



## **agriculture & rural development**

Department:  
agriculture  
& rural development  
**PROVINCE OF KWAZULU-NATAL**

**AGRICULTURAL DEVELOPMENT POLICY**

**FOR**

**KWAZULU-NATAL DEPARTMENT OF AGRICULTURE AND RURAL  
DEVELOPMENT**

**REVIEWED SEPTEMBER 2020**

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## ABBREVIATIONS / ACRONYMS

DALRRD	-	National Agriculture, Land Reform and Rural Development
DARD	-	Department of Agriculture and Rural Development
EPWP	-	Expanded Public Works Program
FAO	-	Food and Agricultural Organisation of the United Nation
GHS	-	General Household Survey
HACCP	-	Hazard Analyses Critical Control Point
KZN	-	KwaZulu-Natal
M&E	-	Monitoring and Evaluation
NDP	-	National Development Plan
NGP	-	New Growth Path
PFMA	-	Public Finance Management Act
PGDP	-	Provincial Growth and Development Plan

### 1. DEFINITION OF TERMS

- **Agriculture** means the science, art, practice or occupation concerned with the active production of useful plants, fungi or animals for food, fibre, fuels, raw material and other products with the primary purpose to sustain life, and in varying degrees the preparation and marketing of the resulting products;
- **Agricultural Disaster** means an occurrence in any area arising from natural or man-made causes, or by accident or negligence, which results in substantial loss of life or human suffering or damage to and destruction of property, or damage to and degradation of the environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area.
- **Agricultural land** means any land which is or may be used for the production of biomass that provides food, fodder, fibre, fuel, timber and other biotic material for human use, either directly or through animal husbandry including aquaculture and inland and coastal fisheries or any other agricultural purpose, excluding land which the Minister, after consultation with other relevant Ministers and MEC's concerned, excludes by means of a notice in the Gazette.
- **Agricultural mechanization** means the application of mechanical technology and increased power to agriculture, largely as a means to enhance the productivity of human labour and often to achieve results well beyond the capacity of human labour.

- **Agro-processing** means the processing, preservation and preparation of an agricultural product, which results in the changing of the physical state or form of the product.
- **Business Plan**, refers to a document that describes in detail how a business, usually a new one, is going to achieve its goals. It lays out a written plan from a marketing, financial and operational viewpoint.
- **Beneficiaries mean** any individual or group of community members that benefit from the departmental interventions, projects or programmes through skills transfer, technical information on the protection of natural resources, funding, etc.
- **Business Enterprise.** An enterprise is simply another name for a business. It means an individual, family or entity who owns one or more business entities in an attempt to profit from the successful operations.
- **Community Investment** refers to the direct investment into projects for communal use.
- **Degradation** means decay of agricultural natural resources leading to soil erosion (physically and chemically), alien weed infestation, siltation of water resources or soil.
- **Indigent** means “lacking” the necessities of life.
- **Irrigable** with regard to soil means soil with suitable chemical and physical characteristics so as to be able to accept the supplementation of rain water by means of a suitable irrigation system, with water of an acceptable quality, without resulting in soil and environmental degradation;
- **Irrigated land** means areas artificially provided with water, other than rain, for improving pasture or crop production.
- **Land Users** means person/s having a legal right to utilize land for agricultural production
- **Mitigation** means measures aimed at reducing the impact or effects of a disaster.
- **Natural agricultural resources** means the natural resource base upon which the agricultural economy depends including the soil, water resources and vegetation occurring on agricultural land excluding invasive alien plants, weeds and bush encroachers.
- **“Own Contribution”:** are the resources that an applicant should contribute into the process to form part of the whole capital package, viz. own contribution + grant. This can be in monetary, in kind (e.g. property, machinery, equipment and livestock, beneficiary’s quantifiable investment) or through the use of own labour.
- **Rehabilitation of natural resources** refers to attempts to reclaim degraded agricultural land through re-vegetation, construction of gabion structures, stone packing, alien weed control and management.

- **Risk** is the probability of harmful consequences or expected losses (deaths, injuries, property, livelihoods, disrupted economic activity or environmental damage) resulting from interactions between natural or human induced hazards and vulnerable conditions
- **Sustainable development** means development that meets the needs of the present without compromising the ability of future generations to meet their own needs
- **Turnover** refers to the amount of money taken by a business in a particular period.
- **Vulnerable** refers to groups that experience a higher risk of poverty and social exclusion than the general population. Ethnic minorities, migrants, disabled people, the homeless, those struggling with substance abuse, isolated elderly people and children all often face difficulties that can lead to further social exclusion, such as low levels of education and unemployment or underemployment.
- **Value Adding** means the addition of value to a product without changing the physical form of the product such as cleaning, grading, packaging and labelling.

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## 2. INTRODUCTION

The Department of Agriculture and Rural Development in KwaZulu-Natal has reviewed its policy on agricultural development. This policy has been developed to provide guidelines and direction regarding the provision of agricultural support to producers and farming community in the province. The policy is intended to provide scales of support packages and categories of investment for vulnerable and food insecure households, smallholder and commercial farmers (Medium Scale and Large Scale), Mega/Corporate Producer and the broader communities.

The policy is the principal anchor for the Departments interventions to drive food and nutrition security, growth and development in the agricultural Sector, commercialize smallholder producers, create value-chain opportunities, increased employment, which will collectively contribute to sustainable agrarian reform and comprehensive rural development in the Province of KwaZulu-Natal.

Furthermore, Coronavirus pandemic (COVID-19) has eliminated the significance of Agriculture in relation to sustainable food production and maintenance of food security. Whilst handing of food parcels remains an important response in the fight against hunger as part of social relief of distress, there is a need for the Department to strengthen its mechanism to promote production of food as part of governments programmatic responses which will ensure sustainable, thriving and independent communities.

The policy review is preceded by the recent assessment on the functionality of the land reform farms in KwaZulu-Natal. The outcomes of the assessment calls for significant investment to enable the resuscitation of this farms back to full production.

The realities of the fourth industrial revolution (4IR) will not escape the agricultural sector. It has started to change dynamically the patterns of food production and related products whilst lowering the cost and increasing the yields realized by producers. The policy seeks to enable the sector to take

advantage of this development through funding 4IR related technologies as part of farming business requirements.

The policy review should enable the establishment and the implementation of strategic programmes designed to change the character of the agricultural sector especially in the short term during the economic recovery period and beyond.

The policy is also an instrument to be used by the department to enable meaningful participation by designated groups (women, youth, military veterans and people with disabilities) in the agricultural sector. It will further be used to drive inclusiveness and integration of previously disadvantaged farmers in the mainstream economy on the sector.

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### **3. PROBLEM STATEMENT**

Agriculture contributes about 3% to the country's Gross Domestic Product (GDP). KZN is the second largest province of the country and is blessed with good natural resources and a climate conducive to agriculture production. The province is faced with challenges such as high poverty rates, inequalities, and unemployment and food insecurity. The General Household Survey 2018 data shows that 20.2% of South Africa's population with inadequate access to food (StatsSA, 2018). The KZN province accounts for 24.5% of the province's population with inadequate access to food. These statistics confirm the importance of food security interventions to assist vulnerable households to produce sufficient and nutritious food for own consumption.

In South Africa, KZN has one of the highest agricultural potential, of which 17% of the land surface is arable and 7.5% is high potential. However, evidence suggests that during the past decade the sector's contribution to the economy of the province has been on the decline, thus the need to revive agriculture in the province. Agriculture is identified as a primary driver of growth in the economy. As such, the sector is expected to play a meaningful role in the reduction of poverty, unemployment and inequality.

The democratic government has introduced various policy interventions focusing on agricultural development. However, despite these various



interventions, the skewed participation and ownership patterns have persisted, with the majority of black producers and those in rural areas struggling to operate sustainable and viable enterprises that are capable of competing with successfully in the markets. This reality has prompts shifts in government policies.

Agricultural industry is not immune from the apartheid economic exclusion and distorted patterns of ownership. This is one of the principal reason for the transformation imperative in the sector. Many producers, especially smallholders, often face constraints of limited collateral, absence of infrastructure and inability to access funds from financial institutions. As identified by DALRRD, most smallholder producers cannot use their land as collateral because of their tenure rights to land, particularly those in communal areas as their rights cannot enable them to approach financial institutions for assistance. Even in the instance where funding is provided, it is often not adequately complemented with the provision of other required support services (non-financial). Poor coordination between financial and non-financial support is therefore of concern. There is limited participation by black farmers in commercial agriculture. The sector remains untransformed due to lack of access to information and technology, lack of access to markets and Poor on farm and off farm infrastructure including challenges to access affordable finance.

Over the years, the Department's focus has been funding smallholder farmers and places little emphasis on commercializing their enterprises. As a result, the department has seen very few smallholder farmers progressing to a commercial level. There is therefore a large number of Smallholder and Subsistence farmers than Black Commercial farmers. The majority of smallholder farmers are facing a number of constraints including input and output market failures, poor infrastructure, and inability to self-organise commercially. At the same time, urban populations are growing, creating more domestic, regional and international demand for agricultural produce, and thus more opportunities for rural transformation through agricultural production.

It is estimated that government has spent over 6 billion Rand on land acquisition under Restitution, Redistribution and Land Tenure models in KwaZulu- Natal province alone. However, production on these land reform farms is continuously decreasing impacting on household food security, increased unemployment rate, more dependency & unsustainable financial burden on government, less rates & taxes income for government and social unrest. Generally, most of the transferred lands (farms) are currently lying fallow and some lands have become non-operational. This is due to a varied factors or challenges, ranging from issues of access to finance and resources to re-establish, economies of scale, higher input costs of production, lack of skills, ageing farming population, socio-political dynamics, dilapidated infrastructure and beneficiary's state of readiness to farm.

For government, the biggest challenge has to harmonise provision of support services to the various categories of producers under a comprehensive policy framework. In some respect, this has led to limited achievement of the intended outcomes and impact. Low participation of vulnerable groups in the mainstream agricultural economy. Through this policy and the support packages, the Department endeavours to draw-in more youth, women, militarily veterans and persons with disability in order to address the social vulnerabilities that are most pronounced amongst this category of citizens.

To this end, this policy also seeks to highlight the department's commitment to this cause. It is one of the reason why the policy has categories of support for vulnerable households, subsistence, smallholder and commercial farmers (Medium Scale and Large Scale), Mega/Corporate Producer and community investments.

The policy of the Department aims to regulate and guide interventions (support services) provided to the various categories of producers by Government. Consistent with the other policies of government, the focus of this policy is ensuring food and nutrition security, employment creation, increased incomes, eradication of rural poverty and sector transformation.

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#### **4. POLICY REVIEW MANDATE**

The Department developed a revised policy on agricultural development, which was approved in October 2018. This policy was reviewed due to changing dynamics and the experience accumulated during the implementation of the previous policy.

In response to the pronouncement by the Honorable Premier, Mr S. Zikalala that “the Province of Kwa-Zulu Natal is poised to expand and diversify the agricultural economy”, the Honorable MEC for DARD, Mrs B.N. Sithole-Moloi in her 2020/21 Budget Speech mentioned that “the department is poised to explore the spirit of industrialization trajectory of the country in agro processing as well as general commercial farming by intentionally increasing support to potential commercial farmers in the Province.”.

Furthermore, Honorable MEC for DARD pronounced the need for a review of the Agricultural Development Funding Policy which will usher in mechanisms for comprehensive support package to promote the commercialization of strategic agricultural enterprises. These enterprises will be funded and cushioned over the MTEF period.

This revised policy will pave the way for farmers to access DARD finance (grants) and support for their farming endeavours in line with business plan that is acceptable to DARD and which will follow an approval process with a benefit scale that is based on the annual turnover of their agricultural enterprise. Furthermore, funding will be according to the legislative and policy mandate for government at National or Provincial level, and DARD Service Level Agreements or relevant registered and acceptable lease agreements.

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## **5. POLICY PURPOSE**

This policy aims to introduce a comprehensive agricultural development funding support mechanism which will enable Radical Agrarian Socio Economic Transformation in KwaZulu-Natal.

This funding will allow a radical change to the current farming systems leading towards achieving socio-economic rural development and sustainable agriculture in the Province of KwaZulu-Natal.

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## **6. POLICY DESIRED OUTCOMES**

If well-implemented, this policy has the potential of:

- Providing funding support packages to all categories of farmers including food security initiatives in a manner that is consistent with government's developmental approach
- Provide support that will ensure food security especially to vulnerable households
- Creation of successful and sustainable agricultural enterprises
- Creating an enabling environment for interested and qualifying farmers to graduate from one category to another
- Addressing both the production and marketing challenges facing farmers.
- Commercializing Previously Disadvantaged Smallholder Farmers who through DARD funding will gain access to new production technologies and techniques, access to input suppliers and participate in profitable markets.
- Developing the full potential of the agricultural sector and industry value-chain
- Increase employment, growth and sustainable transformation in the agricultural sector.

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## **7. POLICY STRATEGIC THRUST**

The development of agricultural sector in the province will be premised on the transformation and promotion of previously disadvantage producers and their inclusion in the agricultural mainstream economy to achieve the following:

- Ensuring household food security
- Increased Production and Productivity of smallholder producers
- Promotion of competitiveness and commercialisation of agricultural enterprises

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## **8. POLICY OBJECTIVES**

- To improve household food and nutrition security.
- To provide agricultural support to households and producers
- To promote economically viable and productive agricultural enterprises.
- To broaden access to agricultural economy by providing smallholder farmers with support, which will enable them to participate fully in the industry value chain and graduate to a commercial level. To provide a framework for financial support for agricultural business enterprises.
- To promote employment in the agricultural sector.
- To protect and preserve natural resources for agricultural production.

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## 9. POLICY PRINCIPLES

This policy is based upon the following principles:

**Job Creation Commitment:** Smallholder and Commercial enterprises to be funded should commit to creation of additional jobs.

**Mandatory producer registration:** Registration on central database is compulsory for Smallholder and Commercial categories of producers

**Sustainable management of natural resources:** Government shall ensure that key agricultural resources, particularly soils and water, are utilised and managed sustainably to provide adequate production for the current and future generations.

**Commodity Value chain approach:** Government shall promote the revitalisation of agriculture and agro-processing value chains in priority commodities, informed by the commodities with high-growth potential and high-labour absorption capacity in line with the identified prioritized commodities for the Region or District.

**Equitable access to producer support:** Government will strive to achieve equity by ensuring that interventions reach a wide spectrum of audience across the different regions and between genders as well as the mainstreaming of youth and persons with disabilities.

**Strengthen collaboration and coordination:** Government shall continue to provide producer support services through a collaborative system that is built on a well-coordinated networks amongst all sector government departments and private sector stakeholders.

**Participatory planning:** Government shall ensure that producers are involved in the planning, implementation and monitoring of their enterprises to stimulate commitment and ownership.

**Market-led approach:** Government shall support Smallholder and Commercial businesses that have access to market, where there is no market, Government will facilitate the issue of market prior to funding.

***Capped support:*** There will be caps on financial support to be provided to producers. The caps will be reviewed regularly to cater for inflation and price escalations.

***Responsibility and accountability:*** Applicants who receive government support must comply with all relevant and applicable legislation (e.g. Conservation of Agricultural Resources Act – CARA, etc.) and must adhere to mandatory record keeping and regular reporting of business activities.

## 10. LEGISLATIVE FRAMEWORK

The development of the Agriculture Development Policy is in pursuit of both the legislative and policy mandate for government. The legislation is not limited to the pieces in the table below, but these are the main drivers for the policy:

LEGISLATION	MANDATE
1. The constitution of Republic of South Africa Act (Act No. 108 of 1996)	<ul style="list-style-type: none"><li>• Articulates the environmental right</li><li>• Provide an overarching framework in terms of which all policy guidelines and legislation is developed.</li><li>• Defines the roles and responsibilities of different sphere of government in relation to integrated developed</li></ul>
2. National Environmental Management Act 107 of 1998	<ul style="list-style-type: none"><li>• Framework legislation for environmental management in South Africa</li><li>• Outlines a national strategy for environmental management and action plans</li><li>• Sets the context for NEMA Act</li></ul>
3. Conservation Agricultural Resources Act (No 43 of 1983)	<ul style="list-style-type: none"><li>• To provide for the conservation of natural agricultural resources</li></ul>
4. National Water Act (No 36 of 1998)	<ul style="list-style-type: none"><li>• Sustainable Management of South Africa's Water Resources</li></ul>



LEGISLATION	MANDATE
5. National Veld and Forest Fire Act 101 Of 1998	<ul style="list-style-type: none"> <li>• Contribution and guidelines in the preparation of district and provincial disaster management</li> </ul>
6. Livestock Brands Act, 1962 (Act 87 of 1962)	<ul style="list-style-type: none"> <li>• Promoting of animal branding</li> </ul>
7. Agriculture Research Act , 1990 (Act 119 of 1990)	<ul style="list-style-type: none"> <li>• Identify area for research and support research institutions</li> </ul>
8. Geometrics Profession Act (Act 19 Of 2013)	<ul style="list-style-type: none"> <li>• To ensure GIS work related to agricultural development is performed by different categories of registered persons</li> <li>• Capture and publishing of metadata, manner and refusal of access to spatial information, agreements on utilisation of spatial information, security</li> </ul>
9. Spatial Data Infrastructure Act (Act 54 of 2003)	<ul style="list-style-type: none"> <li>• To ensure all spatial agricultural datasets adheres to the standards and prescriptions of the SDI Act</li> <li>• Capture and publishing of metadata, manner and refusal of access to spatial information, agreements on utilisation of spatial information, security</li> </ul>

LEGISLATION	MANDATE
10. Promotion of Access to Information Act (Act 2 of 2000)	<ul style="list-style-type: none"> <li>• Manner and refusal of access to spatial information</li> </ul>

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## 11. POLICY MANDATE AND RATIONALE

The Agricultural Development Policy contributes to and defines the role of Department of Agriculture and Rural Development in all programmes and strategies of national and provincial government.

This policy is developed in line with the Bill of Rights, Section 27: 1(b) and 2 of the Constitution of the Republic of South Africa which states that every citizen “has the right to have access to... sufficient food and water” and that “... the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights” (RSA Constitution, 1996). In a context wherein data shows that 20.2% of South Africa’s population have inadequate access to food and the KZN province accounting for **24.5% of the province’s population with inadequate access to food** (StatsSA, 2018), this constitutional promise remains an imperative.

This policy is aligned with the main government policy frameworks such as National Development Plan (vision 2030), The New Growth Path (NGP), and the Medium Term Strategic Framework (MTSF) and the Provincial Growth Development Plan (PGDP).

At a sectoral level, the policy is in line with Food and Nutrition Security Policy, Industrial Policy Action Plan (IPAP), Agricultural Policy Action Plan (APAP) National Policy on Comprehensive Producer Development Support (NPCPDS), National and Provincial Agriculture Master Plans, Master plan on Agriculture and Agro-processing), and the Black Industrialist Policy or Plan. The Agricultural Development Policy contributes to and defines the role of Department of Agriculture and Rural Development in all programmes and strategies of national and provincial government.

Out of the seven Priorities derived from the Electoral Mandate and SONA, this policy mainly contributes to Priority 1 (Economic Transformation and Job Creation). The policy's commitment to sustainable natural resource

management is consistent with the provisions of the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998); Conservation of Agricultural Resources Act (CARA), 1983 (Act No. 43 of 1983) and the National Water Act, 1998 (Act No. 38 of 1998).

This policy also resonates with several other relevant government policies. These includes the AgriParks programme of the Department of Rural Development and Land Reform (DRDLR); National Infrastructure Plan – Strategic Integrated Project (SIP) 11 and National Framework for Municipal Indigent Policies. The household food security package is social protection intervention that is aligned with the Social Security Act, 2004 (Act No. 13 of 2004) and Food and Nutrition Security Policy.

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## 12. POLICY DEVELOPMENT FOCUS

Notwithstanding the variability of agricultural enterprises and the diversity of producer requirements, the department will prioritise ventures which support the following development themes:

- **Promoting efficient utilisation of agricultural land** with potential towards a thriving and environmentally sustainable resource that is accessed equitably and can support a range of livelihoods and agricultural enterprises
- **Expansion of irrigable land** through water use efficiency for both crops and livestock
- **Improving market access for producers**, in particular smallholder farmers, through better supply chain management
- **Adding value and agro processing** to agricultural products before they reach local and international markets

### 13. TARGETED BENEFICIARIES

In terms of this policy, the support provided by the department to beneficiaries will be in line with their categorisation as indicated in section 14 below.

Notwithstanding this, the farmers supported will be from previously disadvantage background (Black farmers, Africans, Indians and Coloured) who are:

- South African citizens
- Aged 18 years and above (with exception of child headed households as part of food security initiatives)
- Have land access either through:
  - Government Land Reform programmes
  - Individual farmers who acquired land privately (without government grant);
  - Farmers leasing commercial or communal land on a medium to long-term basis i.e. 10 years and above.
  - Farmers on property under communal tenure system.

Promotion of designated groups: Youth, people with disabilities and Women in agriculture.

Beneficiaries should be rightful owners or users of the land. All applicants are required to attach copies of their title deeds certificates, lease contracts, PTOs or any proof of tenure. The policy target all Categories of farmers as contemplated in this policy. Furthermore, this policy is aimed at market-oriented smallholder farmers to help improve their economic viability, production, and market access. These smallholder farmers will be funded on interventions that will enable a thriving environment for them to graduate to a commercial level.

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#### **14. CONDITIONS OF SUPPORT**

In the implementation of this policy, the following conditions will apply.

- Support will be rendered on freehold land, leased land, communal land, and land reform/restitution areas.
- A participatory approach will be followed in all agricultural development programmes.
- Sustainable natural resource management principles must be applied to all agricultural development.
- Technical agricultural support/advice will be provided based on the latest agricultural information.
- Depending on the scope of the request, support will follow Departmental funding process.
- Projects approved in accordance with the signed 2018 policy and where funding has already commenced will continue within the scope of the 2018 signed policy.
- Smallholder Farmers supported with the intention of being commercialized will be funded based on the recommendations by the internal Team of Specialists.
- Financial Support is dependent on approval of the prescribed Business Plan by the DARD Provincial Project Steering Committee and the availability of funds.
- Project prioritization at District level will be according to a DARD approved scoring system, DARD however reserves the right to prioritize developmental projects according to need.
- Where relevant the required own contribution requires verification and guarantees through a recognized and legal process.

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## 15. PRODUCER CATEGORIES

### 15.1. CATEGORIES OF PRODUCERS

The Policy caters for the following categories of producers:

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#### 15.1.1. VULNERABLE HOUSEHOLD

In this Policy a **Vulnerable Household** is defined as a non-producer or a producer that produces primarily for household consumption to meet the daily dietary needs and has limited resources and skills to operate a market-oriented production system. This category includes child headed households & households producing in communal land and commonages that are classified or registered as indigents or they meet the criteria for registration as indigents.

This category also includes support to Non Profit institutions that addresses the issues of vulnerability in the community.

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#### 15.1.2. SUBSISTENCE HOUSEHOLD PRODUCER

In this Policy a **Subsistence Household Producer** is defined as a Producer that produces primarily for household consumption to meet the daily dietary needs. These producers are not classified as indigents by their municipality. They may market limited surplus production with an annual turnover of less than **R50 000**.

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#### 15.1.3. SMALLHOLDER PRODUCERS

In this Policy a **Smallholder Producer** is defined as a venture undertaken by an individual or business entity for the purpose of household consumption and deriving a source of income from agricultural, forestry and fisheries activities along the value chain. These are usually the new entrants with an annual turnover ranging from **R50 001 – R1 million per annum**.

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#### 15.1.4. COMMERCIAL PRODUCERS

Commercial Producer category is divided into three sub-categories as follows:

##### 15.1.4.1. MEDIUM SCALE COMMERCIAL PRODUCER

In this policy a **Medium Scale Commercial Producer** is defined as a venture undertaken by an individual or entity for the purpose of deriving a source of income from agriculture activities along the value chain. These are established enterprises with an annual turnover ranging from **R1 000 001 – R10 million**).

##### 15.1.4.2. LARGE SCALE COMMERCIAL PRODUCER

In this policy a **Large Scale Commercial Producer** is defined as a venture undertaken by an individual or entity for the purpose of production and sale of agriculture products to make a profit. These are established enterprises producing for market to make a profit with an annual turnover ranging between **R10 000 001 – R50 million**.

##### 15.1.4.3. MEGA/CORPORATE PRODUCER

In this policy a **Mega/Corporate Producer** is defined as a venture undertaken by an individual or entity for the purpose of production and sale of agriculture products to make a profit. These are established enterprises producing for market to make a profit with an annual turnover above **R50 million**.



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## 16. FUNDING MODEL

Many producers, especially smallholders, often face constraints of limited collateral, absence of infrastructure and inability to access funds from financial institutions. Funds available for lending in the sector are limited as financiers are reluctant to service smallholder producers in particular due to the inherent risks associated with them. Most smallholder producers cannot use their land as collateral because of their tenure rights to land, particularly those in communal areas as their rights cannot enable them to approach financial institutions for assistance.

Funding must be provided with other needed services (such as skills development, extension and advisory services, market access support etc.) to ensure that the support provided is holistic. The support must enable the acquisition of needed equipment and assets. There will be caps on financial support to be provided to producers. The caps will be reviewed regularly to cater for inflation and price escalations.

To drive the economic transformation agenda, the department will pay special attention to the development of smallholder farmers with an intention of graduating them to a commercial level. The goal is to see meaningful participation of PDIs in the food value chain. The internal team of specialists should recommend possible smallholder producers who show potential of being commercialized. These smallholder farmers will then be exposed to all forms of comprehensive support necessary to elevate them to a commercial level.

In the light of the above, alternative and innovative financial mechanisms need to be designed to ensure access to finance for all levels of producers.

1. Funding for Household and Subsistence Producers will follow a simple process and will be incorporated in the District Business Plan.
2. The funding approach to smallholder, medium scale commercial, and large scale commercial producers will be based on the following principles:

- Agricultural farm business proposals must demonstrate economic viability and sustainability of the projects being funded; evidence of an assured market, thus encouraging a business approach and financial prudence in farming.
  - The grant may not provide the entire production capital requirements but aims to enhance productivity through a launching pad approach.
  - Smallholder farmers funded with an intention of being commercialized can be funded over a multi-year period.
  - Programme beneficiaries must be passionate and committed farmers with proven technical and financial management skills; where such skills are lacking a mandatory training program should be in place for beneficiaries.
3. Through this policy, DARD will encourage other financial institutions either from public or private to support blended financing of agricultural projects.
  4. Furthermore, the DARD, together with relevant partners, will develop blended financial instruments from public and private funds, which will be administered centrally in order to improve access and affordability of finance and lessen the current reliance on grant funding.

New blended financial instruments will consist of a grant component (from public sector, which will be ring-fenced) and a loan component (from commercial banks, DFI's and other financier partners). The instrument is designed to cover both long and medium term loans (e.g. for buying a farm, assets, equipment and machinery) as well as short-term loans (for production). The respective contributions of grant vs. loan is allocated on set criteria, with the grant portion decreasing over time as beneficiaries become commercialized and are able to afford loans. The loan component will include own contribution as defined in this policy.

5. DARD will priorities across all categories of producers, the promotion of designated groups in particular Youth, Women, Military Veterans, and people with disabilities. In this regard every successful application from farming entities owned by designated groups within the Smallholder & Commercial producer categories will receive an additional 15% on grant funding depending on amount required.

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#### **16.1. DIRECT TRANSFER PAYMENT TO FARMING BUSINESSES**

- i. Transfer payments for Direct funded projects will be in accordance with the Transfer Payment Policy of the Department.
- ii. In order for the department to appropriate manage this funding method, the department will establish institutional structures for the projects and form Project Steering Committees to monitor project implementation and recommend fund transfers.
- iii. The Directors in their functional area of responsibility will inform the Project participants of the approval of the project.
- iv. Where the projects are to be supported through the combination of own and grant funding, the own contribution will be considered as defined in this policy.
- v. All transfer payments must be approved by the HOD in line with the Departmental transfer payment policy.
- vi. Treasury approval should be obtained for the transfer payments.
- vii. A funding agreement must be entered into between the Department and the Legal Entity of the farming business.
- viii. The beneficiary must agree for representatives of the department to make regular inspections as to the progress of the work on the project, and completed and signed progress certificates must be furnished to

representatives of the department on behalf of the contractors and/or service providers

- ix. Funds are transferred in tranches/once off according to the requirements as stated in the agreement

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## **16.2. FINANCIAL MODEL OF RASET FARMER DEVELOPMENT SUPPORT PROGRAMMES**

- In terms of the financial model, DARD will allocate 25 % of project budget to implement RASET oriented farmer support programmes for vegetable and grain producers
- In order to ensure comprehensive and sustainable support, interventions will be implemented over multi-year programme depending on the nature of support required.
- Funding allocated to RASET will be utilized as follows:
  - ✓ 50% of this budget will be directed towards infrastructure development,
  - ✓ 20% towards mechanization support,
  - ✓ 25% towards provision of production inputs, and
  - ✓ 5% towards provision of training.

## **FUNDING MODEL**

The funding approach to RASET farmers shall be in three categories as prescribed in the funding policy namely smallholder, medium scale commercial, and large scale commercial producers and will be based on the following principles:

- Agricultural farm business proposals must demonstrate economic viability and sustainability of the projects being funded; evidence of an assured market, thus encouraging a business approach and financial prudence in farming.
- The grant may not provide the entire production capital requirements but aims to enhance productivity through a launching pad approach.
- The funding model will cater for infrastructure, mechanization services, production inputs, and training.
- Infrastructural funding support will include fencing, erection of tunnels and installation of irrigation systems.
- Each farmer in the programme can be allocated a minimum of R50 000.00 or R250 000.00 financial support.
- Smallholder farmers funded with an intention of being commercialized can be funded over a multi-year period.
- Programme beneficiaries must be passionate and committed farmers with proven technical and financial management skills; where such skills are lacking a mandatory training program should be in place for beneficiaries.
- DARD will priorities across all categories of producers, the promotion of designated groups in particular Youth; Women and people with disabilities. In this regard every successful application from farming entities owned by designated groups within the Smallholder and Commercial producer categories will receive an additional 15% on grant funding depending on amount required.

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### **16.3. PROJECT STEERING COMMITTEE**

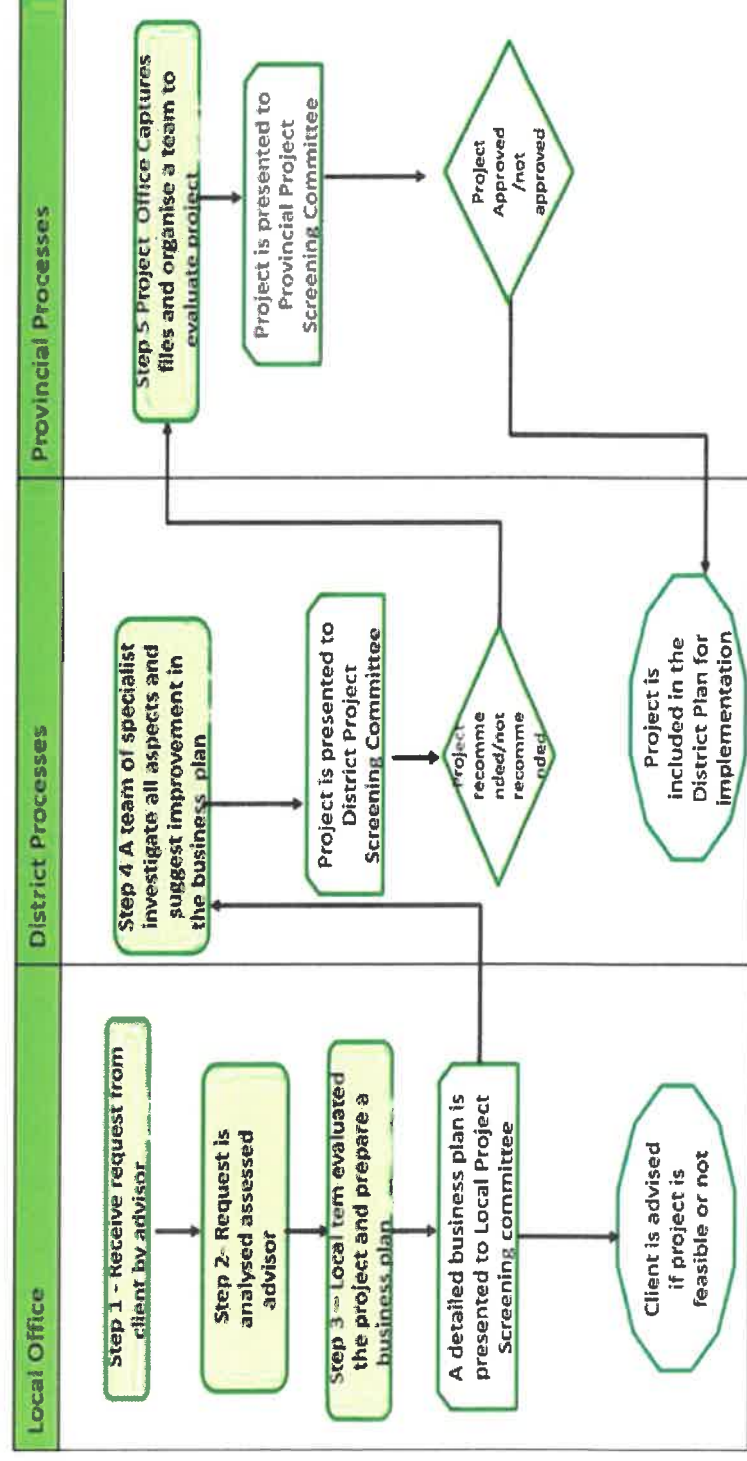
To ensure proper implementation and usage of funding, the Project Steering Committee comprising the members of the project and Officials from the department will be established at the level of the district. Amongst other duties Project Steering Committees are establishes to:

- Ensure that all expenditure reports is accompanied by supporting documents e.g. invoices, receipts etc.
- Consider financial and operational reports from the project owners
- Consider requests from the project owners to transfer funding

## 17. AGRICULTURAL DEVELOPMENT SUPPORT

### 17.1. CONDITION AND REQUIREMENTS FOR PRODUCER CATEGORIES

Figure 1: Application Process



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## 17.2. IDENTIFICATION AND SELECTION OF BENEFICIARIES

- For all projects implemented by DARD, the process of beneficiary identification and selection is critical since targeting the right people will determine if the project will have the desired impact.
- From an accountability perspective, the process of beneficiary selection and the administration of the beneficiary database is also critical; therefore, this process is included in this guidance to increase accountability.
- **Beneficiaries are identified** from requests received through:
  - OSS Profiles
  - Consultations with Traditional Councils & Municipalities
  - Referrals from other departments or stakeholders
  - Agricultural Advisors at Ward Level
  - Direct applications forwarded to Local Offices
- It is mandatory that all beneficiaries should be registered either under the Producer Farmer Register, DARD or Municipal database depending on the category of the producer or farmer
- The **selection of beneficiaries** is done through the following DARD Project Approval process:
  - The project is presented at a Local Project Steering Committee. If recommended, it is passed through to the next level;
  - The project is presented at a District Project Steering Committee. If recommended, it is passed through to the final level;



- The project is presented at a Provincial Project Steering Committee which then approve or disapprove business plan and projects based on policy.

**Table 1: Support Requirements for Various Categories of Producers**

<b>SUPPORT COMPONENT</b>	<b>VULNERABLE HOUSEHOLD</b>	<b>SUBSISTENCE HOUSEHOLD PRODUCER</b>	<b>SMALLHOLDER PRODUCER</b>	<b>MEDIUM SCALE COMMERCIAL PRODUCER</b>	<b>LARGE SCALE COMMERCIAL PRODUCER</b>
<b>Evidence of Annual Turn-over to qualify</b>	N A	Less than R 50 000	R 50 001 to R 1 000 000	R 1 000 001 to R10 Million	R10 000 001 to R50 000 000
<b>Qualifying Age</b>	<ul style="list-style-type: none"> <li>▪ 18 Years and above, and</li> <li>▪ Child Headed Household</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 Years and above, and</li> <li>▪ Child Headed Household</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 Years and above only</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 Years and above only</li> </ul>	<ul style="list-style-type: none"> <li>▪ 18 Years and above only</li> </ul>
<b>Disqualification Criteria</b>	Applicant employed by Government Department. Failure to submit legal proof and/or payment of own contribution.				
<b>Application Process</b>	Categorised in District Food Security Business Plan to follow the DARD	Categorised in District Food Security Business Plan to follow the DARD	DARD approval following project process submission	DARD project approval process following submission of a viable business plan	DARD project approval process following submission of a viable business plan

<b>SUPPORT COMPONENT</b>	<b>VULNERABLE HOUSEHOLD</b>	<b>SUBSISTENCE HOUSEHOLD PRODUCER</b>	<b>SMALLHOLDER PRODUCER</b>	<b>MEDIUM SCALE COMMERCIAL PRODUCER</b>	<b>LARGE SCALE COMMERCIAL PRODUCER</b>
	funding approval process	funding approval process	of a viable business plan		
<b>Qualifying Criteria</b>	<p>The following criteria applies to vulnerable households:</p> <ul style="list-style-type: none"> <li>Household who submitted a letter of request</li> <li>Household being referred to DARD by relevant stakeholders as a vulnerable household</li> </ul>	<p>The following criteria applies to subsistence household producer:</p> <ul style="list-style-type: none"> <li>Household who submitted a letter of request</li> <li>Household being referred to DARD by relevant stakeholders as a subsistence household producer</li> </ul>	<p>The following criteria applies to smallholder producers:</p> <ul style="list-style-type: none"> <li>Smallholder Producer who submitted a letter of request</li> <li>Be registered in the Producer Farmer Register</li> </ul>	<p>The following criteria applies to medium scale commercial producers:</p> <ul style="list-style-type: none"> <li>Medium scale commercial Producer who submitted a letter of request</li> </ul> <p>The following criteria applies to commercialization of smallholder producers:</p>	<p>The following criteria applies to Large Commercial Producers who seek funding in this category:</p> <ul style="list-style-type: none"> <li>Medium scale commercial Producer who submitted a letter of request</li> <li>Projects in this category must be of</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
	<ul style="list-style-type: none"> <li>Households identified by Extension Practitioners as vulnerable household</li> </ul>	<ul style="list-style-type: none"> <li>Households identified by Extension Practitioners as subsistence household producer</li> </ul>		<ul style="list-style-type: none"> <li>DARD previously funded smallholder projects qualify for commercialization consideration.</li> <li>Projects which were not previously funded by DARD will only be considered for commercialization provided that it is an operational smallholder project</li> </ul>	<ul style="list-style-type: none"> <li>a sizeable nature initiated to assist smallholder and medium scale commercial farmer with market, storage facility or feed. The project should be owned and managed by the farmers themselves</li> <li>Under this category, DARD previously funded commercial projects qualify for</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
				<p>on the verge of being commercialized.</p> <ul style="list-style-type: none"> <li>The department through the PPSC will assemble an internal Team of Specialist to conduct an in depth assessment on DARD previously funded smallholder and smallholder</li> </ul>	<p>funding consideration.</p> <ul style="list-style-type: none"> <li>Projects which were not previously funded by DARD will only be considered for support under this category provided that it is an operational commercial project</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE COMMERCIAL PRODUCER	SCALE
				<p>applicants for commercialization.</p> <ul style="list-style-type: none"> <li>Smallholder applicants for commercialization will then follow DARD project approval process following submission of a viable business plan and a project assessment report from the internal Team of Specialist</li> </ul>		

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
Funding Threshold	<ul style="list-style-type: none"> <li>Capped at R60 000 (R300 000 over five years) per household annually with no own contribution</li> </ul>	<ul style="list-style-type: none"> <li>Capped at R500 000 per household with no own contribution (over 5 years)</li> </ul>	<ul style="list-style-type: none"> <li>Maximum grant funding of R7,5 million per beneficiary on a sliding Scale over a 5-year period.</li> <li>Less than and equal to R3 million with no own contribution.</li> <li>&gt;R3-5 million with 5% own contribution</li> </ul>	<ul style="list-style-type: none"> <li>Maximum grant funding of R20 million per beneficiary on a sliding Scale over a 5-year period.</li> <li>Less than and equal to R10 million with 10% own contribution,</li> <li>&gt;R 10 million - R 15 million with 12.5% own contribution, and</li> </ul>	<ul style="list-style-type: none"> <li>Maximum grant funding of R30 million per beneficiary on a sliding Scale over a 5-year period.</li> <li>Less than and equal to R10 million with 15% own contribution, and</li> <li>&gt;R 20 million - R 30 million with 17,5% own contribution, and</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE COMMERCIAL PRODUCER	SCALE
			<ul style="list-style-type: none"> <li>&gt;R5-7,5 million with 7,5% own contribution</li> </ul>	<ul style="list-style-type: none"> <li>&gt;R 15 million - R 20 million with 15% own contribution</li> </ul>		
<b>Mandatory registration</b>	<ul style="list-style-type: none"> <li>Municipal/ Database</li> </ul>	<ul style="list-style-type: none"> <li>DARD database</li> </ul>	<ul style="list-style-type: none"> <li>Producer Register</li> <li>Proof of registration with SARS</li> <li>Legal Entity Registration</li> </ul>	<ul style="list-style-type: none"> <li>Producer Register</li> <li>Proof of registration with SARS</li> <li>Legal Entity Registration</li> </ul>	<ul style="list-style-type: none"> <li>Producer Register</li> <li>Proof of registration with SARS</li> <li>Legal Entity Registration</li> </ul>	Farmer
<b>On-farm support may include but not limited to:</b>	<ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Basic farm implements (spade,</li> </ul>	<ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Irrigation</li> </ul>	<ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Boreholes and windmills</li> </ul>	<ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Boreholes and windmills</li> </ul>	<ul style="list-style-type: none"> <li>Rainwater harvesting</li> <li>Boreholes and windmills</li> </ul>	Farmer



<b>SUPPORT COMPONENT</b>	<b>VULNERABLE HOUSEHOLD</b>	<b>SUBSISTENCE HOUSEHOLD PRODUCER</b>	<b>SMALLHOLDER PRODUCER</b>	<b>MEDIUM SCALE COMMERCIAL PRODUCER</b>	<b>LARGE SCALE COMMERCIAL PRODUCER</b>
	<ul style="list-style-type: none"> <li>• hoes, water cans, etc.)</li> <li>• Fencing</li> <li>• Storage and handling</li> <li>• Crop / livestock Production inputs</li> <li>• Mushroom</li> </ul>	<ul style="list-style-type: none"> <li>• Basic farm implements (spade, hoes, water cans, etc.)</li> <li>• Mechanisation</li> <li>• Draught Animal Implements</li> <li>• Building supplies and structures</li> <li>• Fencing</li> <li>• Storage and handling</li> <li>• Crop / livestock and Production inputs</li> <li>• Crop / livestock Production inputs</li> </ul>	<ul style="list-style-type: none"> <li>• Irrigation with Water Right</li> <li>• Agro-logistics</li> <li>• Mechanisation</li> <li>• Building supplies and structures</li> <li>• Fencing</li> <li>• Storage and handling</li> <li>• Crop / livestock Production inputs</li> <li>• Agro Processing</li> <li>• Agro Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Irrigation with Water Right</li> <li>• Approved Dams</li> <li>• Agro-logistics</li> <li>• Mechanisation</li> <li>• Building supplies and structures</li> <li>• Fencing</li> <li>• Storage and handling</li> <li>• Crop / livestock Production inputs</li> <li>• Agro Processing</li> <li>• Agro Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Irrigation with Water Right</li> <li>• Approved Dams</li> <li>• Agro-logistics</li> <li>• Mechanisation</li> <li>• Building supplies and structures</li> <li>• Fencing</li> <li>• Storage and handling</li> <li>• Crop / livestock Production inputs</li> <li>• Agro Processing</li> <li>• Agro Logistics</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
		<ul style="list-style-type: none"> <li>• Agro Processing</li> <li>• Packaging and handling systems</li> <li>• Mushroom</li> <li>• Cultivation under protection</li> </ul>	<ul style="list-style-type: none"> <li>• Packaging and handling systems</li> <li>• Mushroom</li> <li>• Cultivation under protection</li> <li>• 4IR related technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Agro Logistics</li> <li>• Packaging and handling systems</li> <li>• Mushroom</li> <li>• Cultivation under protection</li> <li>• 4IR related technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Packaging and handling systems</li> <li>• Mushroom</li> <li>• Cultivation under protection</li> <li>• 4IR related technologies</li> </ul>
Off-farm support may include but not limited to:	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Not Applicable</li> </ul>	<p>Linked to Existing projects. Support is limited to the following:</p> <ul style="list-style-type: none"> <li>• Road Infrastructure</li> <li>• Fire &amp; Wind Breaks</li> </ul>	<p>Linked to Existing projects. Support is limited to the following:</p> <ul style="list-style-type: none"> <li>• Road Infrastructure</li> </ul>	<p>Linked to Existing projects. Support is limited to the following:</p> <ul style="list-style-type: none"> <li>• Road Infrastructure</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
			<ul style="list-style-type: none"> <li>• Drainage</li> </ul>	<ul style="list-style-type: none"> <li>• Fire &amp; Wind Breaks</li> <li>• Drainage</li> </ul>	<ul style="list-style-type: none"> <li>• Fire &amp; Wind Breaks</li> <li>• Drainage</li> </ul>
<b>Capacity Building</b>  <b>may include</b> (Budget for skills development and mentorship to be factored into the business budget requirement)	<ul style="list-style-type: none"> <li>• Extension support</li> <li>• Skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Extension support</li> <li>• Skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Extension support</li> <li>• Skills development</li> <li>• Mentorship</li> </ul>	<ul style="list-style-type: none"> <li>• Extension support</li> <li>• Skills development</li> <li>• Mentorship</li> </ul>	<ul style="list-style-type: none"> <li>• Extension support</li> <li>• Skills development</li> <li>• Mentorship</li> </ul>
<b>Marketing support</b>	<ul style="list-style-type: none"> <li>• No support as production focus is</li> </ul>	<ul style="list-style-type: none"> <li>• Limited support as production focus is household</li> </ul>	Comprehensive marketing support including: (i)	Comprehensive marketing support including: (i)	Comprehensive marketing support including: (i)

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
	on household consumption	consumption and informal markets	<p>(i) Linking with the RASET Programme</p> <p>(ii) Support to meet quality standards</p> <p>(iii) Market infrastructure development</p> <p>(iv) Market information services</p> <p>Domestic and international market development</p>	<p>(i) Linking with the RASET Programme</p> <p>(ii) Support to meet quality standards for local and international markets</p> <p>(iii) Market infrastructure development</p> <p>(iv) Market information services</p> <ul style="list-style-type: none"> <li>Domestic and international market development</li> </ul>	<p>(i) Linking with the RASET Programme</p> <p>(ii) Support to meet quality standards for local and international markets</p> <p>(iii) Market infrastructure development</p> <p>(iv) Market information services</p> <p>Domestic and international market development</p>

<b>SUPPORT COMPONENT</b>	<b>VULNERABLE HOUSEHOLD</b>	<b>SUBSISTENCE HOUSEHOLD PRODUCER</b>	<b>SMALLHOLDER PRODUCER</b>	<b>MEDIUM SCALE COMMERCIAL PRODUCER</b>	<b>LARGE SCALE COMMERCIAL PRODUCER</b>
	<p>groups/cooperative arrangements.</p> <p>Skills needs and assessment capacity development</p> <p>Assessment and evaluation of the natural agricultural resources (Soil, Rangeland and Biodiversity surveys, Agricultural land capability, Agricultural suitability, Agricultural potential for crops and</p>	<p>groups/cooperative arrangements.</p> <p>Skills needs and assessment capacity development</p> <p>Assessment and evaluation of the natural agricultural resources (Soil, Rangeland and Biodiversity surveys, Agricultural land capability, Agricultural suitability, Agricultural potential for crops and</p>	<p>agricultural economists.</p> <p>Skills needs and assessment capacity development</p> <p>Assessment and evaluation of the natural agricultural resources (Soil, Rangeland and Biodiversity surveys, Agricultural land capability, Agricultural suitability, Agricultural potential for crops and</p>	<p>groups/cooperative arrangements.</p> <p>Skills needs and assessment capacity development</p> <p>Assessment and evaluation of the natural agricultural resources (Soil, Rangeland and Biodiversity surveys, Agricultural land capability, Agricultural suitability, Agricultural potential for crops and</p>	<p>groups/cooperative arrangements.</p> <p>Skills needs assessment and capacity development</p> <p>Assessment and evaluation of the natural agricultural resources (Soil, Rangeland and Biodiversity surveys, Agricultural land capability, Agricultural suitability, Agricultural potential for crops and animals, Degradation / conservation status)</p>

<b>SUPPORT COMPONENT</b>	<b>VULNERABLE HOUSEHOLD</b>	<b>SUBSISTENCE HOUSEHOLD PRODUCER</b>	<b>SMALLHOLDER PRODUCER</b>	<b>MEDIUM SCALE COMMERCIAL PRODUCER</b>	<b>LARGE SCALE COMMERCIAL PRODUCER</b>
	animals, Degradation / conservation status)	animals, Degradation / conservation status)	animals, Degradation / conservation status)	animals, Degradation / conservation status)	
<b>Farm and business management planning</b>	Not applicable	Not applicable	Compilation of farm management plans	Compilation of farm management plans	Compilation of farm management plans
<b>Termination Strategy</b>	Lack of Commitment on the side of the Producer leading to failure to comply with the provision of the Contract / SLA.				
<b>Exit Strategy</b>	<ul style="list-style-type: none"> <li>• Graduation Principle applies.</li> <li>• On Merit based on Annual application.</li> </ul>	<ul style="list-style-type: none"> <li>• Graduation Principle applies.</li> <li>• On Merit based on application.</li> </ul>	<ul style="list-style-type: none"> <li>• Graduation Principle applies.</li> <li>• On Merit based on application.</li> <li>• Capped funding</li> </ul>	<ul style="list-style-type: none"> <li>• On Merit based on application.</li> <li>• Funding capped</li> </ul>	<ul style="list-style-type: none"> <li>• On Merit based on application.</li> <li>• Funding capped</li> </ul>

SUPPORT COMPONENT	VULNERABLE HOUSEHOLD	SUBSISTENCE HOUSEHOLD PRODUCER	SMALLHOLDER PRODUCER	MEDIUM SCALE COMMERCIAL PRODUCER	LARGE SCALE COMMERCIAL PRODUCER
		<ul style="list-style-type: none"> <li>• Capped funding and support limited to five years.</li> </ul>			

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### 17.3. RASET PRIORITY COMMODITIES

Priority commodities for the RASET Programme which are in line with the APAP includes vegetables, grain, poultry, and beef. Vegetables and grain commodities being the low hanging fruits which RASET is currently supporting with market access.

In aligning with the National Agriculture Agro-processing Master Plan, the province has prioritized the following seven commodities:

- Grain, (Maize, beans and soya)
- Horticulture (vegetables, Citrus and Tree nuts)
- Sugarcane
- White meat (Piggery and Poultry)
- Red Meat (Goats, Sheep and Beef)
- Cotton
- Forestry

Among the seven commodities prioritized by the province are four commodities which align with RASET commodities. DARD has been actively involved in providing support in various forms to farmers who are aligned to the RASET commodities especially the RASET low hanging fruit commodities (vegetable and grain). Support provided by DARD to farmers who are aligned with the RASET commodities includes Infrastructure Development, Production Inputs, Mechanization, Training, and Advisory Services. Furthermore, DARD is targeting to increase the number of hectares under production in irrigation schemes and increase the number of hectares that are under irrigation for vegetable production.



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#### **17.4. COMMUNITY INVESTMENT PROJECTS (INCLUDING LANDCARE)**

Community Investment projects that will benefit a greater population of the farming community with shared agricultural infrastructure will be supported at 100%. The projects may include but not be limited to the following:

- Rainwater harvesting
- Boreholes and windmills
- Irrigation with Water Right
- Approved Dams with Water Rights
- Building supplies and structures
- Fencing
- Storage and handling
- Agro Processing
- Packaging and handling systems
- Diptanks
- Including landCare projects

The LandCare Programme is aimed at halting the degradation of natural agricultural resources in the Province, through promoting community based sustainable use and management of agricultural natural resources. The expected outcomes of the program are:-

- To optimize productivity through sustainable use of resources resulting in increased area and improved yields under agricultural production,
- To contribute to sustainable food production.
- To improve livelihoods through skills, transfer and awareness.
- To advance socio-economic development through job creation and improved income generation.

The LandCare programme takes a lead in promoting sustainable land management practices by encouraging the use of sustainable methods of cultivation, controlled livestock grazing and harvesting of natural resources in communal areas, rehabilitation of degraded areas and conservation of the agricultural resources and has four themes which are implemented under the following interventions:

- i. Soil care: this focuses on addressing soil degradation due to erosion factors
- ii. Water care: has to do with rehabilitation and protection of water resources to benefit agriculture
- iii. Veld Care: aims at improving the quality of the grazing area and capacity in communal land
- iv. Junior care: impacting on both in and out of school youth.

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#### **17.5. SUPPORT TO AGRICULTURAL EQUITY SCHEMES/PROJECTS: TRANSFORMATION OBJECTIVES**

Investment seeking to deliver on the transformation imperatives for the designated groups designed to benefit a significant number of actors or farming enterprises within the agricultural sector will be considered and supported on merit at the discretion of the department. The Provincial Project Steering Committee should advise the Accounting Officer on such project including decisions regarding the extent of the Departments contribution. Investments to be considered could include complex projects linked to Radical Agrarian Socio-Economic Transformation Programme (RASET), agricultural based Black Industrialist programmes (including but not limited to mechanization), agro-processing, etc. Fundamentally, the investment or projects in this category will prioritize the farming entities which will be 51% owned by farmers who are from previously disadvantaged background.

The criteria for consideration by the PPSC must be a viable business plan clearly articulating benefits in line with government's transformation objectives.

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- The Department will support initiatives seeking to create the transformation of existing and commercially viable farming enterprises for the benefit of previously disadvantaged farmers.
- Such initiatives must benefit a group actors or farming enterprises within the agricultural sector.
- Proposal must be considered and supported on merit on condition that the financial support required is not utilized for the purchase or leasing of land.
- Projects could include equity schemes where black farming entities wish to progressively acquire a minimum of 51% ownership.
- Funding support will be in the form of a development on the farmers which when completed will be evaluated and be used to increase the shareholding of the black equity partners.
- Mandatory business plan clearly articulating benefits in line with government's transformation objectives. Priority to be given to projects with higher number of jobs to be created, number of direct beneficiaries to be supported and commitment in the form of existing shareholding where applicable.
- Support to be capped at R3million per beneficiary up to maximum grant of R100million over a period of five years for collective groupings of beneficiaries.
- Funding requirements above this threshold will attract own contributions per beneficiary calculated in accordance with the smallholder producer's category per beneficiary up to a maximum of R100million over a period of five years for collective groupings of beneficiaries.
- Support will be based on the strength of audited financial statements of the main business owner including linkages to markets.
- Support provided will be for the expansion of the existing business.

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## **18. ROLES AND RESPONSIBILITIES**

This policy provides different roles and responsibility for various stakeholders in the implementation phase. The specific responsibilities that each role player has to fulfil in the life of the policy are discussed below:

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### **18.1. DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT (DALRRD)**

DALRRD has a responsibility to provide over policy guidance and provide, within its means, adequate investment and provision of agricultural development support mechanisms to achieve the goals of this policy.

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### **18.2. DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT (DARD)**

The Department is responsible for overall implementation of this policy and ensuring there is sufficient resources to support all the categories of producers comprehensively as per the provisions contained herein. To ensure successful implementation the department should establish and/enhance the following institutional arrangements:

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#### **18.2.1. PROVINCIAL PROJECT STEERING COMMITTEE (PPSC)**

The Accounting Officer will establish Provincial Project Steering Committee and for operational efficiency delegate to the PPSC the following related to project approval processes:

- All project / programmes as envisaged by the policy will NOT be implemented without being approved by the Provincial Steering committee
- Adjudication on the business plan.
- Business case consideration from various stakeholders on projects of strategic importance.
- Approve or disapprove business plan and projects based on policy.

- Decision of the PPSC shall be implemented by the members within their functional area of responsibilities.
- DARD PPSC will assemble an internal team of specialists from the following fields; Crop, Animal, Economics and Engineering to prepare technical reports where required.

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#### **18.2.2. DISTRICT PROJECT STEERING COMMITTEE**

Amongst others, the roles and responsibilities of the DPSC will be as follows:

- Consider applications from clients (producers).
- Conduct project /farm assessment.
- Compilation and evaluation of business plan.
- Make recommendations to Provincial Project Steering Committee.

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#### **18.2.3. INTERNAL TEAM OF SPECIALISTS**

DARD PPSC will assemble an internal team of specialists from the following fields; Crop, Animal, Economics and Engineering. The PPSC is the relevant structure to assemble the team since the team will be advising the PPSC structure. Their roles and responsibilities will be as follows:

- Assessment of individual projects and possible funding interventions
- Provide collective specialized inputs on the interventions required to elevate the smallholder farmer to a commercial level
- Advise on the project scope for future expansions and make recommendations on the sustainability of the enterprises (projects)
- Establish collaboration with commodity organizations on area of focus.
- Explore the possibilities of market access expansion including export/international markets

The PPSC from time to time will establish such committees depending on the project need and as when required.

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### **18.3. MEC AS THE EXECUTIVE AUTHORITY**

The MEC of the Department, in his capacity as the executive authority, is required to provide overall policy guidance and secure support for this policy programme in the Executive Council and the Legislature, including its oversight committees.

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### **18.4. HEAD OF DEPARTMENT**

In his capacity as the Accounting Officer of the Department, the HOD is required to perform the following responsibilities:

- Provide overall strategic leadership;
- Establish appropriate institutional systems;
- Appoint relevant committees to assess and adjudicate applications from producers
- Approve recommendations of project assessment committees.
- Ensure sufficient resources are allocated to this policy and its programme for optimal implementation;
- Ensure there is effective policy monitoring, reporting and evaluation

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### **18.5. DARD SENIOR MANAGEMENT**

The senior management of the agriculture programme have the following responsibilities:

- Establish and maintain effective systems and institutional arrangements to implement the policy;
- Safeguard and ensure effective and efficient use of government resources to support producers
- Initiate capacity building programmes based on needs assessment
- Recommend the necessary committees and individuals to assess producer applications;

- Provide oversight on the implementation of the policy and monitor and evaluate the implementation process at district level;
- Effect remedial actions, where necessary, in liaison with National Government;
- Report to National Government on a regular basis using predetermined reporting templates; and
- Adhere to national policy and norms and standards in the provision of comprehensive producer support;

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## **18.6. PRODUCERS**

The producers that are funded by the Department have the following responsibilities:

- Enter into a formal partnership agreement with the Department and adhere to the policy provisions;
- Register on the Department and DALRRD central database as a producer within the agriculture value chain;
- Report their business activities to Department on a regular basis as a precondition of subsequent producer support from Government and its partners;
- Keep updated enterprise records and make this available when required for monitoring and evaluation of producer support programmes, and
- Comply with the policy and legislative requirements set out by the Department as and when requested.
- Disclose any financial/ non-financial support received from any organization/ institutions

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## **19. POLICY ENABLERS**

The intent of this policy is to best serve Agriculture and provide an effective agricultural support framework. As such, it is intended to change the existing situation to allow entrepreneurs to succeed through the provision of funding support. The policy will be supported by the following foundational levers, namely:

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### **19.1. NATURAL RESOURCE MANAGEMENT**

Projects supported by the department should seek to promote the sustainable use and management of natural resources to achieve environmental sustainability, improve productivity, food security, job creation and economic viability.

All natural resource data collected as part of business plan formulation should be submitted for inclusion into the provincial database and the upgrading of the Bioresource program.

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### **19.2. ENTERPRISE DEVELOPMENT AND SOUND MENTORSHIP**

- Assisting producers with the development of sound business plans
- Farm Business growth and continuity
- Culture of banking and saving
- Sustainable agribusiness enterprises
- Assisting farm businesses with establishing sound financial control systems.



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### **19.3. PROFESSIONAL EXTENSION AND ADVISORY SERVICES**

The department recognises that the successful implementation of this policy is intricately linked to the continued professionalization of the Extension and Advisory Services as part of the Extension Recovery Programme (ERP). In this respect, the department will continue investing in the revitalisation of the profession with an interest to respond appropriately to the farmers needs in particular technology transfer and dissemination of appropriate information to enable thriving farm business enterprises.

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### **19.4. COMMODITY AND VALUE CHAIN APPROACH**

Priority should be given to projects that support the development of commodities where the province has comparative advantage based on the natural resource potential and other attributes including marketing. Through the policy, the department will encourage collaborations with commodity organisation in supporting sound investment in the agricultural sector in line with the industry trends.

Furthermore, Support provided should be considered for activities within the value chain. The department will use the policy to address structural constraints affecting the sector especially those affecting both forward and backward linkages.

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### **19.5. PARTNERSHIPS**

The resources at the departments disposal are circumscribed to be able to meet the demand for development expected by farmers. In recognition of this reality, the department will endeavour to form sound partnerships with industry players including but not limited to commodity organisations, professional bodies, funding institutions, organized agriculture, Non Governmental Organizations, other Government Departments and state entities, etc. partnerships developed in support of this policy must seek to advance and propel the interest of the farming community including offer opportunities for transformation of the agricultural sector.

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## **20. ENABLERS FOR SMALLHOLDER COMMERCIALIZATION**

Further to the above listed support, there are seven pillars which have been identified as critical in providing needed support especially to smallholder farmers for their graduation to commercial level. The provision of these eight pillars will not only require interventions of DARD but as well as other institutions or stakeholders. These seven pillars are as follows:

### **PILLAR 1: ACCESS TO LAND AND WATER**

The natural resources on which agriculture is based (land and water) are becoming degraded and there is growing competition for their use. Most of the smallholder farmers utilized lands for vegetable and livestock production. It is essential that smallholder farmers' are support to access land. The Department of Rural Development and Land Reform should provide land to smallholder farmers through the farms leasing programme.

Irrigating with water systems designed for domestic uses, constrains the growing of crops to a small portion of the available land. The large proportion of the land could be brought into cultivation during the dry season if they had a reliable source of irrigation water. Therefore, the development of irrigation systems, will not only increase the cropping intensity of winter crops, but will also increase substantially the yield levels of existing crops. Furthermore, the department of Water and Sanitation should play a huge role in providing water access to smallholder farmers through fast tracking of water-use right licenses approvals.

## **PILLAR 2: AGRICULTURAL INFRASTRUCTURE ESTABLISHMENT**

Investment in agricultural infrastructure such storage facilities, packhouse, Silos, etc. is essential for agriculture growth and smallholder graduation to commercial level. Furthermore, DARD will prioritises investment in infrastructure to improve on-farm water management and water harvesting technologies

## **PILLAR 3: ACCESS TO QUALITY PRODUCTION INPUTS**

To scale up their participation in markets, smallholder farmers need to produce more of the right kinds of products to allow them to take advantage of market opportunities throughout the year. To this end, they need access to good quality production inputs such (seeds/seedlings, fertilizers, animals, and feeds for animals).

## **PILLAR 4: ACCESS TO MARKETS**

Previously, the focus on smallholder farmer support tended to be more on increasing production. But, an even more critical issue for smallholder farmers is being able to sell their produce and ensure adequate returns. The provincial governments has taken steps to boost local demand by sourcing produce from smallholder producers through the Radical Agrarian Socio Economic Transformation (RASET) Programme. While DARD acknowledges that RASET Programme support farmers through opening access to markets, DARD will provide smallholder farmers with funding for market infrastructure development.

## **PILLAR 5: RESEARCH AND TECHNOLOGY DEVELOPMENT**

Investments in agricultural research for development have a significant effect on growth in the agricultural sector. The smallholder Farmers will have a greater say in setting of research agendas and participating in research trials.

## **PILLAR 6: SKILLS DEVELOPMENT, TRAINING AND CAPACITY BUILDING**

The smallholder farmers need comprehensive training on crop planning, improved agricultural practices, pest management, soil health improvements, crop harvesting and marketing, and the use of crop calendars by producers. They generally have limited skills in record-keeping of their production and sales. DARD will ensure that the smallholder farmers will be provided Training and Capacity Building support. In building farmer capacity, exposure visits to successful farms shall be considered an important tool. Such visits will enable farmers to observe successful farms and interact with their owners.

## **PILLAR 7: ACCESS TO BLENDED FINANCE**

In order to improve access and affordability of finance and lessen the current reliance on grant funding, partnerships with relevant partners especially financial institutions are necessary to develop blended financial instruments.

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## **21. MONITORING AND EVALUATION**

- The M&E exercise is essential in assessing the efficiency and effectiveness of programmes/projects.
- The five key broad concepts to be evaluated regarding the policy are its (i) relevance, (ii) effectiveness, (iii) efficiency, (iv) impact and (v) sustainability of activities.
- Furthermore, a mid-term review on the implementation of the policy should be conducted during the first three to five years of implementation. This should be followed by a detailed impact evaluation of the policy after ten years of implementation.
- Performance monitoring and evaluation enables improved management of the outputs and outcomes while encouraging the allocation of effort and resources in the direction where it will have the greatest impact.
- The department has systematic processes for collecting and reporting on progress on a regular basis (i.e. monthly, quarterly and yearly)

- Progress on infrastructure projects shall be monitored through the district project steering committee's monthly meetings. Furthermore, project site meetings are mandatory to physically monitor progress.

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## **22. POLICY ASSUMPTIONS**

DARD will provide the basic layout of the Business Plan to be completed as part of the application process.

Based on the existing organisational structure, it is assumed that there will be sufficient human and financial resources, and technical capacity for the effective and efficient implementation of the provisions of this policy.

There is a reasonable assumption that this policy on the packages for farmer's support will receive the required support and political prioritisation that will enable the DARD to fulfil its statutory mandate with the required diligence.

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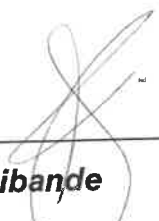
## **23. CONSIDERATION OF DEVIATIONS**

Projects or Investment decisions found to be at variance with this policy should be approved by the Accounting Officer. In exercising this delegation, the Accounting Officer must inform in writing the executive authority within 30 days of taking such a decision. Variations or amendments to the project scope or business plans during implementation can be approved at different levels of management depending on the type of approval being sought. Approval of variations or amendments of project scope including financial implications associated shall be in accordance with the Financial Delegation Policy of the Department.

#### **24. POLICY APPROVAL**


The Agricultural Development Funding Policy is formally approved for implementation in the Department and with effect from the date of signature. This policy replaces all the previous Agricultural Development Funding Policies in the Department.

**Recommended by:**

  
\_\_\_\_\_  
**Mr S Sibande**  
**Head of Department**

21/12/2020  
**Date**

**Approved by:**

  
\_\_\_\_\_  
**Mrs BN Sithole-Moloi**  
**Hon MEC for Agriculture and Rural Development**

21/12/2020  
**Date**