

Strategy document:

**NATIONAL GUIDELINES
FOR
INTEGRATED MANAGEMENT
OF
AGRICULTURAL WATER USE**

***An integrated approach to upliftment and local economic
development through the transformation of state support for
agricultural water use***

National Department of Agriculture

in collaboration with

**Department of Environmental Affairs and Tourism
Department of Provincial and Local Government
Department of Water Affairs and Forestry
Provincial Departments of Agriculture
Department of Trade and Industry
Department of Land Affairs
Public Works Department**

with assistance from

**International Water Management Institute
National Agricultural Marketing Council
Agricultural Research Council**

Centre for Policy Studies

Foreword

South Africa is reviewing its policies in support of agricultural water use by resource limited farmers. The sector is well placed to make a substantial contribution to both poverty relief and entrepreneurial development, on condition that two complexes of constraining factors are dealt with at the policy level. Firstly, a history of systematic dispossession over the past century has incapacitated black farmers, limiting their access to land and water resources, knowledge and markets. As a result, interventions need to be designed which aim to ‘mainstream the marginalised’.

Agriculture is crucially important to the basic food security of the poor, who constitute 40% of the population of 42 million, and who are overwhelmingly concentrated in rural areas and (peri-)urban townships. The agricultural water use sector also presents entrepreneurial opportunities that may be seized in the context of broader economic revitalisation strategies. Secondly, in past decades, irrigation farming has become ever more sophisticated, while the forces of globalisation have presented huge challenges to even the most capitalised and technically advanced commercial farmers in the country. The latter group irrigate 1.3 million hectares of agricultural land, making South Africa the largest ‘irrigation country’ in the southern African region. Paradoxically, South Africa is essentially an industrialised country, with agriculture accounting for less than 3% of GDP, a quarter of which is generated through irrigated crops, while agriculture constitutes up to 80% of the GDP of our neighbours. In South Africa, the need to feed a nation must be balanced with harsh economic forces which privilege non-consumables above basic human needs: policy needs to balance the equitable with the efficient.

In this context, a two-fold, stepped objective has been identified for the revitalisation of the agricultural water use sector:

- improved food security through own production (*‘food first’*), and
- mainstreaming historically disadvantaged farmers in the local, national and international economy through active support for business and market development.

Several government departments have developed support mechanisms in favour of resource limited farmers since Nelson Mandela lead the ANC into power in 1994. However, the various departments address only elements of the support requirements, with little coordination between them, leading to impaired implementation efforts. The challenge is to find streamlined mechanisms for coordination of effort. These mechanisms must contribute to the shift towards local government (District Councils) as the point of delivery, and need to dovetail with the

implementation of the recently announced Presidential Programme on Integrated Sustainable Rural Development.

This document seeks mechanisms through which the following key policy and strategy arenas can be coordinated:

- financial support mechanisms at interdepartmental, departmental, community, project and production levels;
- institutions and representation at all levels, encompassing both governmental and civil society stakeholders; and
- staffing, capacity building and training.

We look forward to your collaboration to help formulate policy and implementation strategies that would see a healthy growth in prospering farmers and enthusiastic officials actively engaging in the agricultural water use sector.

A.T Didiza
Minister of Agriculture and Land Affairs

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Agricultural Research Council (ARC)
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International Water Management Institute (IWMI)
National Agricultural Marketing Council (NAMC)

List of abbreviations

AWLC	Agriculture Water Liaison Committee
CCAW	Coordinating Committees on Agricultural Water
CCSIS	Coordinating Committee on Small-scale Irrigation Support
CMA	Catchment Management Agency
DBSA	Development Bank of Southern Africa
DEAT	Department of Environmental Affairs & Tourism
DF	Department of Finance
DH	Department of Health
DLA	Department of Land Affairs
DTI	Department of Trade and Industry
DWAF	Department of Water Affairs and Forestry
FAO	United Nations Food and Agriculture Organisation (based in Rome, Italy)
GCIS	Government Communications and Information Systems
GDACEL	Gauteng Department of Agriculture, Conservation, Environment and Land Affairs
IAC	Irrigation Action Committee
ICID	International Commission on Irrigation and Drainage
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IMT	Irrigation Management Transfer
IPTRID	International Programme for Technology and Research on Irrigation and Drainage
IWMI	International Water Management Institute
LEISA	Low External Input, Sustainable Agriculture
NAMC	National Agricultural Marketing Council
NCDA	Northern Cape Department of Agriculture
NDA	National Department of Agriculture
NPDAE	Northern Province Department of Agriculture and Environment
PCC	Provincial Coordinating Committee
PDA	Provincial Department of Agriculture
P.DALA-EC	Provincial Department of Agriculture and Land Affairs - Eastern Cape
PIA	Programme Implementing Agent
PPP	Public-Private Partnership
PTO	Permission to Occupy Certificate
PWD	Public Works Department
SASA	South African Sugar Association
WCDA	Western Cape Department of Agriculture
WRC	Water Research Commission
WUA	Water User Association

National Guidelines for Integrated Management of Agricultural Water Use

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Summary of policy and actions required for implementation

South Africa's water resources are managed by the Department of Water Affairs and Forestry and that Department allocates water to sector users.

The Department of Agriculture will take the lead in integrating initiatives in the agricultural water use sector. The Department will launch a major national initiative under the WaterCare programme to mainstream the marginalised through comprehensive and targeted support for agricultural water use activities. This will be called the **"Fruits of our Water" programme** and will encompass the aspects detailed below.

1. **The provincial Irrigation Action Committees (IACs) or similar existing provincial structures will be transformed into Coordinating Committees for Agricultural Water (CCAWs).** Like their highly effective predecessors, the CCAWs will provide a forum for technical planning and streamlined liaison between relevant departments, but now with a broadened focus on agricultural water use (not only irrigation) and widened participation by relevant roleplayers and disciplines.

Cabinet:

- Supply CCAWs with the mandate to assess and make recommendations on all proposed agricultural water use projects supported with government resources.
- Require all departments to get a recommendation from the relevant CCAW on any proposed agricultural water use project supported with government resources. A recommendation from the CCAW will be required for allocation of a water licence from DWAF or the CMA.

NDA:

- Provide CCAWs with adequate budget (i) for research in support of project proposals, e.g. feasibility studies; (ii) to acquire the services of a technical secretariat; and (iii) to organise policy transmission and targeted training events.
- Support the CCAWs through the development of national policies, norms and standards, monitoring and evaluation, policy review and policy transmission initiatives.

PDAs:

- Chair the CCAW meetings.
- Appoint a technical secretariat in support of the CCAW chairperson.
- Assess and broaden the skills base required in support of CCAW activities.

District Councils, CMAs, DWAF, DLA, DPW, DH and others:

- These institutions will be required to actively participate in the CCAWs as and when they are involved in agricultural water use initiatives, by submitting proposals for evaluation or providing information to enable coordinated implementation.
- The official attending CCAW meetings on behalf of each of these institutions will have adequate decision-making power to ensure streamlined liaison.

IRDP:

- *Assist in pilot testing the CCAWs in selected priority nodes of the IRDP to integrate it as a support mechanism to District Councils in the implementation of the IRDP.*

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2. Consistent government policy will be declared for agricultural water use projects, requiring the following:

- institutions embarking on agricultural water use projects to liaise with the CCAWs, as discussed above;
- agreed criteria for evaluation of project proposals;
- inclusive community vision-building for scheme development or revitalisation;
- farmers' own investment or agreed *quid pro quo* for government investment;
- an agreed percentage of project budgets to be devoted to training and capacity building,
- an Environmental Impact Assessment to be completed in respect of scheme development or rehabilitation;
- harmonisation across the various departments of the requirements for the types of grassroots institutions (e.g. WUAs, CPAs, CPCs, cooperatives) eligible for assistance;
- agreed mechanisms for accountability on project finances; and
- other provisions as agreed between the relevant departments from time to time.

Cabinet:

- *Provide NDA with the mandate to determine national policy on agricultural water use, which will be binding on all departments embarking on agricultural water use projects.*

NDA:

- *In consultation with other departments currently involved in agricultural water use projects, develop consistent national policy for agricultural water use projects.*

3. Local government capacity and private sector service provision to smallholder agriculture will be actively built in the IRDP priority nodes.

Cabinet:

- *Require District Councils to include an agricultural chapter in their Integrated Development Plans (IDPs);*
- *Approve secondment of staff from provincial departments of agriculture to District Councils to develop and facilitate implementation of the agricultural chapter.*

NDA, PDAs and CCAWs:

- *In consultation with DPLG prepare guidelines for an agricultural chapter of the IDPs;*
- *Train and second officials to the District Councils, thus building capacity for the drafting and implementation of the agricultural chapters of the IDPs. Build in adequate liaison with the CCAWs and management support for these officials to prevent their marginalisation within the broader District Council activities;*
- *Stimulate local SMMEs to replace government and parastatals in providing a wide range of services to small-scale farmers, including input supply, credit provision, scheme water management, value-adding and marketing services. Assist SMMEs in providing an acceptable service.*

IRDP and District Councils:

- *Support pilot testing in three priority nodes of the IRDP, one each in EC, NP and KZN.*

4. **Training, credit and markets for high quality produce will be available to all int ^{viii} small-scale agricultural water users.** Training will be voluntary and free of charge to farmers, but trainees will be expected in the spirit of *ubuntu* to pass on their training to at least five others.

Cabinet:

- *Profile the "Fruits of our Water" programme to attract funding for training, markets for trainees' produce and provision of production credit by private sector financing institutions.*
- *Approve a government training subsidy to enable all interested small-scale farmers to obtain quality training in production, marketing and farming business development.*

NDA:

- *In collaboration with SAQA structures, the Department of Education, training providers, PDAs and farmers, develop a framework for accredited farmer training;*
- *Assist training providers to develop their capacity to provide appropriate farmer training;*
- *Broker markets for trainees' produce through collaboration with the NAMC, farmer unions and the private sector;*
- *Broker private sector credit provision for successful trainees.*

5. **In addition to support for groups, individual farmer initiative will be stimulated, especially by women and youth.** Radio and other means will be used to educate the public on available resources to reward farmers' own initiative to develop, including:

- *easy water allocations: how much water may farmers use without licenses or special permission?*
- *appropriate technologies: how can new farmers start small and grow?*
- *market access: where can market information be obtained, both *daily* on current market prices and *seasonally* on strategic information about available markets and contracts?*
- *credit: what is available in the formal and informal financing sectors?*

NDA:

- *Develop incentives to stimulate and reward farmers' own initiative.*
- *In collaboration with GCIS, develop dissemination strategies to supply information on existing policies and legal provisions for farmer development to the public.*

6. **Land on irrigation schemes in communal areas will be redistributed in a phased manner to enhance sustainable use of a scarce resource - irrigation infrastructure.**

- **Phase 1** - Enable voluntary land redistribution on existing smallholder irrigation schemes through incentives and options for alternative business structuring, etc.
- **Phase 2** - Activate the existing requirement for productive use of land to avoid revoking of a Permission to Occupy (PTO) certificate.

Cabinet:

- *Lend political support and planning resources to pilot test redistribution of PTOs on an existing smallholder irrigation scheme.*

DLA, NDA and PDAs:

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- *Pilot test scheme revitalisation based on voluntary redistribution of PTOs c existing smallholder irrigation scheme, e.g. as suggested by farmers on the Tyhefu Irrigation Scheme in Eastern Cape.*

7. The implementation of this policy will be resourced sustainably.

- The cost of implementation of this policy will be determined and non-negotiables identified for priority funding;
- Adequate budget and staff will be allocated to the programme in all three spheres of government to develop the "Fruits of our Water" programme and will be systematically increased over time as the programme grows;
- The programme will be discussed with farmer unions and the private sector to elicit their active support; and
- The concept and successes of the programme will be profiled to attract multi-year external funding.
- A strategic plan will be developed among research institutions for cooperation in support of government's poverty alleviation initiatives generally, and this policy specifically.

8. Policy outcomes will be monitored and policy refined over time.

- Annual review and analysis of the uptake of government subsidies and assistance programmes (e.g. number of farmers trained) to address reasons for a too slow rate of uptake;
- Review of the agricultural chapter in the annually updated IDPs, to track increases in agricultural water use activities in Districts.
- Monitoring of poverty indicators as used in the IRDP nodes;
- Occasional polling of the awareness of available government assistance among small-scale farmers and government officials;
- Monitoring of the profitability of agricultural water users;
- Tracking of changes in the interest shown by youth in agricultural careers.

Cabinet:

- *Equip the CCSIS with the mandate and resources for annual evaluation of the outcome of policy implementation.*

Through protracted and deliberate investment in the mainstreaming of the marginalised agricultural water users, we believe that the "Fruits of our Water" will be strong, well-nourished children, confident and profitable farmers, and significant growth in our rural economies. This growth will be supported through reliable and affordable agricultural service provision by SMMEs and strong links with national and international markets.

Introduction

Six years into South Africa's democracy, both government and civil society can look back upon a period of rapid learning with respect to governance and poverty alleviation. On the one hand public access to a range of services has increased dramatically, on the other hand high levels of unemployment and rural poverty persist. In the realm of economic revitalisation and job creation, a number of years of strict fiscal discipline appear to be making way for a period of enhanced state investments in productivity and development. While industry and services remain at the forefront of value added production, there could be opportunities for niches of growth in the agricultural sector through gene technology and the boom in ethically driven investments in fair trade and organic agriculture.

At the same time, the demarcation process followed by local government elections has ushered in an emphasis on local government as the key point of delivery. To combat persistent rural poverty, government has launched the Integrated Rural Development Program that aims to coordinate the range of government investments in rural development. As an ancillary, a process was embarked upon to bring together under one umbrella a range of departmental policies and strategies to enhance agriculture's contribution to rural development through environmentally sustainable agricultural water use projects aimed at food security and local economic development. This is the central goal of this document.

Within the broader goal of supporting local economic revitalisation through coordination of investment strategies in agricultural water use, a range of relatively autonomous policy areas needs to be harmonised. In scope, these range from the transformation of commercial parastatal schemes, through the revitalisation of existing smallholder irrigation schemes, to support for non-scheme initiatives aimed at both household production for food security *and* small, medium and micro-enterprise development.

This document is organised as follows. Chapter One explores the scope of the problem which policy must address. In Chapter Two, the historical process of marginalisation of black farming which has crippled a previously powerful sector is described, and it indicates the policy areas which need attention in order to 'mainstream the marginalised'. Chapter Three describes the existing institutions and initiatives, which need to be considered in the context of an integrated strategy for rural economic revitalisation. Chapter Four sets out the financial mechanisms required within the broader policy framework, and Chapter Five identifies the staff and capacity building requirements of the revitalisation policy. Chapter Six elaborates expected outcomes of this policy and proposes measures to monitor, evaluate and refine the policy over time.

This document has a sequel in the form of a strategy document for implementation, indicating the short, medium and long term interventions that are required in order to achieve the policy aims contained in this policy discussion paper.

SECTION 1: THE AGRICULTURAL WATER USE SECTOR

CHAPTER 1

Scope and Problem Statement

1.1 Introduction – policy goals and assumptions

On the international front, this document takes Agenda 21 of the 1992 United Nations Conference on Environment and Development as its point of reference. On the national front, it takes its cue from the National Water Act, no. 36 of 1998 (NWA), the 1998 Discussion Document on Agricultural Policy in South Africa, and the 2000 Integrated Sustainable Rural Development Strategy (ISRDS), now the Integrated Rural Development Program (IRDP). The National Water Act and the Discussion Document on Agricultural Policy in South Africa were both informed by the national irrigation policy process that was completed in 1998. The NWA provided for a fundamental reform of water resources law, for the conservation of a scarce resource, and for the equitable allocation of water for beneficial use. The Agricultural Policy aimed to build an efficient agricultural sector, promote the emergence of the small-scale farming sector, and advance the sustainable use of natural resources. The resource conservation goals articulated in the irrigation policy are currently being given effect through the implementation of the Water Conservation and Demand Management strategy for the agricultural sector, with the development of Water Management Plans for two pilot irrigation areas - one smallholder and one large scale commercial scheme. Finally, the IRDP makes provision for a broad and integrated programme of rural upliftment and poverty alleviation, of which this policy forms a significant part.

The central goal of this document is to enable the transformation of state support for agricultural water use in South Africa, in order to assist in the upliftment of the historically marginalised. The need for this transformation is rooted in four key principles, namely the need for equity, the need for good governance, the need for competitiveness, and the need for sustainability.

In the realm of *equity*, recognition is given to the systematic and protracted historical exclusion of African farmers from the bulk of national agricultural production, out of which follows a current need to 'mainstream the marginalised'. In practice this means enhancing the access of the poor to key resources such as land, water, infrastructure, training, inputs and markets. In the past much agricultural support tended to focus on issues relating to the functioning of irrigation schemes. Currently, however, many of these schemes are in a state of disrepair, and this policy document proposes approaches to their revitalisation. However, to think only in terms of schemes would be to exclude much of the scope for upliftment, and therefore the scope of this policy document includes support for non-scheme agricultural water use such as that in small, medium and micro enterprises (SMMEs) and in household food production for food security. In general, therefore, this document does not seek to address the mainstream commercial agricultural sector that benefited from state support structures in the past. Rather, it seeks to design scale-relevant mechanisms of support to boost the productivity of those farmers who were marginalised by the apartheid system. The (important) exception to this rule occurs where partnerships with established farmers hold the promise of being important empowerment tools. Where inclusive local institutions are being built or strengthened, it is assumed that this leads to enhanced social cohesion, which is a key policy goal underlying the Integrated Rural Development Program.

In the realm of *governance*, recognition is given to the fact that support for agricultural development has been fragmented and diffuse rather than integrated and programmatic. Agricultural production is a multifaceted process and depends for its success on the simultaneous availability of land rights, access to water, access to markets, etc. Acting within the confines of their mandates, line departments cannot provide more than a portion of the requirements for upliftment. An integrated and coordinated approach to agricultural water use across the relevant government departments is therefore needed for the purpose of good governance in agricultural water use. This document proposes institutional mechanisms for such an integrated approach. Its key point of departure is therefore the coordination of existing policies rather than the development of new policies. However, where there is a need for the adaptation of existing policies and legislation to facilitate harmonisation, this is indicated in the document. Furthermore, this document is intended to dovetail with the Integrated Rural Development Program (IRDP) developed in the Ministry in the Office of the President. An immediate consequence of this intention (beyond that of integrated planning) is that it treats local government as the point of delivery and orients much of its policy thrust towards the support for and capacitation of local government. Research at the University of Fort Hare has proven that agricultural development can do much to stimulate local economic development, and it is precisely this that this document intends to facilitate.

In the realm of *competitiveness*, a history of state-subsidised support for agriculture in combination with a lack of skills training in production, financial management and marketing have produced a dependent and generally uncompetitive small-scale agricultural water use sector. In the areas of input supply, production and marketing, there are ranges of business opportunities that can be tapped into on condition that the appropriate support mechanisms are in place. This document sets out some of the ways in which government can provide an enabling environment for these entrepreneurial activities.

In the realm of *sustainability*, potential pitfalls such as supply-driven delivery, inappropriate financing mechanisms, inappropriate technology and insufficient attention for capacity building can constitute a threat to the long-term success of agricultural development initiatives. Furthermore, not all agricultural practices facilitate the long term conservation of our resource base. Therefore, policy initiatives need to provide an environment in which the activities of existing producers do not compromise the ability of future generations to engage in fruitful production. A key goal of this document is therefore to ensure that delivery is approached in a manner that enhances sustainability, both in the institutional and in the natural realms. In operational terms this requires an emphasis on elements such as participatory planning, multi-year budgeting, and support for appropriate technology.

In addition to these principles, the document has two important conceptual points of departure. Firstly, the concept of 'agricultural water use' is used throughout the text to distinguish it from the somewhat narrower concept of 'irrigated agriculture'. 'Agricultural water use' includes not only irrigation, but also elements such as rainwater harvesting, soil water retention and conservation techniques and water for stock keeping. Both stock keeping and crop water use should therefore be kept in mind when reading this document, except where separate reference is made to one or the other. Secondly, the concept of 'resource limited agriculture' means agricultural production by previously disadvantaged individuals who were affected by discriminatory policies and legislation under apartheid. These two concepts are central to the text and therefore also to the policy being proposed.

1.2 The scope of the agricultural water use sector

The rest of this chapter delves into the specifics of six different categories of agricultural water use. In general, different scales of agricultural production require different sets of responses at the policy level. As a result, the thematic areas described in this chapter can largely be distinguished from each other on the basis of the scale of production. Broadly speaking, six sub-sectors of agricultural water use can be identified in resource limited agriculture in South Africa. These are:

- Low-risk household production for food security;
- Market-based Small, Medium and Micro Enterprise (SMME) development (of farmers and agricultural service providers);
- Revitalisation and local integration of former government smallholder irrigation systems, also known as ‘farmer settlement schemes’;
- Transformation of commercial parastatal schemes, previously managed on behalf of government by parastatal Development Corporations in the former *bantustans*;
- Land reform beneficiaries on land that may or may not have access to water for irrigation; and
- Joint ventures between resource limited farmers or farm labourers and established commercial partners.

Each of the above sub-sectors is facing a series of challenges for which policy solutions are sought in the context of this document. They are dealt with in turn below.

1.2 Low-risk household production for food security

The Nobel laureate for economics, Amartya Sen, stated that starvation and malnutrition is the characteristic of some people not *having* enough food to eat. It is not the characteristic of there not *being* enough to eat. In other words, starvation and malnutrition can exist alongside food surpluses. In South Africa, as many as a quarter of all children are adversely affected mentally and physically by malnourishment. Malnutrition occurs because people do not have an income on the basis of which they can access food, *or* because they do not have the means or knowledge to produce their own food. Rural and township household food security, which was damaged during apartheid, can be improved dramatically by stimulating direct food production, and this is possible even with limited natural and financial resources. Though by no means satisfactory, it is a first real step out of poverty, and holds the potential to build individuals’ self-esteem and the courage needed to take subsequent steps. These subsequent steps, aimed at boosting income from agricultural water use, are described below (see for instance section 1.3).

The comments of the Strydkraal community are illustrative: before ‘modernisation’ through the introduction of high-cost sprinkler irrigation and monoculture cropping in 1983, they were intercropping a variety of food crops and using low-cost furrow irrigation techniques. Before 1983, they had ‘too much to eat’, yet today malnutrition and diarrhoea are on the increase. In less than two decades, the high cost of ‘modern’ production and the regimentation imposed by this ‘modern’ system have led to a numbing dependency on government.

Through the revitalisation of agricultural water use, low-cost production skills and traditions can be reintroduced where appropriate and may regain the recognition they once enjoyed. This can be a positive experience of discovery, vision-building and joint planning, and is usually rooted in a process of rebuilding group cohesion and mutual support, largely among women and children. The process is essential for

success in the context of the disillusionment and hopelessness experienced in South Africa today by poverty-stricken communities and individuals.

Theresa Matsepe and others like her are sources of inspiration to desperately poor women who are unable to feed their children. In 1981, Theresa's young boy was in the Jane Furse hospital, weak and underfed, and she was on the verge of collapse herself, with the 'voices of hunger madness' raging in her head. Through a self-help women's group, she gained the courage and skills to start producing fruit and vegetables on her small township plot, using traditional low-cost skills and rainwater harvesting, because even basic drinking water was in short supply. Slowly but surely she increased her production and started selling surplus. In 1999 she had sufficient cash to buy a bakkie (pick-up truck) to transport produce for her fruit and vegetable stall. Today she is also a powerful speaker, motivating others through her own life story.

Examples of traditional techniques worthy of recognition and support include small- and micro-scale rainwater harvesting, organic soil preparation and cultivation techniques, hardy pest and drought resistant traditional cultivars and low-cost post-harvest processing and storage techniques.

It is interesting to note that in the current drive in Europe towards organic and environmentally sustainable production, many traditional African techniques are being rediscovered. Furthermore, organically produced fresh produce typically fetch a premium of 25-30% over crops produced with so-called 'modern' agricultural techniques.

A key to successful production under severe poverty conditions, is reducing both the costs and risks of production. The poor inherently have few buffers against contingencies and can be ruined by one or two adverse events. As a result, risk avoidance is a key aspect of poverty. Therefore low-cost, low-risk strategies for poverty alleviation are more likely to be embraced by the poor than strategies which are capital intensive and risky. Interventions at this end of the spectrum need to recognise these constraints. Each department needs to give consideration to the development of a range of 'smart' subsidies supporting initiatives in low external input, sustainable agriculture (leisa) be put on offer that can act as incentives to draw individuals and households into this form of agriculture. Such subsidies need to be accompanied by appropriate leisa training. Urban planning needs to give consideration to incorporating the zoning of land for urban agriculture for food security. This is an important part of the Integrated Development Planning process. Concrete criteria and support measures need to be put in place that enable budding entrepreneurs to make the transition from subsistence farming to income generation, selling surplus production in reliable markets.

1.3 Market-based SMME development

There are significant opportunities for agricultural Small, Medium and Micro enterprise development, but these can be realised only if recognition is given to a number of real constraints. Firstly, while farming has historically been a protected sector, in the current environment, much depends on the initiative and entrepreneurial orientation of the individual farmer. South African farmers must adapt to both national market deregulation and the new exposure to a global market. Second, agriculture in South Africa is a long-term investment, which must take account of risks such as market changes, droughts, floods, and hail storms. Third, small-scale farmers are generally and consistently achieving crop yields well below natural resource potential. Recent studies suggest that the small-scale farming sector is suffering from a serious loss of traditional farming knowledge, which has not been adequately replaced by knowledge of modern farming practices. Significantly, feedback from the current WaterCare programmes on irrigation schemes in Northern Province points to the impact of agricultural production training and how this is stimulating demand for follow-up training in business and marketing skills.

Water harvesting, moisture conserving tillage methods, appropriate seed varieties, plant populations and weed control offer simple interventions which have been demonstrated to dramatically increase crop production, both under rainfed and supplemental irrigation conditions.

A growing number of small-scale farmer-entrepreneurs are responding to niche markets. Worldwide, small-scale farming is often more efficient than large-scale commercial agriculture, and given the right niche markets and sufficient support in the realm of inputs and marketing, substantial growth rates can be achieved. The first ten years of agricultural development in Zimbabwe's communal areas have proved that a lack of access to land can be effectively compensated by subsidised access to inputs and effective marketing.

Beyond the development of farmer-entrepreneurs, there are still significant opportunities for local economic development, especially in the previously neglected rural areas, through the development of:

- post-harvest value-adding;
- opening up of local and external marketing channels; and
- the establishment of a range of service SMMEs providing inputs, mechanisation, and market access.

The following example illustrates the potential for stimulation of a rural village's own economy through even the simplest value-adding practices, recognition of its own citizens as a local market and opportunities for SMME services within the village: Maize production under irrigation is generally viewed as a wasteful use of scarce water resources in South Africa, and indeed, in one smallholder scheme in Northern Province, farmers are making a financial loss when they sell their harvest at R40/bag, while it costs about R50/bag to produce. However, the same community of about 450 households annually spends about R750 000 on purchasing their staple maize meal from commercial millers at about R120/bag. Effectively, this amount annually flows out of the village economy towards the urban centres. Instead the village could hammer mill their own production on site at a cost of about R10/bag, resulting in an estimated saving on community food expenditure of about R380 000/a. The potential gains from cash cropping are even greater, provided reliable market access could be established. [Note: 1 US\$=R8 (May 2001)]

Women, who often actually work the land and have intimate knowledge of production processes, are often overlooked when business development opportunities arise. The policy must provide a special initiative to facilitate women's access to credit, land, water, training and membership of farmer and other organisations.

Support provision needs to take account of the minimum scale of operation at break-even production levels for each different kinds of produce. Support for each needs to be differentiated according to minimum credit, land, water infrastructure and agricultural support required for success. Special care needs to be taken to avoid creating dependency on government by entrepreneurs.

1.4 Revitalisation and local integration of smallholder irrigation schemes

The South African state has inherited the responsibility for a large number of farmer settlement schemes, located in the former homelands and TVBC states. Historically, on many of these schemes, all production, marketing and management functions were performed by parastatals or government-

appointed private companies. The so-called ‘farmers’ often had little input into decision-making and yet bore the risks that these decisions brought with them. Many such schemes had low productivity and high operational costs, and were maintained through subsidies drawn from the Provincial Departments of Agriculture.

The revitalisation of these schemes requires that producers should now be empowered to manage their own schemes (through Irrigation Management Transfer or IMT) and to transform them into economically viable entities. The following list synthesises important aspects of local and international thinking on the measures required to successfully restructure farmer settlement schemes:

- The profitability of farmers on these schemes has to increase dramatically as a sound basis for sustainable scheme rehabilitation and farmer-controlled management. Therefore, government intervention should firstly focus on improving farmers' output (through basic production training, access to production credit, inputs and services) and income security (through access to profitable markets and farming business training).
- Prospective farmers need to be ensured of secure land tenure. Most schemes are situated in communal tenure areas, where land users were issued with Permission to Occupy (PTO) certificates. In many instances there are conflicting claims to the land between former, current and potential new occupants, and land belonging to absentee or elderly owners often lies fallow. Secure tenure under a new communal system should provide acceptable options to both those who wish to remain with a concrete basis for negotiation and those who wish to exit gracefully. It should encourage productive use of the scarce resource and should not limit farmer-entrepreneurs wishing to increase their scale of production over time. Therefore, consideration needs to be given to making PTOs and infrastructure tradeable and land lease options should be clarified and strengthened. The value of the resource should be reflected, possibly through payable duties.
- Revitalisation policy emphasises the establishment and empowerment of Water User Associations (WUAs) under the National Water Act (Act 36 of 1998) and reduced government control of farmer settlement schemes. However, it is first necessary to establish which farmers have the desire and the motivation to farm on the schemes, as in many cases this is not clear. Once the user group(s) have been clarified, they can be engaged in further negotiations on institutional structures and infrastructure which is suited to their preferred production system, e.g. higher cost systems for high value/high-risk production systems or low-cost/low-risk. This has a number of consequences:
- Rehabilitation of infrastructure should be preceded by and based on community vision building and institution building. This should be informed by a set of basic choices generated by a brief interdisciplinary reconnaissance survey. Only when the community is clear about its developmental ambitions should a full feasibility study into the rehabilitation options be carried out;
- Government investment in rehabilitation of irrigation infrastructure requires the formulation of clear guidelines developed by departmental and farmer representatives.
- Policy on rehabilitation requires a considered response to the issue of debts on individual properties that were incurred historically, sometimes without the full knowledge of the farmers themselves. Rehabilitation will require a degree of debt write-off designed such that existing debt is brought down

to realistic levels in the context of the productive activity chosen by farmers. New arrangements will need to be entered into in consultation with the farmers.

- Both (partial or full) debt write-off and rehabilitation should be final steps in the revitalisation process. For farmers, this provides real incentives to create strong institutions and sound business plans. For government, it means that there is no predetermined timeframe for rehabilitation but rather a flexible and demand responsive approach.
- Over the years, the farmer settlement schemes have developed a dependence on support from parastatal development corporations. As a result, the Provincial Departments of Agriculture and the parastatals need to phase out their assistance to farmer settlement schemes and phase in market-based support systems. On the demand side, this could involve the provision of transport subsidies to commercial input suppliers. On the supply side, this could involve brokering market access for products and building local marketing institutions.
- Production methods need to be critically reviewed in terms of their capital intensity. As is the case with levels of debt, the capital intensity of agricultural production needs to be matched to the payment capacity of farmers. Interested farmers and farmer institutions such as WUAs should have easy access to training in low cost production alternatives.

1.5 Transformation of commercial parastatal schemes

During apartheid, commercial agricultural schemes were constructed in the homelands. They functioned as ‘politically motivated demonstrations of benevolence’ and often served to bolster relations of patronage within the homeland system. As a result, they were often constructed at great cost, building high operation and maintenance costs into their production structure. Their historical productivity varied from case to case. They were managed by parastatal development corporations, which either collapsed after 1994 because of their drain on the fiscus, or were maintained through financial transfers from the Provincial Departments of Agriculture. Many of these schemes have been abandoned and the infrastructure has fallen into disrepair.

One such example is the Xonxa scheme in Eastern Cape, which was closed down in 1994, as it generated an annual turnover of R40 000, whilst incurring an annual government salary bill of about R36 million.

Consideration is now being given to the rehabilitation of these schemes: in the Northern Province, for instance, most of these commercial parastatal schemes are now earmarked for privatisation. In some cases, this involves transfer to workers, while in others it involves equity shareholding between investors, workers and landowners or communities.

Existing problems include the following:

- Lack of clarity on the position and options for the government-employed workforce on the schemes, which is often inflated both in terms of numbers and salary levels;
- Lack of entrepreneurial, management and conflict management skills among farmers or communities wishing to take over schemes;

- High rehabilitation and maintenance costs of existing infrastructure, requiring high turnover to achieve financial break-even level;
- Indebtedness of schemes;
- Awkward location of schemes in relation to input supply and market access; and
- Lack of clarity with respect to land tenure and infrastructure ownership.

It is proposed that:

- Intensive production training be provided to prospective farmers, as well as training in the fields of business skills, conflict management, and farm management;
- Institution building (the establishment of WUAs on collectively agreed principles) precede rehabilitation;
- In each case, the relevant government departments undertake to examine the opportunity costs of rehabilitation in comparison with:
 - (a) rehabilitating the scheme in ways that cut back on the capital intensity of production;
 - (b) possible other public expenditures in agricultural water use.

Policy also needs to investigate:

- A possible review of the moratorium on retrenchment of government workers for these schemes, tied to a shareholding system whereby workers can ‘buy’ out of schemes in return for their portion of the value of the scheme’s assets.

The challenge is to structure business ventures around the productive capacity on these schemes that would attract investment and expertise, while treating existing workers fairly and maximising benefits to the local communities in a socially, environmentally and economically sustainable way.

1.6 Land reform beneficiaries

A series of cases from the Eastern Cape Province point to serious problems with the handover of commercially viable properties in the context of the land reform programme. In the case of irrigation farms, land with water use allocations and/or irrigation infrastructure was bought by the Department of Land Affairs and allocated to a Communal Property Association (CPA). Almost without exception, these farms have run into problems in the sense that output is far below the productive potential. In many cases, the CPA has run up arrears with respect to water payments and loans, while production has dropped or come to a standstill.

Current problems include the following:

- lack of systematic support for the development of viable farming businesses;
- problems of production and profitability;
- high indebtedness of land reform beneficiaries; and
- internal farmer organisational problems and conflicts.

At least four groups of issues need to be dealt with at the policy level:

- Irrigation farming is the most complex and high risk form of modern agricultural production. Future and existing land reform beneficiaries with irrigation require specific training and mentoring (in agricultural production, farm business management and water use management) which need to systematically prepare them to take over the operation and management of these farms.
- Line departments should complement each other in the process of nurturing viable enterprise development. PDAs, DWAF, DPW and DTI could all contribute to different, but clearly agreed aspects.
- It would appear that in the cases described, debt levels are high while productivity is low. It can be questioned whether, had the beneficiaries had a full overview of the risks involved, they would have opted for a production strategy that requires a high level of production to cover existing overheads. At the policy level, more consideration may have to be given to creating a range of scenarios, each of which bear their own levels of risk, and allowing beneficiaries to select the risk levels with which they are willing to engage.
- The apparent high incidence of internal conflicts among beneficiaries of land reform projects needs to be acknowledged and studied to find common causes and design appropriate strategies for prevention and remedy.

1.7 Joint ventures

Historically, joint agricultural production between white and black South African farmers was a common phenomenon. However, while arrangements such as sharecropping, rental and labour tenancy were pervasive, joint ownership was rare.

Since 1994, more formalised joint ventures have been established, mostly in the Western Cape and other areas where high value agriculture is important to the local economy. These have usually been in the form of labour equity schemes, but examples are increasing of co-ownership and management by previously disadvantaged individuals.

Joint ventures offer an option for the transformation of commercial parastatal schemes and for the revitalisation of farmer settlement schemes.

In essence, joint ventures seek to leverage private sector expertise and capital for investment in business opportunities that simultaneously empower previously disadvantaged individuals. At present inequalities still exist between established commercial farmers and previously disadvantaged individuals seeking to enter commercial farming. However, by providing new farmer-entrepreneurs with title deeds to land, water use allocations, and a range of grants and subsidies, the state can improve the bargaining power of these entrepreneurs to enter into joint ventures. This in turn provides those with capital and infrastructure with real incentives to enter into joint venture arrangements.

CHAPTER 2

Mainstreaming the marginalised

2.1 Introduction

This chapter provides an overview of the interventions that are necessary to reverse the marginalisation of African farmers. In order to do this it first describes this marginalisation and then goes on to detail the areas in which government support is needed to 'mainstream the marginalised'. Whereas chapters three, four and five of this document provide the specifics of a *collective* government policy on agricultural water use, this chapter highlights a set of key changes to legislation and policy that are needed from *individual* line departments in order to facilitate integrated development.

A short history of marginalisation

The present marginal position of so-called non-whites in South African agriculture is not an accident, but is the product of a long and concerted period of dispossession and disempowerment that culminated in the apartheid period of the country's history. In the first decades of the last century, African farmers responded rapidly to the needs of burgeoning urban centres such as Kimberley and Johannesburg. They outcompeted large scale settler farming in many emerging agricultural markets, showing that neither western systems of private land tenure nor large scale farming were necessarily any better than African systems of tenure for life, or than African systems of small-scale intensive farming.

Even before apartheid, water law was structured in such a manner as to exclude African farmers from access to the bulk of the nation's water supplies. Competition for water resources existed within and amongst different white-controlled sectors of the economy, such as white farmers, municipal officials, mining companies, and the like. Non-white South Africans were excluded from participating in this competition through riparian law, which laid a link between land ownership and access to water. In 1913 the Natives Land Act, otherwise known as the 1913 Land Act, officially declared the overwhelming proportion of South Africa's land area to be out of bounds to potential black landowners, restricting them to so-called Native Reserves. This system of legal separation was consolidated in 1936 with the Native Trust and Land Act, and compounded after 1960 with the plethora of apartheid legislation. This restricted access to land for blacks worked hand in hand with water legislation to deprive the majority of the country's population from access to water for productive purposes. A tremendously influential court case was held in 1850 in which the judge pronounced that water was common to all riparian owners and, following the American example, should be shared proportionally amongst the landowners along the stream. This decision introduced riparian law into South Africa (see Vos 1978:3). Effectively, therefore, landowners also controlled the bulk of the water resources of the country, although the riparian principle had to be modified to accommodate the demands of non-riparians. A study carried out in 1994 estimated that 65% of the country's water was either private water or water obtained via historical rights - i.e. through land ownership. Sometimes black landowners were actively evicted from riparian land following its zoning as land for the settlement of poor whites. Black farmers suffered losses in productivity in moving from well-watered land to barren, dry land. This implied a strong deterioration in their economic position.

In addition to being evicted from land and losing access to water, African farmers were excluded from participation in institutions geared towards support for white agriculture. Thus white farmers were provided with access to credit through the Land Bank, access to irrigation infrastructure through the Irrigation Department, to inputs through cooperatives, to extension services, and to markets through the Marketing Boards. Being forced to produce on marginal land without access to such support and facing increasing population densities as a result of forced removals, African farming deteriorated, and much of the indigenous knowledge held a century ago was lost.

It should be recognised that irrigation, taken on its own, cannot be treated as a panacea for rural poverty. While it has considerable potential for poverty alleviation and enterprise development, rural poverty is extensive and its alleviation requires multiple interventions. Revitalising agricultural water use is therefore just one part of a broader integrated sustainable rural development strategy.

2.2 Major challenges facing the agricultural water use sector

The challenges facing resource poor farmers in the agricultural water use sector emerge from the discussions above. Agriculture is a complex and multi-faceted process requiring not only access to the factors of production and to markets for one's produce, but also access to the various kinds of knowledge which is necessary to produce and sell produce effectively in the context of modern agricultural production. Historically disadvantaged individuals have been deprived on all these fronts by the apartheid system, and as a result, mainstreaming the marginalised requires an integrated and sustained effort at re-empowerment on all these fronts. The following require attention in this regard:

- Enhanced access to *land* through land restitution, land redistribution and land tenure reform. Farmers have pointed out during the policy formulation process that the lack of access to land is a key stumbling block to agricultural development on a number of fronts. Firstly, both credit institutions and donors predicate their provision of support upon access to not only land but also to land titles. Secondly, lease opportunities cannot be fully explored without the provision of title deeds. Thirdly, personal investment in land is often held back by insecurity of tenure. The Department of Land Affairs needs to give consideration to the removal of legal obstacles to enhanced land tenure such as those in the State Land Disposal Act of 1961 and the Upgrading of Land Tenure Act of 1991. In the short term, however, consideration could be given to the recognition of PTO certificates as an interim measure. Together with the Department of Agriculture, the Department of Land Affairs also needs to give consideration to providing farmers who were in the past settled on farmer settlement schemes or employed by commercial parastatals with a stake in the land and other assets of the relevant scheme. This will enable such farmers to negotiate the terms of the new institutions at their service or to buy out on acceptable terms. Furthermore, the Department of Agriculture needs to give consideration to the development of an enabling policy on appropriate technology;
- Enhanced access to *water* through the provision of water use entitlements, physical access to water through appropriate infrastructure development or rehabilitation, and affordable irrigation water pricing structures. The Department of Water Affairs and Forestry needs to give consideration to the development of policy that will facilitate the establishment of Water User Associations that have a limited set of initial functions. This will enable a process whereby the management transfer of irrigation schemes can proceed in phases in response to the capacitation of farmers.
- Enhanced access to *markets* through improved marketing infrastructure (roads, telecommunications, electricity, product processing and value-adding facilities), farmer organisation, marketing institutions and market information. The Department of Public Works could give consideration to their role in embedding storage and processing / value adding facilities in agriculturally oriented Community Production Centres. The Department of Trade and Industry could give consideration to the provision of grants or subsidies for storage facilities and transportation ventures. The Department of Agriculture together with the Ministry of Finance needs to give consideration to a new vote of funds for the National Agricultural Marketing Council (NAMC) for the provision of strategic information support to the farming community. The NAMC, in turn, needs to give consideration to the development of a policy on the provision of targeted support to small-scale farmers seeking advice on marketable products and likely outlets;
- Enhanced access to *knowledge* through management support, extension officers, direct farmer training and farmer-to-farmer exchange; access to up to date information on policies, grants and subsidies. First, the Department of Agriculture needs to give consideration to a review of agricultural

extension. This should address the content of extension (as set out in chapter 5), the knowledge base of extension officers, the management of extension support, and the role of extension officers in Water User Associations. Second, a system needs to be developed through which farmers can ‘draw down’ the knowledge of agricultural research institutions. Third, the curricula of agricultural colleges need to be reviewed. Lastly, each Department needs to give consideration to the provision of management support to the project-level institutions whose emergence they have facilitated. This should be linked to management training that will enable the phasing out of such support over the longer term;

- Enhanced access to *credit* through creative collateral systems (not dependent on land title) and loans tailored to the phases of agricultural production of different crop categories. The Department of Trade and Industry could give consideration to the development of a targeted assistance package for entrepreneurs in agriculture and forward processing. Amongst other things, such a package would need to include the brokering of market access for produce and would need to have a strong gender component. The Land Bank could give consideration to ways in which the lead time between loan applications and a final decision could be reduced, as well as the introduction of methods of acknowledging receipt of credit applications from farmers;
- Access to *technology* that is appropriate to the scale of production and to the level of risk that farmers are prepared to take; technical support that is empowering.

Appropriate technology has been used in schemes such as Malenge in the Eastern Cape and this has proven to be more sustainable than the politically driven hi-tech ventures of the past.

- Improved demographic balance of the agriculturally active population. The agriculturally active population is ageing, while the *youth* in general tends to be negative about their career prospects in agriculture. The youth needs to be encouraged to take up agriculture as a profession. The Department of Education needs to give consideration to promoting school gardens and establishing farming clubs in which the challenges and rewards of agriculture can be made clear to the youth.
- Regulated and phased *management transfer* through systems sensitive to local weaknesses and responsive, enabling government.
- *Gender sensitive* policy. All initiatives in the field of small-scale agriculture need to recognise that the majority of small farmers are female. The lack of targeted interventions to remove the obstacles that women experience in obtaining land titles, training, grants and subsidies results in pro-status quo outcomes. All line departments and relevant civil society institutions need to identify and remove obstacles to greater participation and empowerment of women in agricultural water use. The criteria need to be in line with national policy on gender equity.

Clearly, the challenges of this sector require an integrated structure for decision-making. Institutions and processes need to be structured such that decisions on the release of grants and subsidies for particular interventions take account of the broad scope of needs listed above. At the same time, upliftment efforts need to take the risks of failure into account. The level of capital injection in any one project needs to be tailored to the farmers’ preparedness to take on the risk of indebtedness, and the scope of the project in question needs to be matched to the ambition of the farmers. Where practical, project implementation should enable farmers to start small and grow their enterprises systematically.

International experience confirms the need for intervention on the following fronts:

- The need to provide support on a wide range of fronts and not just in irrigation;
- The strategic importance of marketing support in creating viable enterprises;
- The potential for agribusiness to outsource production to small-scale producers; and
- The need to organise small-scale farmers for collective market access and to prevent both contract default and exploitation.

SECTION TWO: POLICY PROPOSALS

CHAPTER 3

The existing institutional framework

3.1 Background and discussion

This chapter describes the current institutions and programmes relevant to the implementation of a policy on small-scale agricultural water use. A number of line departments are presently involved in different developmental interventions in rural areas that are relevant to the revitalisation of agricultural water use. In the context of the integrated rural development process, the central purpose of this document is to set out the kinds of coordinated interventions that an integrated policy could contain. Before doing so, however, an analysis is needed of the existing parameters.

3.2 Key issues to be addressed

A number of issues need to be addressed through the development of a new institutional framework for policy implementation. While many high quality policy documents and pieces of legislation have been produced, the central challenge is now to ensure that these work together to uplift the rural poor. Agriculture is a multifaceted sector, requiring similarly multifaceted interventions from a variety of actors:

- it is relevant to the nation's health and welfare through nutrition and therefore affects the mandates of the Department of Health and the Department of Social Development;
- it requires secure land tenure and therefore affects the mandate of the Department of Land Affairs;
- it requires access to water and therefore affects the mandate of the Department of Water Affairs and Forestry;
- it requires the construction of infrastructure and therefore affects the mandate of the Department of Public Works and others;
- it requires support for agricultural production and therefore affects the mandate of the Departments of Agriculture;
- it requires credit and therefore affects the mandate of financial institutions, especially that of the Land Bank;
- it can impact significantly on the natural environment and therefore affects the mandate of the Department of Environmental Affairs and Tourism;
- it is a rural-based economic activity of prime importance to local economic development, involving SMME and export development, and therefore affects the mandate of the Department of Trade and Industry; and
- it requires support and coordinated delivery at local level, which is the domain of the Department of Provincial and Local Government, District Councils and Municipalities.

An acceptable format is thus required to coordinate the agricultural activities of these organisations. In general, none of these institutions can adequately achieve its goals without the full and timely support of the others and thus coordination is in the direct interests of all institutions. Coordinated decision-making can assist in the following:

- the creation of ‘one-stop shops’ for integrated decision-making on resource allocation and financial assistance for agricultural water use projects;
- the creation of rationalised and unified information provision to communities on government policies and available support structures;
- the creation of space for collective evaluation of government programmes;
- simplification of community application processes on the basis of agreed criteria and procedures;
- encouraging effective government responses to requests from civil society;
- acceleration of agrarian reform and its back-up with access to training, technology, water, credit, infrastructure and markets;
- diversification of the basis for collateral; and
- coordination of the activities of local support staff and available capacity in civil society.

3.3 Programmes of the various institutions involved in delivery

National structures and institutions

(a) Government structures

A number of government departments are involved in the delivery of infrastructure and services to the rural poor that could broadly be grouped under the heading of ‘agriculture’. Each department approaches agricultural projects from within the contours of its own particular mandate. As a result of efforts to coordinate these initiatives, a coordinating body has been created at national level in the form of the Coordinating Committee on Small-scale Irrigation Support (CCSIS). The CCSIS is a body composed primarily of senior officials in the various line departments related to small-scale irrigation¹. Civil society representation on the CCSIS, in particular by institutions representing farmers such as the National African Farmers’ Union, needs to be introduced.

The work of the CCSIS is strongly related to the following broad programmes that exist within the various line departments:

- In 1999 the Department of Water Affairs and Forestry developed a strategy for the provision of assistance to previously disadvantaged farmers. Amongst other things, local-level Water User Associations (WUAs) are eligible for infrastructure (capital cost) subsidies of up to R10 000 per hectare to a maximum 5 hectares or of R50 000 per individual, and for operational subsidies on government water schemes for a maximum of five years. The policy is for the provision of support to bulk infrastructure only, and it only applies to Water User Associations. Current policy does not consider other government-promoted local organisations such as Communal Property Associations or Community Production Centres eligible for access to the subsidy. Support must be based on on-site needs assessment and tailored to users’ needs. The implementation of the policy has been hampered by delays in the establishment of WUAs for small-scale farmers. In terms of the policies of the Department of Environmental Affairs and Tourism, such infrastructure development should be preceded by Environmental Impact Assessments.

¹ This includes Land Affairs, Agriculture, and Water Affairs and Forestry. Other participants are Public Works, the Land Bank, the National Agricultural Marketing Council, Agricultural Research Council, Water Research Commission and the Africa Office of the International Water Management Institute, which is based in South Africa.

It is recommended that the CCSIS promote access by all suitable local level institutions to the funding of line departments other than those which made provision for the establishment of these institutions. The objectives of this policy will be greatly supported if DWAF would finalise its policy and support for the establishment of separate WUAs for emerging farmers. Furthermore, all infrastructure development and rehabilitation need to be made subject to Environmental Impact Assessments.

- The National and Provincial Departments of Agriculture (NDA and PDAs) have several programmes emanating from the 1998 Discussion Document on Agriculture Policy in South Africa. At provincial level, there is a Community Projects Fund which serves to provide support to low income households in rural and peri-urban areas, as well as farmers falling under the Land Reform programme. This programme targets beneficiaries with an average monthly income of not more than R1 500, and 50% of project benefits should accrue to women. The grants, which amount to a maximum of R10 000 per beneficiary, are capital grants which can be used for both on-farm and off-farm infrastructure. Furthermore, the Department has launched a Special Programme on Food Security in collaboration with the FAO, focused on the nation's poorer provinces such as KwaZulu-Natal, the Eastern Cape, and the Northern Province. This programme, for which the technical cooperation document was signed in May 2000, will have an annual budget of some R33 million. It provides for both household food production and funding for those wishing to increase the scale of their production. Bound by the Agricultural Resources Conservation Act, it aims at enhanced water control through improved soil and water conservation, as well as irrigation management. This includes the possibility of rainwater harvesting. The Irrigation Improvement Scheme provides for a one-third subsidy to individual farmers, up to a maximum of R7 500, but the uptake has been very low. The Department is also running a Land Care Programme, sourced from the Poverty Relief Fund, which aims to encourage sustainable use of land, water and biological resources and to prevent further degradation of damaged areas. The programme operates on labour intensive principles, linking land care to job creation. It is composed of some 60 projects with a combined annual budget of about R20 million. The WaterCare programme, which focuses on irrigation scheme revitalisation in Northern Province, is funded through this programme. There is a need for national and provincial government to provide clarity on the operational mechanisms for the above programmes, such as the procedures for application by communities and the criteria for eligibility.

The Departments of Agriculture need to provide clarity on the operational mechanisms of their new funding programmes, with particular reference to the procedures for application by communities and the criteria for eligibility. The Irrigation Improvement Scheme needs to be reviewed to make it more responsive and accessible to small-scale farmers.

- The National Agricultural Marketing Council (NAMC) has embarked on a programme of creating free market environment awareness among small-scale farmers. The theme of the programme is 'demand driven production pays' to ensure that farmers are market oriented in their promotion approach. NAMC facilitates business relations between commercial farmers and small-scale farmers. Through this strategy small-scale farmers can benefit from resourceful, knowledgeable and market connected commercial farmers. Moreover, the NAMC through its enabling act should collect various industry data and intelligence and pass on to farmer organisations, and the National and Provincial Departments of Agriculture.

- The Department of Land Affairs (DLA) has launched a Land Redistribution for Agricultural Development (LRAD) programme, which is a subprogramme of its land redistribution programme. The programme offers grants for agricultural development to land redistribution beneficiaries on a sliding scale which links the size of a grant to the beneficiary's contribution in cash, labour or kind. The entry level of this grant is an own contribution of R5 000, which leverages a government grant of R20 000. As the beneficiary's contribution increases, so the ratio between his/her contribution and the grant decreases. At the top end, an own contribution of R400 000 is matched by a grant of R100 000. The Department of Land Affairs has set out clear procedures for implementation, which start with the farmer approaching a local agricultural officer with a contingent land sale contract entered into with the seller and evidence of the own contribution at his or her disposal. Regarding land tenure reform in the former TVBC states, the DLA is currently facing a legislative gap, which prevents land being transferred to citizens. The Upgrading of Land Tenure Act of 1991 and the State Land Disposal Act of 1961 place primacy on the role of the amakhosi with respect to land tenure reform in communal areas, such that the state cannot encroach on their role in these areas.

The Department of Land Affairs needs to give consideration to the removal of the legal obstacles to the transfer of land to farmers in a way which leaves intact the role of traditional authorities as the custodians of culture.

- The Department of Public Works (DPW) is implementing a Community Based Public Works Programme (CBPWP) which aims to create longer term employment opportunities in so-called Community Production Centres (CPCs). Agricultural development represents only a small portion of the budget of the DPW, falling within its Special Projects Fund: the department has a budget of some R374 million, of which R50 million is allocated to CPCs, only a small proportion of which are oriented towards agricultural production. Agriculture-based CPCs are farmer owned, and will have elected leadership. The Department of Public Works funds the capital costs of an infrastructure delivery project and provides the farmers with a start-up grant of up to 10% of total project costs. The level of this grant is currently subject to debate, as there are arguments in favour of raising the proportion of project cost that accrue to farmers as a start-up grant. Provincial planning of Public Works projects proceeds through a Provincial Coordinating Committee (PCC). While basic policy parameters such as production techniques are laid down at national level, agreements with Provincial Implementing Agents (PIAs) are based on district Integrated Development Plans (IDPs). While other departments are invited to the PCC meetings, the funding of and accountability for projects remain with the DPW.

The Department of Public Works needs to design its project approval processes in such a way as to include the deliberations in the provincial CCAWs in its process of consultation. At the CCAWs, the DPW can draw simultaneously on the expertise of a range of other departments with respect to access to water, access to land, access to agricultural expertise, etc. There are significant advantages in running projects through the CCAWs: red tape is cut, project success rate is likely to be higher, while it remains a DPW project in its identity.

- The Department of Health provides grants for community gardening in the context of its Integrated Nutrition Programme (INP). These grants do not have a fixed size but vary according to local needs and to provincial priorities. The grants are administered at provincial level and are essentially provided for the purpose of increasing household food security, although producers may choose to

market some of their produce. Typically the gardens are up to 10 hectare in size, and the proposals for such projects are administered by an INP Committee acting at the regional level. Currently the programme is expanding its focus on communities to include food production for clinics and schools.

Specific approval of this policy document is sought from the Department of Health. Just as is the case with the Department of Public Works, the Department of Health needs to design its project approval processes in such a way as to include the deliberations in the provincial CCAWs in its process of consultation. At the CCAWs, the Department of Health can draw simultaneously on the expertise of a range of other departments with respect to access to water, access to land, access to agricultural expertise, etc.

- The Land Bank is currently administering a 'Step-Up' programme which encourages emerging farmers to graduate from one level of investment in farming to another. The scheme is composed of a fourteen-step system in which timely repayment is rewarded by access to larger amounts of credit. The entry level (step one) requires self-payment of R50 to leverage a loan of R250, repayable in monthly installments over six months and bearing an interest rate of 3%. The highest step in this system is a loan of R18 000, repayable over 24 months. These loans are not necessarily tied to agricultural production and could be used for rural development investments in a very broad sense. In addition to the step-up programme, farmers at the Land Bank are assessed and placed into one of four risk categories. These categories run from bronze (high risk) to platinum (low risk). Emerging farmers are generally placed in the bronze category, in which they can borrow up to R25 000 unsecured (i.e. without collateral)². Access to credit may need to be enhanced by tapping the resources of already existing credit institutions located close to potential applicants.

Great benefit would be derived for the policy from the finalisation of the proposed agri-step-up loan which links credit provision to the seasonality of production, allowing loan repayment after harvest, rather than the normal monthly instalments. The Land Bank is also investigating a special product for smallholder irrigation farmers on irrigation schemes. It would be useful if the Land Bank could investigate the practicality of accredited training as a form of collateral for loans.

- In the realm of disaster management, the Department of Provincial and Local Government is responsible for a National Disaster Management Centre. The National Disaster Management Centre ratifies the line departments' reports of damage and obtains Treasury approval for funds.
- The Integrated Sustainable Rural Development Strategy (ISRDS), now the Integrated Rural Development Program (IRDP), is an integrated and holistic rural development strategy launched in November 2000 from the office of the President. It is designed to coordinate the developmental investments of the various line departments through the newly demarcated local government structures. Key areas of investment are likely to be institution building, local capacity building, and research and knowledge. It is envisaged that communities will in future be able to access a range of government services and grants through an integrated 'basket' situated at the District Council level. District Municipalities are required to provide a prioritised list of needs to be funded out of the

² This kind of loan bears an interest rate of 17%, with a penalty/discount system that adds 4% on top of this interest rate to farmers who are tardy with their payments and rewards early repayment with a 4% discount.

basket. Where District implementation capacity is lacking, funds can be released by DPLG for this purpose. The DPLG has a budget of some R20 million for capacity building in the delivery nodes of the IRDP, extending from the district head offices down to the most localised levels. This amounts to some R3 million per node.

IRDP coordinators need to assess this document in terms of both its alignment with the programme and its suitability as a pilot exercise.

(b) Institutions in Civil Society

In a democracy such as that in South Africa, civil society gives government a mandate to provide public goods. In a strong democracy, this occurs not only through the mandate provided during elections, it also occurs through the ongoing exchange of views between civil society and the state on a range of issues. In the realm of agricultural water use, therefore, institutional conduits need to be created for exchanges between government and civil society on the nature of the delivery effort. For instance, as mentioned in section 1.4.3 above, the technical revitalisation of irrigation schemes need to follow a period of community vision building and development planning which sets the parameters for rehabilitation. Here the government is playing an enabling role, facilitating vision building and acting on the outcomes of this process. Also, separate policies and institutional mechanisms need to be created for partnerships between government and civil society in the delivery effort³. Conversely, government needs to monitor whether such institutions remain accountable to those they are serving in the same way that government is accountable to the citizenry.

Aside from representative institutions, a wide range of professional civil society institutions are involved in a range of initiatives among the rural poor. Where information is needed for government decision-making, it is important to recognise that many NGOs and Civil Society Organisations (CSOs) conduct important research to monitor and evaluate the implementation of government programmes.

(c) Policy transmission

Policy of all kinds, once developed, needs to be transmitted to the citizenry in order to raise awareness about government programmes and services. The poor in particular require a communication strategy that is geared to their needs and lifestyle. Consideration needs to be given to the following aspects of transmission:

- a media strategy, communicating the availability of grants and funding over the radio⁴ in all official languages. This service could also be provided by local extension officers ;
- mobile provincial information centres, which visit schemes and groups of individual producers to provide information on grants and funding, assist with the submission of applications, and gather information on implementation for government.

The Department of Agriculture, in cooperation with the Government Communication and Information System, needs to develop a policy communication strategy for agricultural water use.

³ Of particular importance in this regard are the organisations for whom farmers' interests are of direct importance, such as the National African Farmers Union (NAFU), the range of NGOs and church groups working among the rural poor, women's groups, and the various rural stokvels and societies of which the rural poor are members.

⁴ Radio is a cheap form of access to public information, and as a result its usage is widespread among the poor.

Provincial Structures and Institutions

To date two types of organisations have been created which explicitly provide the institutional basis for the integrated planning of agricultural water use projects at the intermediate level. These are the provincial Irrigation Action Committees and Catchment Management Agencies at river basin level. If coordinated interdepartmental planning of agricultural water use is to take place at the intermediate level, clearly these two institutions will form the point of departure.

(a) Irrigation Action Committees

Provincial Irrigation Action Committees (IACs) have existed for a protracted period of time and have built up substantial experience with respect to the provision of grants for the development of sustainable irrigation projects. Importantly, the provincial IACs have historically demonstrated their ability to coordinate the decision-making of a number of related government departments to effect streamlined delivery. IAC meetings have mostly been convened and chaired by the Provincial Departments of Agriculture⁵. A key to the IACs' success in achieving integration is the fact that the meetings brought together senior officials from the relevant national and provincial departments, most of whom had decision-making powers. As a result, decisions taken by the committee had binding status and could be implemented effectively and efficiently.

However, until now the provincial IACs tended to function with a core group which mostly elicited participation from the National and Provincial Departments of Agriculture and the Department of Water Affairs and Forestry. In some provinces, participation now includes the Department of Land Affairs. In order to achieve fully integrated planning of agricultural water use, the membership needs to be expanded to include the initiatives of amongst others the Department of Environmental Affairs and Tourism, the Public Works Department and the Department of Health, as and when these become involved in an agricultural water use project. In addition, a desire has been expressed for the IACs to be informed of the initiatives of various donors that affect hydrology and other key aspects of planning.

It is proposed that the IACs be transformed into Coordinating Committees on Agricultural Water Use (CCAWs) to cover the extension of their tasks beyond irrigation schemes into agricultural water use.

For the mutual benefit of all departments, it is proposed that henceforth no agricultural water use projects go ahead unless recommended by the relevant provincial CCAWs. In terms of the functions of the CCAWs, it is proposed that the responsibility for ensuring that communities are made fully aware of the range of grants and subsidies available to them from the various departments also be located at the provincial CCAWs. The NDA, DWAF and PDAs need to give consideration to the rejuvenation of those provincial IACs or CCAWs which are no longer active and to establish new CCAWs in those provinces where they do not yet exist.

Such an expansion in scope would of course increase the workload of the CCAWs, and measures would have to be taken to ensure that the institution does not lose its historical effectiveness.

⁵ The success of the IACs lies in part in the fact that although the initiatives undertaken are essentially interdepartmental, the facilitation of the events has a home in one of the participating departments.

It is proposed that CCAWs be enabled to appoint a technical secretary to reduce the workload on the CCAW chairperson, to follow-up on CCAW decisions and ensure effective liaison between CCAW members between meetings.

For the medium term, it is proposed that the preparation of applications relating to small-scale irrigation for household food security and Small, Medium and Micro Enterprise development be devolved to the District level.

This will assist provincial CCAWs in areas in which they have no historical capacity. However, national and provincial departments may have to provide assistance to Districts to enable them to build this capacity at the local level. This means that over the longer term, CCAWs will become technical advisory committees available to District Councils or Municipalities for support in the planning of agricultural water use.

It is proposed that the Department of Agriculture, in collaboration with DPLG develop guidelines for the inclusion of an Agricultural Chapter in the Integrated Development Plans of District Councils.

(b) Catchment Management Agencies

Water resources are henceforth to be managed by some 19 Catchment Management Agencies (CMAs) which are delineated by natural rather than political boundaries. Water allocation for local economic development initiatives in Districts, including agricultural water use projects, will be the responsibility of the CMAs. CMAs are intended to be developmental in nature and serve the interests of equity, corrective action and optimal use of water. The CMAs are responsible for issuing of water abstraction licenses, and they have to do so against a background of structural disempowerment of black farmers in access to water: conscious efforts will be necessary to ensure that water reform is carried through and that inequitable access is redressed. Because CMAs are to have a developmental wing, it is proposed that they act as ancillaries to the district-level initiatives mentioned above, particularly in assisting emerging WUAs and individual households to submit well-developed proposals to the relevant CCAW.

A structure being proposed at sub-CMA level, is Small-scale Water User Forums (SWUFs) that would enable WUAs and other community groups which are physically close to each other, to group together. These local fora could nominate two individuals – one male and one female – to sit on a Catchment Management sub-Committee. This organisation in turn may nominate two individuals to sit on a small-scale water users' subcommittee of the CMA. Developmental and support activities may be based at an operational "Small-scale Water Users' Support Office" in the CMA offices.

It is proposed that these structures facilitate the development of proposals at community level and act as a conduit for these proposals to the relevant CCAW.

Community Based Structures and Institutions

There is currently a plethora of grassroots institutional vehicles through which communities can access government assistance. These include Water User Associations, Communal Property Associations, Trusts and Community Production Centres. Each institutional vehicle was created respectively through legislation in the Department of Water Affairs and Forestry, the Department of Land Affairs, the Department of Agriculture and Public Works Department. While these institutions were in the first

instance formed in order to channel the funds of the relevant line departments into community projects, there is currently inadequate recognition between departments of each other's form of grassroots institution. For instance, a CPA created through Land Affairs does not qualify for the DWAF subsidy scheme.

It is proposed that these institutions be enabled to effectively interface and access support from a range of government departments simultaneously.

There is a need from all departments to provide sustained management support during the early years of any one project, coupled to capacity building initiatives that will ensure the sustainability of these local institutions over the longer term.

(a) Water User Associations

Water User Associations (WUAs) are institutions that are provided for under the National Water Act (Act 36 of 1998). WUAs are institutions of civil society that are established for the mutual benefit of a group of individual water users. The central feature of WUAs is common utilisation of water: generally a WUA would be associated with a collective water supply infrastructure of some kind, the management and operation of which serves the needs of each member of the association. WUAs, District Councils and the proposed Small-scale Water Users' Forums should become a voice for the poor in the Catchment Management Agencies (CMAs), supported by developmental chapters in the CMAs' catchment management strategies.

DWAF policy and support for the establishment of separate WUAs for small-scale water users should enable the quick establishment of small WUAs with minimal initial functions, and provide that further functions be enacted as the WUAs gain capacity. Model constitutions should be drafted as a matter of urgency for typical situations, e.g. for (i) smallholder irrigation schemes, (ii) communal food gardens, (iii) integrated water sharing in rural villages, and (iv) 'umbrella' WUAs. A concise, user-friendly guideline needs to be developed in several languages to guide rural groups through the process of establishing their WUA.

Regular monitoring and evaluation of the functioning of WUAs needs to be undertaken by the Department of Water Affairs and Forestry, as WUAs are important institutions in the context of this policy document.

(b) Community Production Centers

Public Works Department (PWD) envisages the establishment of Community Production Centres (CPCs) through which a broad range of production activities can be stimulated, controlled by communities, and linked to the market. CPCs are expected to be primarily oriented towards agricultural production. The role of PWD is to provide grant funding for the creation of social and productive assets and to deliver the infrastructure, but expertise from other departments such as the National and Provincial Departments of Agriculture for instance is needed to tailor CPCs to the specific resource and market characteristics of each area.

(c) Communal Property Associations

These institutions were enabled under the Communal Property Associations Act, Act no. 28 of 1996. Communal Property Associations (CPAs) provide an institutional vehicle through which communities

benefiting from land restitution and land reform can hold land and manage it on principles beholden to a constitution. There are currently more than 150 registered CPAs in the country.

(d) Community Trusts

In the Eastern Cape, the Provincial Department of Agriculture and Land Affairs has experimented with the creation of Community Trusts to transfer agricultural assets from government to communities.

(e) Cooperatives

The Department of Agriculture has initiated a process to review legislation on Cooperative Development. This process is in the early stages, but is expected to provide another vehicle for joint action by grassroots interest groups.

(f) Section 21 Non-profit companies

In the absence of suitable alternatives, some community interest groups have opted to establish Section 21 companies (not for profit) through which to effect joint management of their affairs. For instance, the Rural Women Association at Apél in Northern Province has been operating in this way since 1991. At the time, they needed to establish a recognised legal body through which they could receive donor funding and enter into contracts with service providers, such as ESKOM.

CHAPTER 4

Financial delivery mechanisms

This chapter sets out a number of proposals for financial management policies in support of interventions in small-scale agricultural water use. Ultimately, these financial systems are aimed at lowering the obstacles to farmer investment in access to land, water, technology, knowledge and markets.

4.1 Background and Discussion

The central goal of financial delivery mechanisms for agricultural water use by resource poor farmers, is to redirect capital flows so as to address equity issues within the broader framework of agricultural policy. Whereas the first decades of the 20th century saw a boom in agricultural productivity among South Africa's African farmers in response to the needs of the rapidly expanding urban areas, prolonged and systematic dispossession have eroded local agricultural knowledge and removed the resource base on which productivity rested. Just as it took prolonged discrimination to bring down African farming, so a prolonged investment in its revitalisation will be needed to 'turn around the supertanker' in such a way as to facilitate the re-entry of the rural poor into mainstream society. This chapter puts forward a number of proposals for financial interventions that are designed to achieve this aim.

4.1.1 Types of investment

A key theme in infrastructure development is the relationship between *capital investments* required to create public assets such as irrigation infrastructure, and the *recurrent costs* inherent in the utilisation of such infrastructure. Much deliberation needs to go into questions around whether initial investments will create the conditions that enable the payment of recurrent costs. The financial sustainability of projects is largely dependent on the accuracy of this thinking.

In under-resourced areas, state investments in infrastructure development usually account for the greater part of investments in infrastructure, with resources being leveraged from the private sector and/or from beneficiary communities in some cases. Thus in the realm of poverty reduction, the main responsibility for most kinds of infrastructure development lies with the state.

In the area of recurrent costs, however, there is an increasing emphasis on achieving cost recovery from project beneficiaries. In rural areas, the ratio between recurrent costs and initial investments in public infrastructure can vary between 0.08 and 0.43. A low ratio is favourable because it reduces the risks of system decline through low cost recovery. As a result, the planning of developmental interventions needs to include a realistic assessment of each proposed intervention in terms of the likelihood of project beneficiaries' ability to sustain system maintenance over the long term.

There is a wide range of interventions in agricultural water use, ranging from non-market household food production on the one hand to large-scale irrigation schemes on the other, and each bears its own typical ratios of recurrent costs to initial investment. In general, it can be argued, 'small is beautiful', as the risks and initial investment are low while the number of potential beneficiaries is high. However this does not mean that enterprises which bear greater risk cannot also yield greater benefits: if well managed, high capital intensity irrigation schemes can yield high profit margins.

All departments need to develop appropriate technology packages that provide farmers with low risk options in agricultural water use.

4.2 The role of National government

The main role of central government is to provide clarity on policy, in particular with respect to the mechanisms for interdepartmental coordination. This relates directly to the spending of departmental funds, as it is through the interlinking of departmental initiatives that sustainable interventions can be created. However, each policy process needs a champion, and in this case it is the Department of Agriculture. The budget of this Department needs to be increased in proportion to the increase in tasks that this policy document brings with it.

The Department of Agriculture will be the champion of integrated activities in the agricultural water use sector, and its budget needs to be increased in order to enable it to carry out this role.

4.2.1 Costs of staffing and staff training

Policy will entail an expansion in the scope of interventions in agricultural water use beyond the current support for irrigation schemes, to include small-scale agricultural water use techniques applicable to SMMEs and household production for food security. Chapter Five below mentions a corresponding need for the training of existing relevant staff members and/or the appointment of new staff such that this leg of policy can be addressed adequately. It also mentions the need for a diversification of the existing skills base to include social science disciplines. In the case of new appointments, approval for the creation of new posts needs to be sought from the Director General and the Public Service Commission before seeking budget approval. In the case of the retraining of existing staff members, budget approval is required.

4.2.2 Funding for farmer training programme

The farmer training aspects of the WaterCare programme has been reported to have had tremendous impact on the production levels and profitability of participating farmers. Adequate budget provision needs to be devoted to a comprehensive farmer training and support programme, ensuring access to training by all small-scale agricultural water users - not only on schemes earmarked for revitalisation.

The Department of Agriculture needs to make financial provision for a comprehensive farmer training and support programme.

4.2.3 Integrating funding decisions

A wide range of support initiatives exist within the various line departments which enable funding to be released for various purposes that are broadly developmental and targeted at resource poor agriculture. These include:

- Infrastructure and agricultural input support of R200 to R3 000 per household administered through the Special Programme for Food Security, administered by the Department of Agriculture;
- A sliding-scale farm establishment subsidy offering between R20 000 and R100 000 as the beneficiary's own contribution increases, as a start-up grant for farmers provided with land under the

land restitution for agricultural development (LRAD) programme, or farmers wishing to directly purchase land. This programme is administered by DLA;

- Capital subsidies for bulk water supply development by Water User Associations of up to R10 000 per hectare to a maximum of R50 000 per farmer, administered by DWAF;
- Individual irrigation equipment subsidies under the Irrigation Improvement Scheme of up to R7 500, administered by the PDAs;
- Support for the development of Community Production Centers (CPCs) under the Community Based Public Works Programme, administered by PWD; and
- Support (both training and finance) for small, medium and micro enterprise development from the Department of Trade and Industry

National policy needs to provide mechanisms for the coordinated implementation of such grants and subsidies. It is proposed (in chapter three) that where agricultural water use is envisaged, such initiatives require recommendation from provincial Coordinating Committees on Agricultural Water (CCAW) before implementation. Where household food security or SMME development is concerned, the involvement of District Agricultural Water Officials would also be required. In general, it is proposed that the financial burden of investing in irrigated agriculture be borne at the national level rather than by local authorities.

The spending of individual departments is independent and subject to its own policies, but these projects also require a recommendation from the CCAWs before implementation.

4.2.4 Financial support for district planning

Chapters Three and Five argue in favour of capacity building efforts at the District level, particularly in relation to the ability of District Councils to provide support to communities in project planning. In the realm of support for agricultural water usage, technical support of various kinds is needed to assist District Councils to incorporate agricultural water use projects into their development planning. It is proposed that funds be made available to provincial Coordinating Committees on Agricultural Water (CCAW) towards a research fund that will enable the CCAW to call in the assistance of independent research institutions and other specialists for feasibility studies and participatory community project formulation exercises.

The Department of Agriculture needs to make financial provision for the research funds of the various CCAWs.

4.2.5 Financial allocations for policy transmission

Section 3.2 above indicated the need for a media strategy, communicating the availability of grants and funding over the radio in all official languages, as well as the establishment of mobile provincial information centres. A financial allocation needs to be voted for these purposes at national level.

A financial allocation is required from treasury for the joint production and implementation of a policy transmission strategy by the Department of Agriculture and GCIS.

4.2.6 Credit policy: farmers and WUAs

There is no national policy specifically dealing with credit provision to small farmers. This means that formal credit provision is subject to the policies of individual banks. A need has been identified for the

review of the credit policies of the Land Bank and other financial institutions providing services to small-scale farmers. In particular, the timing of credit provision has been identified as problematic for small farmers, who need forms of credit which are geared to the agrarian production cycle. This requires recognition of the fact that farmers need credit at the beginning of a season and can only realistically begin to repay such credit after a harvest. Similarly, a need has been identified for credit systems which recognise that the time required for the realisation of profits in agricultural production differs between crop types (e.g. fruit trees and maize). Furthermore, a need has been identified for the diversification of the basis for collateral away from a singular dependence on land. For instance, the moveable assets that farmers have at their disposal could be a viable alternative to land-based collateral. Completion of accredited training courses in agricultural production, marketing and business management as well as recognised mentorships need to be investigated as factors in the 'bankability' of farmers. Both the informal credit sector and formal credit options for SMMEs need to be explored to broaden credit access by small-scale farmers.

Innovative options for collateral and alternative options for production credit for small-scale farmers need to be explored and communicated.

Different to the Irrigation Boards established under the old Water Act of 1956, the new WUAs have the status of a legal person. Therefore, WUAs can enter into contracts and loan agreements independently, whereas the old IBs needed special permission from the Minister. Despite their new legal status, the credit needs of WUAs for scheme improvements may remain a problem, because their assets are not readily marketable and thus not accepted as collateral. Government loan guarantees have been used in the past, but are not favoured by Treasury.

4.3 The role of Provincial government

4.3.1 Costs of staffing and staff training

Just as is the case at national level, the expansion in scope of interventions in agricultural water use and the expansion in academic disciplines required to participate in these interventions requires the training of existing relevant staff members and/or the appointment of new staff. In the case of new appointments, approval needs to be sought from the Director General and the Public Service Commission before seeking budget approval. Budget approval is also required for the retraining of existing staff members.

The National and Provincial Departments of Agriculture need to budget for the training of existing staff members and for the appointment of new staff in support of this policy.

4.3.2 Integrated decision-making on investments

Chapter Three proposed a lead role for the provincial Coordinating Committees on Agricultural Water (CCAWs) in providing an integrated framework for decision-making on public investments in small-scale agricultural water use.

- Practically, departments will use the CCAWs meetings as a planning forum to coordinate their annual budget allocations to Districts for agricultural water use initiatives.

- Each department will retain the responsibility for its core set of grants and subsidies, yet considerable integrative force will be achieved by stipulating that small-scale irrigation interventions should not go ahead unless they have been recommended by a provincial CCAW.
- The Department of Agriculture should be seen as the funding arm of the CCAWs, i.e. for activities such as the funding of feasibility studies, an CCAW technical secretariat, and specific training or policy transmission initiatives.

The Department of Agriculture should be seen as the funding arm of the CCAWs where information is required in relation to upcoming projects.

4.3.3 Sustainable project financing

A number of problems arise if project budgeting is not based on multi-year allocations. First, energies can be drawn away from project implementation and towards the production of reports and other end-products towards financial year ends. This results in rushed implementation or projects stopping and starting again intermittently, depending on whether funding is approved for another year or not. Within the project itself, this can draw the attention of project implementers away from the long view on project planning and it serves to place the emphasis on the achievement of short term goals. Consultation with communities on key project issues, for instance, takes time, which may not be available within the framework of single-year budgets. The solution to these problems is to enable multi-year budgeting at project level, supported in turn by provision for this at programme level.

All line departments with representation on provincial CCAWs need to introduce multi-year budgeting to enhance the sustainability of their projects.

4.4 Finances at Local government and Project level

4.4.1 Costs of staffing and staff training

Chapter Five below proposes the appointment of grassroots Agricultural Water Officials at the District level. Ideally, these staff members need to be appointed by the District Council and should report to local government structures. However, the resources may not be available in local government to enable such appointments to be made, in which case the Provincial Departments of Agriculture may have to appoint or nominate provincial facilitators to serve on secondment to the various districts. In this case, costs of appointment will accrue to the provincial departments. In either case, these officials will need to be trained to fulfill their new role in the implementation of this policy. Adequate management support for these officials will be essential.

The Department of Agriculture will facilitate the appointment and training of District Agricultural Water Officials to help draft an agricultural chapter in the District Council's IDPs and help farmers access district services baskets. The Department of Agriculture and the District Council will cooperate to ensure adequate management support for these staff. Sufficient funding and management capacity within District Councils is essential for these responsibilities to be devolved.

4.4.2 Finance in line with Integrated Sustainable Rural Development

Revitalised agricultural water use and improved agricultural productivity amongst smallholders is a sub-component of broader rural upliftment strategies. Current policy on integrated sustainable rural

development intends to create socially cohesive and stable rural communities through a ten-year plan that does not encroach on policy itself but provides an institutional vehicle for the coordination of departmental intervention strategies. In essence, agricultural water use policy for resource poor agriculture shares the same goal of achieving interdepartmental coordination for rural upliftment. Policies on crop water management, rainwater harvesting, conservation tillage, mulching, small-scale irrigation and water for livestock need to be integrated into this broader framework if policy is to be effective. As a result it is envisaged that grants and subsidies for agricultural water use by small-scale farmers will be located in the basket of services provided at District development nodes. The line departments' commitments to local expenditure envelopes could thus be accessed through the Integrated Development Planning process.

Starting in selected priority nodes of the IRDP, the Departments of Agriculture, through the CCAWs, need to assist local authorities in developing an agricultural chapter of their IDPs.

4.4.3 Sustainable project financing

At the project level, five types of financial mechanism hold the potential of enhancing project sustainability. These are described below.

(a) Community Contributions

The poor have limited options and often agree to schemes out of desperation, even if, given a range of choices, their priorities would have lain elsewhere. If this happens, project sustainability can be compromised. An effective way of testing genuine commitment, is to expect a contribution up front from the community towards the capital costs of a scheme, either in cash or in the form of labour. This helps ensure that project initiation lies with the community rather than with government or donors. Such checks and balances slow down delivery, but improve the chances of project sustainability.

(b) Training and capacity building on projects

The sustainability of any agricultural project is directly related to the ability of the farmers to derive profit from its use, and on the ability to operate and maintain the project in good order. In the former context of government-driven farming and project management, the training and capacity building of farmers and farmer-controlled scheme management was absent, with serious consequences for the sector.

Each department needs to devote a portion of project funding (typically 10-40%) to training and capacity building, both to enhance farmers' production and business skills and to develop sustainable scheme management.

(c) Monitoring and Evaluation of Project Finances

The provision of project finances is often based on a set of assumptions about the ways in which such finances will enhance the success of a project. These assumptions, however, need to be tested in practice and fed back into policy. If this is done, project sustainability can be expected to increase over time.

Each department needs to devote a portion of its programme funding to the monitoring and evaluation of project finances.

(d) Rewarding initiative

Funds will be more sustainably invested where they follow existing community or individual initiatives. A supply-driven approach undermines sustainability because a response is evoked as a result of the availability of funds rather than because of existing local will to invest time and energy in a project.

(e) Endowment-Driven Development

Many non-profit organisations such as associations, trusts, and foundations are created by or on behalf of project beneficiaries for developmental purposes and are value driven. These organisations are often largely dependent on outside contributions for their financial survival. An increasingly popular way out of this dilemma is the concept of endowment driven development, whereby the core activities of organisations are funded from the interest earned on an endowment, which the organisation has built up over time. Such endowments provide a sustainable source of funds for value-driven work.

Recently, PWD has started experimenting with the concept of government investment in community endowments, which enables communities to plan and fund their own development priorities. In an Eastern Cape smallholder irrigation scheme, the interest on such an endowment has been employed to provide production loans to farmers in the community. This mechanism needs to be evaluated and applied more broadly under agreed conditions if it is proved to enable local economic revitalisation to take place.

CHAPTER 5

Staffing, capacity building and training

The availability of adequate human resources and the application of appropriate knowledge are both fundamental to the implementation of agricultural revitalisation strategies. During the previous political dispensation, government support was locked into the service of large-scale commercial agriculture, as a result of which the current skills base in the civil service is not appropriate to the provision of support to small-scale farmers. At the same time, those limited past initiatives which sought to transfer skills to small-scale farmers (such as in the former homelands) tended to view farmers as passive subjects of engineers' development strategies rather than as knowledgeable and capable actors in need of supportive government interventions. As a result of these factors, new initiatives are required in the field of staffing and capacity building that can act in support of local economic revitalisation.

5.1 General Staffing Requirements

In order to create a civil service geared to the provision of support for small-scale agriculture, a number of interventions are required:

- The skills base of current staff in the three spheres of government requires broadening, either through the re-skilling of existing staff members, or through the appointment of new staff with complementary expertise.
- Broadly speaking, the social sciences and economic disciplines appear to be strongly underrepresented. The key areas in which additional capacity is required are development/poverty studies, sociology and small, medium and micro enterprise development;
- In accordance with the principles of Batho Pele, commitments from staff and managers are required to the creation of a public service that is professional, efficient and responsive.

5.2 Specific Staffing Requirements

5.2.1 National government

Broadly speaking, the revitalisation of the agricultural water use sector can be reduced to two sets of activities. On the one hand, it involves the revitalisation of relatively large and capital intensive irrigation schemes initiated during the apartheid era. On the other hand, it involves an expansion into small-scale, low cost agricultural water use techniques such as rainwater harvesting and traditional organic production techniques. While, at national level, technical expertise exists on the former, little expertise exists on the latter. There is therefore a need for re-skilling of existing relevant staff members and/or the appointment of new staff such that this leg of policy can be addressed at the national level. This is most important in those line departments which could conceivably provide direct funding for small-scale agricultural production, such as the Department of Water Affairs and Forestry, the Department of Agriculture, the Department of Public Works, and the Department of Health.

In embarking upon the revitalisation of both commercial parastatal schemes and farmer settlement schemes, the focus needs to be shifted from questions of technical design to questions of institutional

design and economic profitability. At the national level, therefore, skills need to be developed or staff appointed such that this shift in emphasis can be effectuated. This aspect is particularly relevant to the Department of Agriculture.

The following appointments are needed in the various national departments:

Departments of Agriculture (National, Provincial and District)

- *Appointment of and management support for District Agricultural Water Officials with skills in small-scale agricultural production suited to the needs of SMMEs and those involved in household food production.*

Department of Trade and Industry (DTI)

- *Appointment of District Officers able to provide or facilitate training in financial management and marketing, as well as facilitate applications for grants and subsidies.*

Department of Water Affairs and Forestry (DWAF)

- *Appointment or nomination of a staff member specifically tasked with institutional and training support to Water User Associations (WUAs).*

Public Works Department (PWD)

- *identification of staff responsible for the integration of the CPC program within the broader activities of the CCAWs – allocation of budgets, approval of projects, interaction with CCAWs.*

Department of Health (DH)

- *identification of staff responsible for the integration of the Integrated Nutrition Programme within the broader activities of the CCAWs – allocation of budgets, approval of projects, interaction with CCAWs.*

Department of Provincial and Local Government (DPLG)

- *liaison with District Councils in relation to the creation of competencies in small-scale agricultural water use.*

5.2.2 Provincial government

Just as is the case at national level, there is a dearth of capacity with respect to the provision of support for the needs of the small-scale agricultural water use sector. The same is true of capacity for the provision of support to the institutional and economic needs of revitalised farmer settlement and parastatal commercial schemes. This has several policy consequences, namely:

- The restructured Irrigation Action Committees, to be called Coordinating Committees on Agricultural Water (CCAWs), need to be critically appraised with respect to the breakdown of academic disciplines represented.

Where community development initiatives require a more balanced set of skills than that available in the CCAW or local government, the PDA should ensure that such skills (economics,

sociology, development studies, gender studies) are brought in for project planning and implementation.

5.2.3 Local government

Because of the generalised current shift in government emphasis towards local government as the point of service delivery, it is important to ensure that each sector has sufficient staff and capacity to take on the new tasks expected of it. In the agricultural water use sector it is proposed that:

- *staff, in the form of grassroots facilitators, be appointed at the district level. These staff members should have specific knowledge of small-scale farming, small, medium and micro enterprise development, facilitation, and basic technical design. Their knowledge should complement the expertise in large scale irrigation systems held at provincial level. The training of such facilitators could be arranged in line with the model used by the highly successful, nine-week 'Queenstown courses';*

In the early 1950s the Department of Agriculture initiated the so-called Queenstown courses to overcome the dearth of technicians to implement a major government soil conservation programme. In nine week courses, matriculants were equipped with the basic technical skills necessary to survey, plan and implement soil conservation works. Course graduates were in such demand from related sectors (roads, rural development, consulting firms), that only about a quarter of them were eventually actually employed by the Department. The course material was equally popular, with requests from local consultants and neighbouring countries as far north as Zambia. Many graduates proceeded quickly into management positions and several are currently serving as city engineers in rural towns around South Africa. Most importantly, though, a skills base was rapidly broadened for effective implementation of the soil conservation programme.

- *these staff be assigned to convene meetings of new 'District CCAWs', whose function will be to directly assist communities/farmers/groups in preparing project proposals for submission to provincial CCAWs, as well as to inform communities of the policies, grants and subsidies made available by the various government departments in the realm of agricultural development.*

5.3 Skills, research and training in civil society

Government capacity and budgets are inherently limited, and delivery cannot depend on the efforts of government alone. Furthermore, the deepening of democracy and good governance requires the institutionalisation of relations between government and civil society.

5.3.1 Farmer Training

While in the past training at agricultural colleges have tended to focus on the skills of extension officers, the ultimate goal of such training is to provide farmers with the skills needed to enhance productivity and promote sustainable agricultural development. The direct training of farmers is therefore an efficient means of boosting agricultural production and a valuable potential use of capacity at the agricultural colleges. Such training needs to take account of the following:

- In agriculture, *know-how* (capacity building) is as important as *knowledge* (training);
- Both knowledge and know-how is most effectively transferred in the context of a development strategy developed in collaboration with the farmers and their communities;

- The direct training needs of farmers need to be communicated to trainers through a participatory development approach such as the vision building exercises that should precede revitalisation efforts, the development of SMME business plans or food garden initiatives;
- In the modern economy, knowledge is an important resource. There is a need for financial institutions to recognise knowledge as a (partial) substitute for collateral in the consideration of loan applications;
- There is a need to incorporate proven successful production training approaches and content (e.g. recent Northern Province training in the WaterCare program) into the curricula of agricultural colleges and other training institutions;
- A review is needed of the curricula of agricultural colleges to broaden skills of extension officers and to include direct training of resource limited farmers;
- Farmers often encounter practical obstacles to leaving their work behind: for instance many women who juggle agriculture with a range of other tasks. Therefore training needs to be on-site and sensitive to farmers' time constraints;
- In addition to agricultural production skills, curricula need to incorporate business training, marketing skills, conflict management, gender analysis, and the management of a WUA as an institution;
- The new curricula require development, recognition and accreditation under SAQA and the NQF, leading to career paths such as Water Conservation Coordinators (WUA staff);
- Pathways need to be designed to ensure access to training by interested farmers, existing extension staff and a new generation of agricultural service providers; and
- Mechanisms for monitoring and evaluation of training and development approaches need to be developed that will ensure a nationwide sharing of experiences.

The Department of Agriculture needs to develop a farmer training programme for farmers both within and outside the context of agricultural schemes. This training should be pegged as a percentage of project budgets and needs to include both production methods and business skills. As far as possible, training should be on-site.

Specific incentives need to be put in place to induce established farmers to share their skills and resources with small-scale farmers (this can include practical cooperation such as transporting produce to market).

5.3.2 Research institutions

Substantial resources exist in civil society with respect to the provision of information, which can guide decision-making at various levels of government. Studies are continuously being carried out, ranging from case studies of individual projects to the study of the design of national policy. While the Agricultural Research Council has specifically been created for this purpose, many other valuable research institutions exist at universities and in NGOs. Research partnerships with civil society are relatively unexplored, and have the potential to strongly enrich government decision-making.

The National Agricultural Marketing Council, the Agricultural Research Council, Water Research Commission and other stakeholders need to work together to develop a strategic plan for cooperation in research in support of government's poverty alleviation initiatives generally, and this policy specifically.

5.3.3 Mentors and brokers

In civil society, many initiatives exist that are aimed either at the upliftment of the rural poor or at the creation of agricultural business opportunities. Such initiatives often carry their own funding and incentives but could be considerably stimulated by the provision of government subsidies.

The Department of Agriculture, the Department of Public Works and the Department of Trade and Industry need to develop financial or other incentives to community mobilisers, NGOs, mentors, and others who broker market access or joint ventures on behalf of small-scale farmers.

In this way, jobs can be created in a field that is also directly supportive of economic revitalisation. However,

NQF criteria need to be developed for recognition of the skills necessary to undertake such tasks.

5.3.4 Water User Associations

Specific training needs exist at the level of the individual Water User Associations. This training should be directed at the elected WUA management committee (chairperson, treasurer, secretary, etc.) and appointed WUA staff (managers, pump operators, water bailiffs, administrators, and new Water Conservation Coordinators for the implementation of the Water Management Plans under DWAF's Water Conservation and Demand Management programme). In addition, training is needed for those at national and provincial level who are involved in the provision of support to emerging and established WUAs.

WUA training should include the following:

- *scheme water supply management;*
- *institutional design of user organisations, relationships and responsibilities between the WUA management committee, WUA members and the WUA operational arm/water management staff;*
- *the National Community Water Supply and Sanitation Training Institute (NCWSTI) training for WUA managers to be 'good clients';*
- *for operational staff: adapt and provide access to relevant available training for other professions involved in managing water supply equipment, e.g. existing DWAF courses, mines, engineering institutions, South African Irrigation Institute.*

Chapter 6

Expected Outcomes

Introduction

Policy can be seen as a hypothesis, i.e. it assumes that a particular set of interventions will lead to a specific set of outcomes. It is important to be explicit about these anticipated outcomes, as they provide a concrete point of reference when policy moves into its implementation stages. This short ‘chapter’ is intended to set out the key expectations with regard to the implementation of the policy set out in chapters three to five. It also proposes mechanisms for the monitoring and evaluation of policy outcomes, so that policy can be refined over time.

Anticipated Outcomes

In the realm of *equity*...

- The policy is expected to promote the objectives of the National Constitution and the National Water Act in respect of achieving a more equitable distribution of agricultural water in the country;
- The policy is expected to lead to an increase in the number of previously disadvantaged individuals in profitable agricultural production;
- The policy is expected to lead to improved household food security, both in the context of schemes and more broadly as a result of non-scheme agricultural production, and both through increased own production of food and through increased income from agricultural activities; and
- The policy is expected to increase investment in vulnerable groups, such as women and youth.

In the realm of *governance*...

- The policy is expected to contribute to the objectives of the Integrated Rural Development Program, in particular in exploiting opportunities for local economic development, in providing for integrated decision making, and in building socially cohesive communities;
- The policy is expected to enhance coordination among government departments and provide greater clarity on roles for government, private sector and social society;
- The policy is expected to contribute to capacity building of local authorities; and
- The policy is expected to create a framework within which local authorities can access support for their agricultural plans; and
- The policy is expected to implement a sustainable resourcing strategy for the development and support of agricultural water use.

In the realm of *competitiveness*...

- The policy is expected to enhance entrepreneurial skills, productivity and profitability among small-scale farmers; and
- The policy is expected to lead to increased participation of historically disadvantaged farmers in local, national and international markets.

In the realm of *sustainability*...

- The policy is expected to lead to a more sustainable utilisation of the natural resource base;

- The policy is expected to lead to the adoption of appropriate technologies in agricultural water use;
- The policy is expected to create strong and inclusive farmer institutions;
- The policy is expected to enable the smooth and sustainable transfer of the management of agricultural schemes into the hands of farmers;
- The policy is expected to lead to enhanced utilisation of land and infrastructure on existing schemes; and
- The policy is expected to lead to increased participation of youth in agriculture, because of improved profitability of farmers.

Monitoring of policy outcomes

It was proposed in Chapter Three that the CCSIS be equipped with the mandate and resources for annual evaluation of policy outcomes. The following mechanisms and indicators are proposed to monitor the impact of policy implementation, so that policy can be refined over time.

- Annual review and analysis of the uptake of government subsidies and assistance programmes (e.g. number of farmers trained) to address reasons for a too slow rate of uptake;
- Review of the agricultural chapter in the annually updated IDPs, to track increases in agricultural water use activities in Districts.
- Monitoring of poverty indicators as used in the IRDP nodes;
- Occasional polling of the awareness of available government assistance among small-scale farmers and government officials;
- Monitoring of the profitability of agricultural water users;
- Tracking of changes in the interest shown by youth in agricultural careers.

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