA	
Pronouncements	Progress
Regulation of Agricultural Land Holdings Bill	<p>The Bill limits the extent of hectares owned by individuals and entities; and, terminates ownership by foreign nationals.</p> <ul style="list-style-type: none"> ▪ Bill has been taken through the Socio-economic Impact Assessments process. ▪ It is currently awaiting a pre-certification opinion from the Office of the Chief State Law Advisor. ▪ The Bill will be published for 30 days for public comment during May 2016, including the NEDLAC process. ▪ Should be submitted to Parliament during June, 2016.
Re-opening the second window of opportunity for the lodgement of land claims.	A total of 143 720 claims have been lodged by 31 st March 2016 with 27 696 claims lodged through the mobile lodgement offices.
Strengthening Relative Rights of People Working the Land (50/50 Policy Framework).	<ul style="list-style-type: none"> ❑ 10 transactions have been finalised, with about 540 beneficiaries, covering 7 642 hectares. ❑ More than 50 submissions from farmers and organisations have been received thus far.

BUDGET POLICY SPEECH 2015/16: Some Highlights On Performance (Appendix)

THE POLICIES AND LEGISLATION

The Department has embarked on an extensive programme of fundamental institutional transformation. In this regard, the following policies and draft bills have been developed:

Policy	Bill	Progress
Communal Land Tenure Policy	Communal Land Tenure Bill	Awaiting pre-certification from the Office of the Chief State Law Advisers, whereafter it will be submitted to Cabinet and published for public comment during June 2016 before submission to Parliament in July, 2016.
Electronic Deeds Registration Policy	Electronic Deeds Registration Bill	Approved by Cabinet for public comment. Public comment received. To be

Policy	Bill	Progress
		submitted to Parliament during May, 2016.

In respect of the Policy on Exceptions to the 1913 Cut-off Date to Accommodate the Khoi and San People, Access to Heritage Sites and Historic Land Marks, the Department continues to refine the policy. A task team, consisting of representatives from the National and Provincial Houses of Traditional Leaders, CONTRALESA, the National Khoi and San Council, the National Khoi and San Reference Group, and other relevant Government Departments, is assisting the Department to finalise the policy framework for the programme. The Department is also in the process of establishing a multi-disciplinary, multi-cultural research team that will identify heritage sites and all historical landmarks for all of South Africa's indigenous peoples that should be considered in the policy.

CHALLENGES AND MITIGATION THEREOF

In the main, the following challenges are being experienced by the Department:

1. Institutional challenges;
2. Limited strategic capacity in the Department; and,
3. Instances of fraud, corruption and/or maladministration.

In respect of institutional challenges faced by the CPAs, trusts and other landholding legal entities, the Department is mitigating this challenge through political interventions and amendments to the Extension of Security of Tenure Act (ESTA) and the Communal Property Associations Act. These Bills aim to, amongst other things, strengthen governance of communal property institutions and to ensure greater accountability of committees to the households. The Department is furthermore providing legal and mediation support for land reform beneficiaries to promote security of tenure through the Land Rights Management Facility (LRMF). In many instances, households resort to Courts for relief as fights and conflicts escalate among beneficiaries.

To better understand the capacity challenges faced by the Department and develop an informed response, I have called for a professional review of the Department's organisational structure and a skills audit. Initial findings point to a misalignment of both the Department's structure and its skills base. Furthermore, due to government-wide budget cuts on the compensation of employees, some non-critical posts will not be filled. The Department is currently implementing cost-cutting measures in line with the SONA, and the Budget Speech of the Minister of Finance. The Department will

implement the recommendations of the professional review, taking cognisance of the current fiscal environment.

In respect of instances of fraud, corruption and/or maladministration uncovered in various programmes and projects, the Department has established a Panel of Lawyers to conduct pre-disciplinary investigations; and, where cases of fraud, corruption and/or maladministration have been identified, disciplinary actions are taken.

PROGRAMMES AND PRIORITISED CATEGORIES FOR 2016/17

The Department has identified the following social categories for prioritisation in land distribution and redistribution: women, youth, agricultural graduates, military veterans, people with disability, farm dwellers and labour tenants. R140 million will be utilised in this regard in the new financial year.

The implementation of the programme on Strengthening of Relative Rights (SRR) of People Working the Land (50/50 Policy Framework) will be expedited. R500 million has been set aside for this purpose in the new financial year.

The Department is rolling out the “One Household, One Hectare” programme with an aim to eradicate poverty and create a class of black smallholder farmers, producers and agro-manufacturers. It is targeting particularly state-owned and what could at best be described as traditional communal land. The “One Household, One Hectare” initiative will be rolled out and aligned to the Agri-Parks development programme; thus, providing the participant households with a solid outlet for marketing their produce. Initially, each one of the 44 Agri-park Districts will have 5 x One Household One Hectare Sites. This will amount to 220 Sites in the 2016/17 financial year. A minimum of 50 Households will participate in each Site. This will therefore touch the livelihoods of over 10 500 rural households. The department has set aside R100m for the initial year of implementation through its Recapitalization and Development Budget.

We are moving to the next phase of implementation of the Agri-Parks Programme across 44 district municipalities for food production, design and construction of new infrastructure. R2 billion has been set aside for this purpose for the new financial year.

In accelerating the pace of land reform we are allocating land to smallholder farmers and providing protection to vulnerable communities, including farm labourers and people working on farms. In this regard, an amount of R89 million has been allocated for providing legal and mediation support for land reform beneficiaries to promote

security of tenure. An amount of R791 million has been set aside in this financial year for land acquisition in line with this objective.

The Department continues with the implementation of SPLUMA by, *inter alia*, providing support to rural Municipalities. Cabinet has, however, taken a decision to place the management of this Act in the Presidency. Transfer modalities are under way.

The Department will recruit 2 700 NARYSEC and 500 Interns in the new financial year. In respect of the internship programme, an amount of R21.7 million has been allocated and in respect of the NARYSEC programme, an amount of R337 million has been set aside.

BUDGET ALLOCATION 2016/17

MTEF Budget Allocation 2016/17

	2016/17	2017/18	2018/19
	R'000	R'000	R'000
Programmes			
Administration	1 462 058	1 547 700	1 644 079
National Geomatics Management Services	817 913	755 171	785 403
Rural Development	1 914 367	1 995 818	2 030 767
Restitution	3 168 208	3 346 035	3 545 202
Land Reform	2 754 799	2 896 326	3 064 699
Office of the Valuer General	7 000	8 400	8 600
	10 124 345	10 549 450	11 078 750

Provincial Breakdown of the Budget Allocation for the current financial year

Office	2016/17 allocation	% allocation
National office	2,199,679	22%
Eastern Cape	960,743	9%
Free State	587,781	6%
Gauteng	526,566	5%
Kwazulu Natal	1,504,534	15%
Limpopo	1,127,269	11%
Mpumalanga	1,108,121	11%
Northern Cape	617,424	6%
North West	785,622	8%
Western Cape	706,606	7%
Grand Total	10,124,345	100%

CONCLUSION

By 2030, South Africa should.

Experience more integrated, vibrant, equitable and sustainable rural-urban (Rurban) communities (rural towns and agri-villages) with viable and bustling markets, small, micro and medium enterprises and industries, employing millions of people, supported and facilitated by requisite logistics, social and economic infrastructure (including research, innovation and information and communication technology), development finance institutions (DFIs) and credit facilities.

I thank you.

BUDGET POLICY SPEECH 2015/16: Some Highlights On Performance

Geospatial and Cadastral Services

The following are some of the highlights:

- Research report on the National Spatial Development Framework (NSDF) finalised.
- 164 municipalities supported to implement the Spatial Planning and Land Use Management Act (SPLUMA). (Annexure A)
- Six provinces: Free State, Gauteng, Limpopo, Mpumalanga, North-West and Northern Cape were supported to develop Provincial Spatial Development Frameworks (PSDFs).
- 979 240 deeds and documents were registered.
- 273 maps of the national map series were produced/ reviewed. (Annexure B)

Rural Development

The following are some of the highlights:

- 48 projects were implemented in rural communities to improve production, in support of improved food security (12 759 beneficiaries). (Annexure C)
- 116 socio-economic infrastructure projects were coordinated and facilitated (9 736 households benefited). (Annexure D)
- 31 infrastructure projects were facilitated in 44 districts to support Agri-Parks development. (Annexure E)
- A National Agri-Parks Advisory Council (NAAC) and District Agri-Parks Management Councils (DAMCs) in all 44 District Municipalities have been established to facilitate the establishment, management and operations of Agri-Parks.
- 451 projects of the Animal and Veld Management Programme (AVMP) were implemented (2 206 smallholder farmers benefited). (Annexure F)
- 24 projects were implemented in support of the River Valley Catalytic Programme (RVCP) (1 460 households benefited). (Annexure G)

- 216 rural enterprises were supported in rural development initiatives with special focus on 27 District Municipalities (2 943 beneficiaries). (Annexure H)
- 9 664 skills development opportunities provided to support rural development initiatives.
- 3 066 skills development opportunities were provided to NARYSEC youth. (Annexure I)
- 198 Agricultural graduates were deployed in rural projects. (Annexure J)
- 6 132 jobs created.

Restitution

The following are the highlights:

- 615 land claims were settled; and, of these 561 were finalised. A claim is considered as settled when the Minister or the court make an award on behalf of the claimants and is considered as finalised once the land had been transferred to the claimants or all the financial compensations has been paid to the beneficiaries.
- 81 phased projects were approved.
- 2 557 claims, lodged prior to 1998, were researched and are ready for further processing
- An additional two 4x4 Mobile offices were registered and successfully rolled out throughout the country. This is over and above the four previously reported on. The campaign for the lodgement of new land claims is on a roll!

Land Reform

The following are some of the highlights:

- 240 940 hectares were acquired and allocated.
- 46 District Land Reform Committees (DLRCs) were established and are working.
- 57 farms were acquired in support of the Agri-Parks Programme.
- 408 farms benefited under the Recapitalisation and Development Programme (The Recap).
- 2 266 jobs were created in land reform projects through the Recap.

- 14 Pro-active Land Acquisition Strategy (PLAS) farms were identified for the incubation and training of agricultural graduates.
- 203 Communal Property Associations (CPAs) were supported to be compliant with legislation.