

# WORKING Paper 17

## **The Case for Re-Strategising Spending Priorities to Support Small- Scale Farmers in South Africa**

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*The model we're following is totally inappropriate in the sense that... because the amount we fund is so small, it becomes a case of 'political Smarties' rather than effective use of resources. Who gets the money in the end is either a lotto or a case of political connections.*

Provincial agriculture manager, Eastern Cape, 2009: pers. comm.

# Abstract

This paper summarises what is known about South Africa's public expenditure trends in respect of small-scale farmers, and discusses the growing contradictions between the policy priority placed on small-scale farming and the adequacy of support provided to small-scale farmers. It then proceeds to argue that: i) dramatic increases in public expenditure support to small-scale agriculture are highly unlikely, while further incremental increases to support the sector will in themselves make little difference; ii) a lot of the money already available to support small-scale agriculture is not well spent, with a particular imbalance evident between relatively large amounts of support to badly conceptualised land reform projects at the expense of black farmers in the ex-Bantustans; iii) there is an urgent need to shift the emphasis of support from on-farm infrastructure and inputs, to community-level infrastructure, market development and institutional re-engineering.

## I. Introduction

'Small-scale farmers' in South Africa have been subject to years of official neglect, despite numerous policies and programmes that proclaim the opposite. In particular, dismantling Bantustan agricultural development corporations (for all their faults) in the 1990s left a vacuum in production and marketing support for the now-estimated 200,000 commercially-oriented smallholder farmers and 2.5 million households practicing agriculture mainly for subsistence purposes (Aliber and Hall 2010). At precisely the same time the elaborate architecture of regulation and subsidies for white commercial farmers was rapidly dismantled. Just following this process, the past decade, and particularly the past five years or so, has seen the growth of budgets to provide direct support to black and disadvantaged farmers in the form of grants for infrastructure, production inputs and other items, and recently through an extension service 'recovery programme'. Yet evidence shows that most black farming households receive little if any support, largely because available resources are highly skewed towards certain farmers over others.

The needs and interests of small farmers, however, have climbed the political agenda in recent years, attracting new policy emphasis. Shifts in the ruling tripartite alliance have contributed to more left-leaning and pro-poor policy pronouncements in a number of spheres, particularly in a newfound priority placed on rural development, which became a ministerial portfolio for the first time in the Zuma administration in 2009. 'Rural development, food security and land reform' was one of the five priority areas listed in the ANC's election manifesto of 2009, which also committed the party to address food security and to '[E]xpand access to food production schemes in rural and peri-urban areas to grow their own food with implements, tractors, fertilizers and pesticides' (ANC 2009). Under the heading rural development, the manifesto declared:

*The ANC government will: Intensify the land reform programme to ensure that more land is in the hands of the rural poor and will provide them with technical skills and financial resources to productively use the land to create sustainable livelihoods and decent work in rural areas. ... [And] expand [the] agrarian reform programme, which will focus on the systematic promotion of agricultural co-operatives throughout the value chain, including agro-processing in the agricultural areas. Government will develop support measures to ensure more access to markets and finance by small farmers, including fencing and irrigation systems.*

ANC 2009

At Polokwane, the ANC adopted wide-ranging resolutions on 'rural development, land reform, and agrarian change', which set a new tone for the party's focus on rural poverty and agriculture. The resolution included a commitment to implement 'the Freedom Charter's call to help those working the land with implements, seed, tractors, infrastructure for irrigation and other forms of material support' and 'large-scale programmes to establish new smallholders and improve the productivity of existing small-scale and subsistence farmers, and to integrate smallholders into formal value chains and link them with markets' (ANC 2007). It noted that:

*Our programmes of rural development, land reform and agrarian change must be integrated into a clear strategy that seeks to empower the poor, particularly those who already derive all or part of their livelihoods from the exploitation of productive land. In line with the Freedom Charter's call that 'the land shall be shared among those who work it', the critical beneficiaries of change must be rural women, farm-dwellers, household producers in former Bantustans, small businesses and rural entrepreneurs and residents of urban and peri-urban areas that wish to engage in agricultural livelihoods.*

ANC 2007

Along with improved services and infrastructure, and strengthened implementation of laws in support of farm dwellers, two of the four pillars of the new programme would be:

*(b) Fundamental changes in the patterns of land ownership through the redistribution of 30% of agricultural land before 2014. This must include comprehensive support programmes with proper monitoring mechanisms to ensure sustainable improvements in livelihoods for the rural poor, farm workers, farm-dwellers and small farmers, especially women.*

*(c) Agrarian change with a view to supporting subsistence food production, expanding the role and productivity of modern smallholder farming and maintaining a vibrant and competitive agricultural sector.*

ANC 2007

However, dramatic increases in budget allocations to agriculture over the past five years have made little dent in the chronic problem of under-investment in small-scale (i.e. black) agriculture in South Africa. This is because of huge numbers of people engaged in agriculture, mostly on a small-scale, often part-time, and largely with little or no interaction with the official programmes ostensibly there to help them. The still largely white commercial sector also gets little support. Rather, the dearth of support for small-scale farmers is the product of funnelling available resources to 'emerging' and 'commercialising' small- and medium-scale black farmers. This strategy of 'picking winners' coincides to a large degree with the focus on beneficiaries of one particular land reform programme that was initially designed for precisely the purpose of creating a black commercial farming class: the Land Redistribution for Agricultural Development (LRAD) programme.

This paper reviews overall trends in budget allocations in support of small-scale farmers in South Africa. It analyses a key government programme — the Comprehensive Agricultural Support Programme (CASP) — and provides an initial assessment of spending priorities in this programme, using some national data and data from interviews with implementers in the two provinces with the largest number of small farmers: Eastern Cape and Limpopo.

## 2. Trends in public budgeting and expenditure

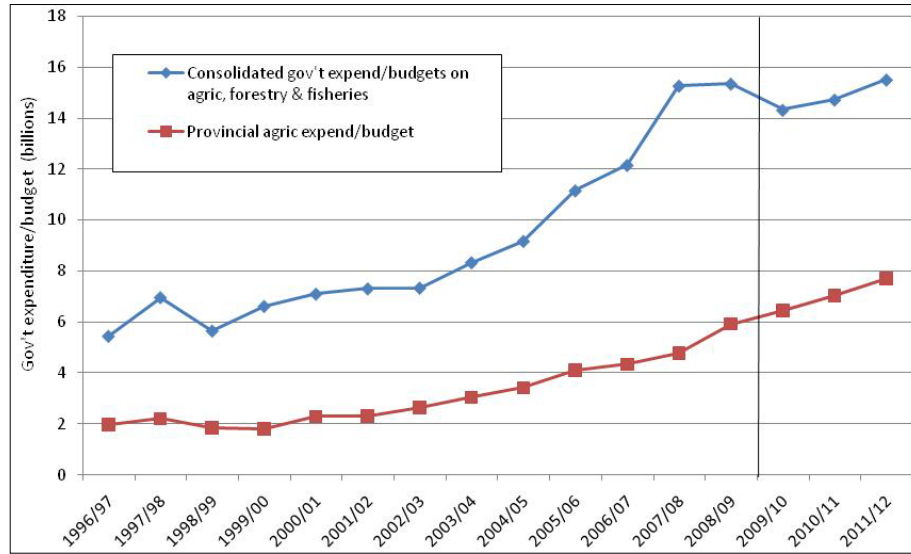
Despite the occasional wobble, the amount of money spent by government on the agricultural sector has grown impressively since the mid-1990s. *Figure 1* illustrates this in two ways. First, using data from the statistical annex to Treasury's annual *Budget Review*, it shows the consolidated national and provincial expenditure on 'agriculture, forestry and fisheries', but with land reform expenditure/budgets subtracted (this is the higher series in blue with diamond markers). To the left of the vertical line, the data points represent expenditure (though for 2008/9 this was still an estimate), while to the right they represent the medium term budget estimates. The data have been adjusted for inflation (and for future years for anticipated inflation) using the consumer price index, thus the upward trend is real: between 1996/7 and 2008/9, expenditure nearly trebled.

Notwithstanding the dip between 2008/9 and 2009/10 — which is all the more surprising given the greater emphasis placed on rural development by the ANC government since the last elections — and bearing in mind that the projected increase from 2009/10 to 2010/11 may not take place, the increase is still significant. Having said that, in 2008/9 the government only budgeted 2.3% of the total budget for agriculture; this falls far short of the African Union's Maputo Protocol benchmark of 10% (though this benchmark may be less applicable to South Africa, where agriculture represents less than 4% of GDP, than to other African countries like Mozambique (where it accounts for 26%) or Malawi (39%).

The second series in *Figure 1* (in red with square markers) shows provincial agricultural expenditure only. The difference between the two series is partly because the consolidated series includes expenditure by the national Department of Agriculture; however, it also includes the Agricultural Research Council and other national-level parastatals, as well as expenditure on fisheries and forestry. Although this provincial series is quite a bit lower, its growth has still been substantial: between 1996/7 and 2008/9, expenditure rose by almost exactly a factor of three.

However, although these are certainly significant increases, are these expenditure levels 'a lot'?

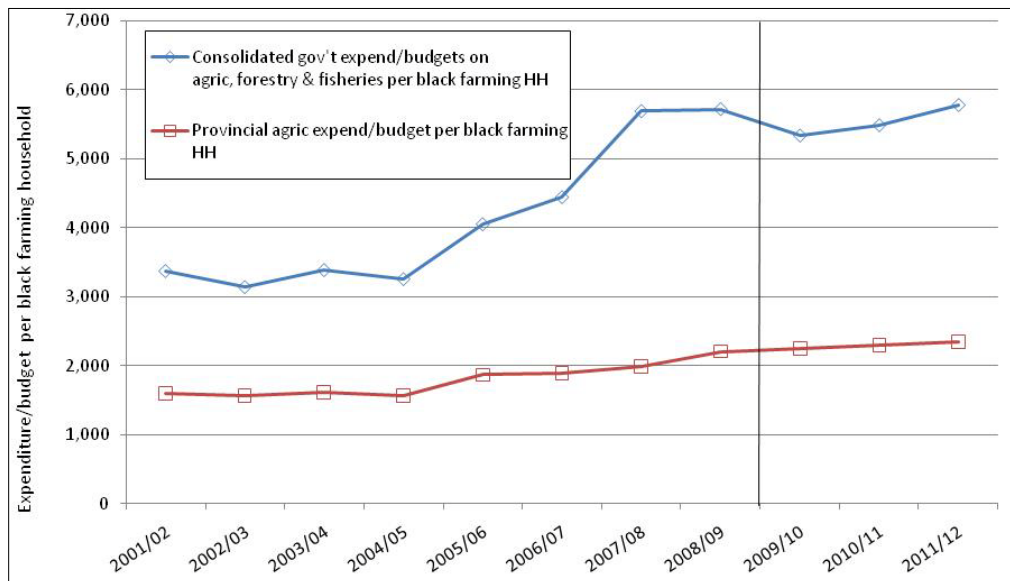
Figure 1: Agricultural sector expenditure/budgets (2008 Rand)



Sources: National Treasury (various) and National Treasury 2009b.

One way to try to gain perspective on the size of these expenditure levels is to simply divide them by the number of agriculturalists. Given that there is little direct support to white commercial agriculture, we focus on the number of black farming households, which we estimate from Stats SA's *Labour Force Survey*. In *Figure 2*, the higher, blue line traces the per-household expenditure/budget based on the full-consolidated budget for agriculture, forestry, and fisheries, while the lower, red series does the same for the provincial agriculture spending. Using the first measure, the per-household expenditure in 2008/09 was about R5700; by the second measure, it was R2200. For the first measure, the increase between 2001/2 and 2008/9 was 71%, while for the second, it was 46%.

Figure 2: Agricultural sector expenditure/budgets per black farming household (2008 Rand)



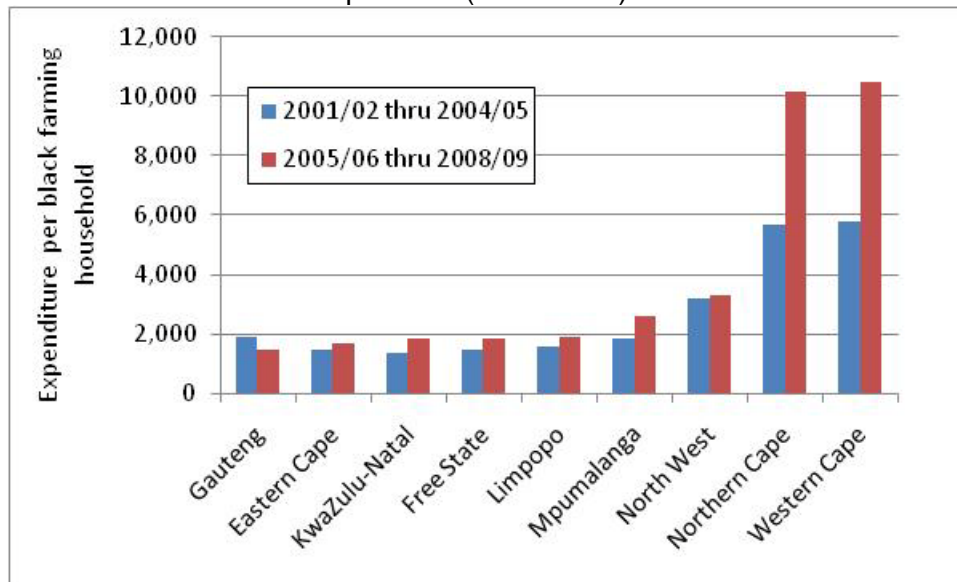
Sources: National Treasury (various), National Treasury 2009b and Stats SA (various).

Given that, as of 2008, there were almost 2.7 million black farming households, this is no small achievement. Moreover, given that most black farming households practice subsistence farming, a per-household expenditure of a few thousand Rand seems reasonable; it is more than most such households spend on inputs in a typical year, but not extravagantly more.

However, what do we know about the actual distribution of this expenditure among farmers? We attempt to address this question in two ways, first in terms of the provincial disaggregation of expenditure, and second in terms of estimates as to numbers of farmers deriving *direct* benefits.

In terms of the provincial distribution of agricultural expenditure, the results are perhaps surprisingly equitable. *Figure 3* presents the average annual expenditure per black farming household, by province, for the two periods 2001/2 through 2004/5, and 2005/6 through 2008/9. The figure shows that the average annual expenditure is remarkably even across provinces, with the obvious exceptions of Northern Cape and Western Cape, and the somewhat less obvious exception of North West. As for changes between the two periods, all provinces except Gauteng experienced an improvement, though oddly it was Northern Cape and Western Cape again that experienced the most significant improvements. The apparent inequity should not be exaggerated; Northern and Western Cape have relatively small numbers of black farming households, and together account for only 10% of the total provincial expenditure for the second period. What this reveals above all is a job well done, in the sense that the distribution of expenditure for the most part mirrors the distribution of black farming households, which are overwhelmingly concentrated in Eastern Cape (26%), Limpopo (24%) and KwaZulu-Natal (21%).

Figure 3: Agricultural sector expenditure/budgets per black farming household, by province (2008 Rand)



Sources: National Treasury 2009b and Stats SA (various).

However, a different picture emerges if we look in a little more depth as to what kinds of activities these budgets finance, and who is enjoying their benefits. Agricultural spending takes many forms, including extension services, infrastructure development through the Comprehensive Agricultural Support Programme (CASP), loans through the Micro Agricultural Financial Institutional Scheme of South Africa (MAFISA), and even research. Taking together extension, CASP, and MAFISA, there is reason for concern. Firstly, averaging

over the period 2005/6 to 2008/9, these three interventions collectively absorb about 58% of total provincial expenditure.<sup>1</sup> However, from official delivery statistics, we know that during that four year period, there was an annual average of about 61,000 beneficiaries of CASP (most of whom were land reform beneficiaries, as we will discuss in more detail below), and about 2,500 loan recipients via MAFISA. As for the numbers of those benefitting from extension services, we have no recent data. The best indicator on offer is from Stats SA's 1997 *Rural Survey*, which found that among those engaged in farming in the former homelands, only 11% had had contact with an extension officer in the previous twelve months (Stats SA 1998). Given that the total number of extension officers in the country now is not very different to what it was then, we speculate that the share of black farming households receiving attention from extension staff is not very different today (and we have vast anecdotal evidence from around the country to back this up).

This means that, in a given year, at most 13% of black farming households derive direct benefits from the 58% of the provincial spending made up from these three interventions.<sup>2</sup> While we must allow for the possibility that many farmers may derive indirect or passive benefits, and also acknowledge that for CASP-funded infrastructure development in particular, the benefits should be enduring and thus not measured strictly on a per annum basis, it still gives cause for concern. Taking for example the R5.9 billion of provincial expenditure in 2008/9: this could be taken to mean that about 350,000 black farming households benefitted from expenditure in the order of R17 000 each, while most of the other 2.3 million black households received benefits close to zero.

The biggest worry arguably is extension, as it already accounts for such a large share of provincial expenditure (not less than 50%). How much larger would the extension service have to be to make an appreciable difference, i.e. to reach a significant number of black farmers.<sup>3</sup> And what would be the budget implications of a significantly larger and better extension service? Herein lies one of the key themes of this paper: to the extent that fairly significant amounts of money are already being spent in the agricultural sector, and to the extent it is manifestly inadequate, where is there meaningful room for improvement?

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<sup>1</sup> This is using 'compensation of employees' as an approximation for the cost of extension services. As for the other 42% of provincial expenditure, more than two thirds is 'goods and services', which is a form of current expenditure. What precisely this consists of is unclear, though presumably it covers transport costs of extension staff, office space, and so on. National Treasury's *Provincial Budgets and Expenditure Review: 2005/06–2011/12* merely says of 'goods and services' that they "...are key to increasing agricultural productivity" (National Treasury, 2009b:118).

<sup>2</sup> Assuming that, for example, beneficiaries of CASP are not also beneficiaries of extension support, which in general is not the case.

<sup>3</sup> Obviously, this is to say nothing about the *quality* of the current extension corps, which has been the focus of much concern in government in recent years (NDA 2008b).



### 3. The Comprehensive Agricultural Support Programme

The Comprehensive Agricultural Support Programme (CASP) was launched in 2004 with funds for disbursement to farming households. While clearly not the only or largest form of agricultural support, it is the most significant capital budget line potentially available to small-scale black farmers. CASP originated from the 2003 intergovernmental fiscal review of agriculture — conducted by Treasury together with the Minister and MECs<sup>4</sup> — which found that agriculture was under-funded, and in particular experienced a gap in capital funding, as 80% of total funding went on salaries. When CASP was created, there was a decision to keep it with the national department, rather than making it part of the equitable share to provinces, in order to ringfence the funding from other priorities (NDA 2007b). Therefore, although provincial departments implement it, they account directly to the national department on their expenditure on a quarterly basis, and submit province-level funding proposals for approval by the national department and minister.

The stated aim of CASP is '[to] expand the provision of support services, to promote and facilitate agricultural development targeting beneficiaries of the Land Reform and other Agrarian Reform programmes' (NDA 2007a). Initially conceived as a conditional grant targeting beneficiaries of land reform, CASP guidelines require that 70% of funds go to land reform beneficiaries and the remaining 30% to 'other agrarian reform beneficiaries', i.e. those who already have some access to land, most likely people already living and farming at some scale in communal areas of the former Bantustans (NDA 2007a). So, while it is intended to address a wide variety of needs, in the views of many — especially officials and senior managers in the Department of Agriculture — it is essentially the 'agriculture' side of land reform. As Sam Malatji, then the department's National Chief Director of Land Development Services, observed at the national meeting to review the programme in 2007, 'CASP is the "AD" [agricultural development] in LRAD' (Malatji 2007: pers. comm.).

The six 'pillars' of CASP for which funds may be made available are on and off-farm infrastructure; information and knowledge management; training and capacity building; technical and advisory services; financing mechanisms; and marketing and business development. The only guide as to the weighting of these is that 10% of CASP funds should go for household food production, 5% for animal health, and 10% for education, mentorship, and training (NDA 2007a).

CASP started with a total budget of R750 million for the first three years, escalating from R200m in the first year of 2004/5, rising the following year to R250m and then to R300m in 2006/07, after which it continued to rise more dramatically.

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<sup>4</sup> Ministers of the Executive Committee, i.e. provincial ministers, in this case, of agriculture.

Table 1: CASP budget allocations, projects and beneficiaries, 2004/5 to 2009/10

Year	Budget (R million)	% spent	Projects	Beneficiaries
2004/5	200	62%	510	46 500
2005/6	250	63%	1070	53 200
2006/7	300	84%	870	67 400
2007/8	415	85%	786	60 300
2008/9	535	90%	703	31 039
2009/10*	715			35 000
2010/11*	862			32 000
2011/12*	979			32 000

Sources: DAFF 2009 and from National Treasury 2009a

\* Figures for 2009/10-2010/11 are projections.

Allocations from the national department to each provincial department vary widely, supposedly based on the number of land and agrarian reform beneficiaries/projects, the 'ruralness of the province', the size of agricultural land and arable land, and population size (NDA 2007a). In practice, CASP forms part of a wider effort to provide Farmer Support, of which the most significant element (as noted above) is extension services (National Treasury 2009b). In many provinces, in fact, CASP constitutes a fairly small proportion of the overall budget available. *Table 2* shows the relatively low significance of CASP compared to the overall provincial spending on Farmer Support in provinces like Limpopo, KwaZulu-Natal and the Eastern Cape in 2008/9.

Table 2: CASP budgets by province and as a % of Farmer Support budgets, 2008/9

Province	Farmer Support (in R million)	CASP* (in R million)	CASP as % of Farmer Support
Eastern Cape	511	90	18%
Free State	99	49	50%
Gauteng	71	25	36%
KwaZulu-Natal	646	88	14%
Limpopo	613	81	13%
Mpumalanga	350	53	15%
Northern Cape	72	37	51%
North West	150	68	46%
Western Cape	109	43	40%
TOTAL	2622	535	20%

Sources: National Treasury 2009b and DAFF 2009

\*CASP figures are allocations, not actual expenditures; for 2008/9, under-expenditure relative to allocations was 12% nationally, with a low of 0% for Limpopo, Mpumalanga and Western Cape, and a high of 29% for Western Cape.

In the first two years of CASP, about 63% of the allocation was spent (see *Table 1*). A degree of under-spending continued in the first few years and, despite being unable to disburse all the funds, provinces pushed for higher allocations, arguing that land reform was moving ahead and that many beneficiaries were not getting CASP support.

*Provinces claim that existing farmer support budgets are too small to meet all of these needs. In the context of under-spending (although the situation is improving) this position seems hard to justify. Although the demand/need for*

*support in provinces is not contested, given that CASP in many instances only represents a small proportion of total farmers support budgets, the question of what the remaining farmer support budgets in the provinces are being used for needs to be answered first. Where it can be demonstrated that farmer support budgets are indeed inadequate, and where capacity to effectively implement exists, addition to farmer support budgets should be considered.*

NDA 2007b: 1

The first review of CASP, conducted nationally in 2007, concluded that contrary to its name, CASP was not comprehensive either in its reach nor in the types of support provided. In both respects, it was far from comprehensive, and rather there were substantial barriers to access, prioritisation was unclear and inconsistent across provinces, usually with no clear rationale for prioritising one type of applicant over another. Even though there were six 'pillars' or focus areas for the kinds of support to be provided under the programme, in practice support forthcoming was almost entirely restricted to on-farm infrastructure, with other components not adequately explained to farmers. The review found that all provinces prioritised on-farm infrastructure over the other pillars of CASP, a pattern which the review deemed appropriate in some cases (like the Northern Cape — presumably because of the importance of fencing and water points for grazing) and inappropriate in others (like the Free State and Gauteng) (NDA 2007b). With respect to the Eastern Cape, the Review noted that CASP had only focused on on-farm infrastructure and that 'the other pillars of CASP do not really feature in the province' (NDA 2007b:10).

*In all of the projects visited CASP has delivered infrastructure ranging from fencing, boreholes, watering points, irrigation infrastructure, livestock handling facilities, and structures such as packing sheds. Although appreciative of the infrastructure delivered (bar some concerns regarding quality), the needs of farmers are more comprehensive. As in other provinces, though there is a call for a wider basket of services to be made available through CASP.*

NDA 2007b:10

The CASP review found that implementation was characterised by fragmented planning, a backlog of SLAG and LRAD projects awaiting CASP funds, separate approval mechanisms for land acquisition and agricultural support, complicated procurement procedures, and inadequate capacity and access to information (presumably among both potential beneficiaries and the officials administering the programme) (NDA 2007a). It concluded that, underlying these were two major problems. The first was one of *programme administration*, specifically the 'lengthy and bureaucratic planning and budgeting process which mitigates against prompt and timeous service delivery', compounded by cumbersome procurement processes (NDA 2007b:1). The second was *programme access*, which as the Review noted, was a 'mixed picture':

*Many of the current beneficiaries were not centrally involved in the application process — much of this was done for beneficiaries by agriculture (or in some cases land affairs) staff. For those outside of the programme the issues [sic] was more problematic. Although many had heard of CASP, many were unaware of how one gained access to it. There was confusion among farmers as to what CASP is. Many, who are not land reform beneficiaries, require broader and general agricultural support services.*

NDA 2007b:1

The CASP review noted the variable practices across provinces in terms of *who* is prioritised — appearing to favour the allocation of most CASP funds to land reform projects rather than other farmers, implying that other farmer support funds should go to non-land reform

beneficiaries, and noting a danger that land reform would be crowded out by the sheer scale of the needs of existing farmers in communal areas.

*At present, in some provinces the predominant focus is on land reform, but in others this interpretation is challenged, and without controls there is a tendency for CASP monies to slip toward those. It is critical that a common understanding of who CASP is targeted at and why is ingrained in the programme. There is a real danger that CASP will simply become a hold-all programme addressing needs that should actually be dealt with through broader provincial farmer support budgets.*

NDA 2007b:2

The review found that there were major problems with bureaucratically determined processes of planning, approval, and procurement, in that these are at odds with the cyclical nature of agriculture. It also found that the focus of CASP was heavily contested in some provinces — for instance, what weight should be given to land reform beneficiaries versus other black farmers (both poor semi-subsistence farmers in the communal areas, and ‘emerging’ or commercialising black farmers).

## 4. The absence of strategy: Disbursement practices in CASP

National project data for CASP allocations in 2009/10 (kindly provided by the National Department of Agriculture for the purpose of this analysis) show great variation both between and within provinces. Funding per project ranges from R20,000 (for irrigation infrastructure) to R5.4 million (for a poultry house) and, in addition, a high proportion of projects benefit more than once — e.g. receiving funds in two or three consecutive years.

Allocation of CASP funds is highly skewed to a small proportion of beneficiaries. Analysis of the national data shows that, among the 322 projects funded in 2009 for which beneficiary data is available, **79.8% of CASP expenditure goes to 20% of the beneficiaries, or worse, 50.7% goes to 2.6% of the beneficiaries.** Given that those receiving CASP support in 2009, account for less than one percent of small-scale farmers, this suggests that the lion’s share of state funding for small-scale farmers goes to less than 0.02% of them.

Further, the variation is astonishing between the provinces, with Mpumalanga, the Northern Cape and the North West having far fewer projects than the other provinces — even when taking into account that the allocations to these provinces are low compared to the other provinces (with the exception of Gauteng). While a smaller number of projects does not necessarily indicate that fewer people are being assisted, in some instances it seems this is the case.

Table 3: CASP allocations for 2009/10 by province

Province	Number of projects	Total allocation (in R'000)	% of total allocation
Eastern Cape	110	149,268	22
Free State	127	65,659	10
Gauteng	154	24,734	4
KwaZulu-Natal	197	94,487	14
Limpopo	156	108,453	16
Mpumalanga	22	55,504	8
Northern Cape	17	36,451	5
North West	51	91,518	13
Western Cape	121	63,640	9
TOTAL	955	689,714	100

Source: NDA 2009

Mpumalanga, Northern Cape and North West have on the whole fewer larger (i.e. more expensive) projects — though major projects are found in all provinces, even those like the Eastern Cape and Limpopo where a larger number of medium-sized projects are to be found. But there are also cases of very substantial transfers of funds to few people, in those provinces which report on numbers of beneficiaries per project (Eastern Cape, Limpopo and North West do not do so). For example a broiler house project in Mpumalanga, benefiting 12 people, cost R10.8 million — the largest single project expenditure in the country in 2009. In the same province, a woman and a man (perhaps related to one another) were together allocated R497,000, also for a broiler house project, while in the Free State one woman got R270,000 to renovate her poultry houses. A large portion of projects in Gauteng are for one individual farmer, averaging about R200,000 each. These examples illustrate the permissiveness rather than directive nature of policy in this area — there is no requirement to demonstrate need, nor any prescribed rationale according to which those assessing applications (usually district screening committees) should decide how to distribute funds across competing and non-equivalent needs. It is unsurprising, then, that such widely divergent practices have emerged.

Within provinces there are of course a variety of different kinds of projects, some of which involve major infrastructure, but most of which is 'on-farm' infrastructure rather than for instance shared infrastructure designed to serve the needs of a community of producers in a given area engaged in similar production. There are exceptions, like dipping tanks in communal areas in Limpopo and major irrigation infrastructure in the Eastern Cape, but by and large, infrastructure is limited to private on-farm infrastructure and, as a result, to privately owned land — and therefore to land reform projects rather than communal areas — a theme to which we now turn.

## 4.1 Competing and unequal priorities: Land reform and communal areas

In practice, a major reason why communal areas are largely excluded from CASP funding is the combination of three factors: the equation of CASP with 'infrastructure', the lack of secure tenure in communal areas on which to build this infrastructure, and the political priority attached to improving the perceived performance of land reform projects. In the absence of certainty about the land rights of beneficiaries — to own and control the infrastructure created with the CASP funds allocated to them — agricultural officials are somewhat at a loss of how to support farmers in these areas. Instead, 'food security' funds are channelled, to provide 'starter packs' of seed and implements.

The CASP manager for Limpopo explains that, without farmers having secure tenure rights on communal land, CASP cannot be provided for fixed infrastructure — though arguably the department is under no formal obligation to require such evidence to disburse funds.

*We move from a principle that says, in each district at least 75% of the CASP budget must go to land reform projects. We'll still provide for the communal land, as long as the land tenure issues are clear. The normal PTO [permission to occupy certificate] is not legislated as such, and the tenure is not well documented, the chief just says that you are given a piece of land to do agriculture. So we have moved to discuss with chiefs, and we have come up with some kind of leases that talk to the exact size and extent of that piece of land, so in that way we are starting to move towards [providing CASP support on] communal land.*

Provincial CASP manager 2009: pers. comm.

Similarly, in the Eastern Cape implementers are concerned that most small black farmers cannot access CASP support because of the priority placed on land reform (i.e. projects outside the communal areas) and on fixed infrastructure, which requires that the beneficiary own the land in question (which also in effect excludes the many farmers in the former Ciskei and Transkei regions). The bulk of funds go to a relatively small number of land reform beneficiaries on commercial farms, yet in the Eastern Cape, agricultural officials argue that the priority should be fencing and water systems in former Transkei, as these are the most severe infrastructure needs.

*We have been fighting it, [the] 70% to land reform beneficiaries, but they are relaxing from that. Because we are saying our biggest need is in the former Transkei [i.e. communal] areas. But because we don't have any other funding, we use the CASP ... OR Tambo [district] gets a very small part of CASP because very little of it is commercial farmland, so they fall within the 30% part — also Amathole, Alfred Nzo, Chris Hani — they have no land reform land. The proportion (of farmers getting CASP support) is much higher among land reform beneficiaries [than it is among farmers in the communal areas].*

Provincial Agriculture manager 2009: pers. comm.

Similarly, those getting leases on state-owned land through the proactive land acquisition strategy (PLAS) in the Eastern Cape have found it to be incompatible with the requirements of MAFISA, in that MAFISA requires that, for a standard five-year loan, the applicant must have security of tenure for five years — whereas under the PLAS scheme, the farmer only gets a lease agreement for three years, so their applications are rejected. As a result, a number of people have been allocated land through PLAS but are unable to buy livestock as they are not eligible for state support (either MAFISA loans or CASP grants) because they are considered to have inadequate tenure for collateral purposes (Provincial Agriculture manager 2009: pers. comm.).

The option of providing 'off-farm' infrastructure in communal areas — i.e. infrastructure that can serve a community or group of producers engaged in similar production in a given area — is the obvious way around the obstacle of insecure tenure (if indeed it is an obstacle). However, it appears that there is no mechanism for agricultural officials to create such infrastructure in the absence of a 'business plan' submitted by an 'applicant'. This is frequently presented as a reason why this avenue has not been more actively explored, though in reality CASP applications are often initiated by officials, following land transfers under land reform, rather than by 'farmers'.

## 4.2 ‘Commercial viability’: The presumed criterion

Though the criterion of ‘commercial viability’ appears nowhere in the CASP policy (which focuses instead on sustainability), implementers in these two provinces prioritise this factor consistently — in fact express it as an essential precondition for allocation of CASP funds.

*At this stage, there are still some debates, what in actual fact we should call the sustainability or the viability of projects. This is a debate of the department every year, but we take time to come up with a final approach. It has been there in this team that has been identified, it will deal with the issues of, if you say there is viability in the project, what do you mean? Like if there is a turnover of half a million, or if the project is servicing its debts — so we are deciding what will be our indicator ... [and it should be] not high profit margin, but the ability of these guys monthly to service their debts. But we don't have that guideline as yet, but that [once we've clarified this] will help us and serve as our indicators for good performance or non-performance.*

CASP Manager, Limpopo 2009: pers. comm.

As a result, CASP has become bifurcated between food security for farmers in communal areas and infrastructure for farmers in the commercial farming districts. In Limpopo, all ‘food security’ and ‘animal health’ allocations were for communal areas, while 92% of ‘infrastructure’ allocations were for land reform projects outside these areas. LRAD is not considered ‘food security’; as the Limpopo manager observed, ‘10% of our budget is for food security, and that 10% will normally go to the small-scale farmers in the communal land. Because you cannot say that the budget for food security should go to LRAD and the like’ (CASP Manager, Limpopo 2009: pers. comm.). The presumption that land reform is a sphere of potential ‘commercial viability’ while communal areas are for ‘food security’ is put forward by agricultural officials as a rationale for prioritising the former. They acknowledge that their own criteria for assessing business plans set ‘commercial viability’ as a precondition for approving funds.

*It is not a very good formula that is written down, but each year, we look at how much land has been transferred [through land reform], and what the requirements are, and what the market is, which talks to our principles of development — which is a commodity and value chain approach and the like.*

CASP Manager, Limpopo 2009: pers. comm.

## 4.3 Handing out ‘political Smarties’: Rationing scarce resources

The land redistribution process, since its inception (and at least up to the creation of the proactive land acquisition strategy), was structured around a central concern to ration resources according to a defined logic — initially providing grants at a level pegged to the housing subsidy (at R15,000, later rising to R16,000) and then extending across a sliding scale from R20,000 to R100,000 per applicant, depending on the level of ‘own contribution’).

CASP, however, places no restriction or cap on the maximum amount of public support a person or project can receive. In Limpopo, an implementer acknowledged that, with no guidelines whatsoever governing the distribution of resources: ‘We have recently seen a lot of abuse of that leniency.’ They went on to comment that ‘at present we have no guidelines for funding; if there is a request that is for a business that is sound, it has markets, it is within the plans for CASP, then we will fund it’ (CASP Manager, Limpopo 2009: pers. comm.).

In the absence of any prescription about equity, agricultural officials are subject to institutional pressures to crowd in resources rather than distribute these widely. As an agricultural department manager in the Eastern Cape observed, there are good reasons why fewer projects — which may or may not involve fewer people — are preferable from a bureaucratic point of view.

*The model we're following is totally inappropriate in the sense that ... because the amount we fund is so small, it becomes a case of political Smarties rather than effective use of resources. Who gets the money in the end is either a lotto or a case of political connections. If our budget were to increase to R550 million a year and if we reduce the funding level to 60% [of costs, by leveraging private resources], it would still take us 100 years [to make up the funding backlog for infrastructure]. What we're spending on infrastructure is less than a drop in the ocean ... The impact on agriculture is negligible.*

Provincial Agriculture manager, Eastern Cape 2009: pers. comm.

Combined with the imperative to spend large budgets, and the complexity of doing so through many smaller projects rather than fewer bigger projects, implementers are under pressure to scale down the number of projects and scale up the size of each project.

*There's no cap on individuals — they can get anything from R20,000 up to R9 million — there are no guidelines. We got a lot of flack for that. We have had about 120–130 projects in the E. Cape, so the policy being pushed from national is to cut down projects, maybe to just 6 for the province, or 1 per municipality, in order to speed up administration. To administer R10 is as much as to administer R10 million, so we are meant to do fewer, bigger projects. The more projects you have, the more work you have.*

Provincial Agriculture manager 2009: pers. comm.

The Eastern Cape tried to follow a strategy adopted in the Western Cape, of outsourcing CASP distribution to a private sector implementing agent, to circumvent the need for tender committees and short-circuit procurement processes — but has had to abandon this after a critical response from the provincial auditors:

*We are trying to do something for which government is not designed. Procurement systems are not for service delivery; they're there to account for public funds. For every rand [of CASP money], it costs at least three times more to spend it properly.*

Provincial Agriculture manager, Eastern Cape 2009: pers. comm.).

The tendency in some provinces then to disburse large amounts to few projects (and people) may have to do with these pressures, but also, crucially, lends the system open to abuse in the form of political patronage and corruption. In the absence of any rationing mechanism — or any limit on allocations — CASP also fails to leverage resources in major commercial projects (where beneficiaries may be able to contribute some of their own capital and to access loans), while neglecting modest needs among the majority of small farmers. Given the limited funds available for small farmers, a major criticism then is not only one of equity, but one of leveraging resources. Under CASP, government is offering up to 100% grants to commercial ventures — rather than providing partial subsidies and leveraging commercial farmers' own resources — while often providing 0% to subsistence producers:

*The way we are doing CASP, we need our heads read as a country. First, we are funding things 100%, which in most cases is completely inappropriate. ... That's a paradigm we've got to change, for one.*

(Provincial Agriculture manager, Eastern Cape 2009: pers. comm.)



## 5. Conclusion

Despite the strong political and policy support for small-scale farmers in South Africa, and despite significant increases in agricultural budgets over the past decade or so, the support currently rendered to small-scale farmers in South Africa is not consistent with the visions espoused in political and policy statements. This paper has sought to understand why, in part by examining national expenditure trends, and in part by focusing on one particular intervention, namely the Comprehensive Agricultural Support Programme (CASP).

We conclude that dramatic increases in public expenditure support to small-scale agriculture are highly unlikely, while further incremental increases to support the sector will in themselves make little difference. The inadequacy of the current support measures to small-scale farmers is most vividly illustrated by the fact that only a very small portion of small black farmers in South Africa in fact benefit from such support in a typical year — about 13% by our estimate. Is this a case of simply too little money being allocated to the sector? To some extent, yes: even though there have been significant increases, these are relative to the low base established by the massive withdrawal of public funding for agriculture in the mid-1980s.

CASP expenditure has grown in leaps and bounds, and now represents the bulk of funding that is explicitly available for capital expenditure to support small-scale farmers. However, our paper demonstrates how the overall ‘footprint’ of CASP has shrunk in proportion to the rise in its budget, and even in nominal terms, fewer people are benefiting than when CASP started. The reason has to do with political pressure to produce commercial success stories in land reform, combined with the bureaucratic impetus to spend ever-larger doses of CASP support on ever-smaller numbers of farmers. This process exactly mirrors the trends in respect of land redistribution, to which CASP is closely related. While it might appear perverse, the pattern is also understandable: subjected to harsh criticism for under-expenditure, implementers have found the path of least resistance.

Our analysis shows that the primary constraint in state support to small-scale farmers is not the level of budget, but the misallocation of funds. Instead of 2.7 million ‘average black farming households’ receiving R2,200 worth of benefits per year, our data suggests instead that each year:

- anywhere between 50 and 200 households are receiving over R500,000 each (largely in the form of CASP support),
- about 350,000 are receiving R17,000 (in the form of extension advice and other services), while
- 2.3 million households are receiving close to R0.

As a result, a lot of the money already available to support small-scale agriculture is not well spent, with a particular imbalance evident between relatively large amounts of support to rather few ‘new farmers’ in badly conceptualised land reform projects, at the expense of the many existing black farmers in the ex-Bantustans.

The reality is that supporting small-scale farmers is difficult and labour-intensive. While there is definitely a need for increased capital expenditure, doing this well requires attention to equity in distributing scarce funds, as well as time, cogent planning, and perhaps more patience. On the other hand, the fact that CASP is dependent on extension services, while extension services reach too small a share of small-scale farmers, means that CASP is almost structurally unable to reach large numbers of small-scale farmers. And yet,

despite absorbing a very large share of provincial agricultural expenditure, extension reaches limited numbers of agriculturalists — and the quality of extension advice is also uneven and reportedly poor in some cases. Doubling the extension corps would still result in an inadequate extension corps, reaching only a minority of agriculturalists, and it would cost more than the State is probably prepared to commit.

The conclusion therefore is that we are presently at an impasse. Increasing CASP budgets will accomplish little, because the vision of CASP is:

- excessively oriented to supporting individual farmers,
- excessively channelled into land reform projects (which needs a dramatic design overhaul, in the absence of which CASP support to them will continue to be a case of 'throwing good money after bad'), and
- dependent on an extension service that is itself equipped to serve only few small-scale farmers and cannot be feasibly scaled up.

The only way out of the impasse would appear to be to use existing resources more effectively. In respect of CASP, there is an urgent need to shift the emphasis of support from on-farm infrastructure and inputs, to community-level infrastructure, market development and institutional re-engineering. The current model of funding, which focuses on one-on-one assistance at 'project' level, has limited impact, cannot feasibly be scaled up, and does not lend itself towards indivisible public goods and regulation, which are effective ways of benefiting large numbers of producers, and which are among the key forms of support used in the past to develop the white farming sector. As for refashioning extension services, this is the larger challenge: it will require above all experimenting with models that have the potential to greatly stretch the reach of our limited number of extension officers.

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