rural development
& land reform

Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA

THE RURAL ECONOMY TRANSFORMATION MODEL: ONE DISTRICT, ONE AGRI-PARK/EVERY MUNICIPALITY A CRDP SITE

DRAFT POLICY FRAMEWORK VERSION 1

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1. INTRODUCTION

South Africa is a middle-income developing country, with a small, open and predominantly commodity-based export economy. The fact that South Africa's is a small, open, commodity-based export economy, renders it extremely vulnerable to global economic crises, or, changes in the consumption patterns of its major international trading partners, especially Western Europe and the United States. This trade-dependency relationship between South Africa and these countries is the legacy of South Africa's colonial past, which designed the economy to produce raw materials for the colonial power. The economy has, historically, been dominated by agriculture and mining. Later on, as industrialisation took root, particularly around the mining towns, manufacturing and the service sectors came into being. Recently, however, there has been a marked decline in terms of contribution to the country's growth domestic product (GDP) by agriculture, mining and manufacturing, with mining accounting for 4.9%; agriculture for 2.6%; and, manufacturing for 15.2%. This decline in contribution by these key sectors to the GDP has meant that economic growth has tended to slow down, or stagnate, deepening poverty, unemployment and income inequality.

In the agricultural sector, uncertainty caused by the government's unavoidable land reform programme, the mechanization of agricultural production and rapid change In land use from cash crop and livestock production to game farming and informal settlements have caused:

- massive retrenchment of unskilled farm workers;
- arbitrary eviction of farm dwellers, to the misery of many poor families; and,
- Consolidation of agricultural land ownership into even fewer hands, including multi-national companies.

All this has served to further deepen poverty, unemployment and income inequality, with the historically rich becoming richer; and, the historically poor, becoming poorer.

Rural areas, generally, suffer from “thin” markets, while the formal market structures at the national level tend to shut new and small producers out of the richer areas of the country. Within the former homelands, for example, low incomes limited local demand, making it difficult for local producers to enter the market and fairly compete with manufactured goods trucked in from the formal urban and peri-urban sectors. The underdevelopment of local production and products was reinforced by weaknesses in rural market institutions and infrastructure. As a result, individual producers find it difficult and expensive to access inputs, capital and skills as well as sales outlets, which are generally located in the urban areas. In turn, limited local demand makes it less worthwhile for private investors and producers to set up marketing institutions in rural areas. It is clear, therefore, that rural areas and their economies did not benefit from historical land reform conducted during the long years of colonialism and apartheid.

1.1 Colonial legacy

From the earliest encounters between Dutch colonisers and the indigenous Khoi San, threats to traditions of land access and use systems resulted in resistance and struggle. The arrival of Jan van Riebeeck and ninety employees of the Dutch East India Company in 1652 were primarily to establish a secure fort, to acquire cattle from the Khoi San and to develop a vegetable garden to provision passing Dutch ships. During the ten years which van Riebeeck spent in the settlement, these aims were fulfilled. Jan van Riebeeck maintained a

detailed registration of freehold grants of farms that were characterised by, as freehold title is to this day, a right of disposal. Similarly freed slaves were granted urban plots in freehold title. Under the administration of Simon van der Stel freehold tenure on large farms extended to thousands of square miles. However in other rural areas forms of leasehold (such as the loan farms) were developed that were in many ways informal with nominal payments or tithes. In the early eighteenth century forms of quitrents or long term leases were provided, at times with possibilities of conversion to freehold. There was no policy as such on land tenure and forms of holding during the 142 years of the Dutch East India Company colonisation of the Cape, and systems were developed as the fiscal needs of the Company required.

Van Riebeeck also initiated two significant developments: slavery and free burghers (citizens). These were former male employees of the Company who were given plots of land to farm in the Cape Colony during this period. During the 18th century the colony's territory expanded more dramatically than its population, for a reason directly connected with the reliance on slaves. Free burghers came to regard manual labour as slaves' work. But for many of them there was no other available employment. The response of the unemployed was to move away from the coast, into vast open expanses that were occupied by the Khoi and San. In these regions the Dutch lived as semi-nomadic herdsmen, fiercely independent, often bartering or fighting with the indigenous population for their land and their cattle.

The British Colonialists attempted to convert the loan farm system to one of permanent quitrents that required the registration of diagrams in the Deeds Office. Many farmers resisted this conversion preferring the informal arrangements which often amounted to squatting. No new loan farm rights were issued and although the greater part of the colony was held in quitrent, the Administration was forced to return to the loan system to allow Boer squatters to “request tenure” if land was not required for 1820 British settlers. This was seen to aim to prevent the departure of the Boer farmers (*Trekboers*) from the Colony into areas where conflict with indigenous Africans over access and ownership of land continued. The growth of the settler community soon led to expansion. Much of this was by mobile stock farmers who moved into the interior. This brought them into direct conflict with indigenous pastoralists and farmers who were dependent on the same resources.

Many of these indigenous people were just re-establishing their social institutions after the blows of the *Mfecane* when confronted by Boer settlers. Although some African farmers maintained limited access to land through informal sharecropping and labour tenancy arrangements with white farmers, the majority sought to re-establish their tradition of tribal authority and control of land use. Areas of African (Xhosa) occupation on the eastern frontier however, although annexed by the colonial authorities, were retained largely as ‘tribal areas’. Hut and poll taxes were imposed in these areas as a means of coercing at least some Africans into wage labour but the weak administrative capacity of the colonial authorities rendered this almost useless. Consequently, more enterprising and resourced Africans living on the eastern frontier could continue to maintain an independent livelihood, either on their own land or as sharecroppers on white farms.

In the late nineteenth century there were attempts by the British colonial Administration to extend the system of registration of freehold quitrent title to African tribal communal areas. The Glen Grey Act of 1894 was concerned with land tenure and conditions for land holding

by Africans in a large area of the Eastern Cape near Queenstown where allotments of 4 *morgen* (3.42 ha) were established. Beneficiaries were selected by officials with certain conditions imposed by statute including loss of the land if it was not properly cultivated (precarious tenure).These early land reform initiatives were motivated in part by the liberal values of the time and some concern for opportunities for development but moreover by the belief that individual ownership would erode tribal leadership and tradition, considered reactionary and opposed to the provision of labour for mining and industrial development. Furthermore the restrictions in size on individual lots prevented the emergence of successful African peasant farmers who might compete with white farmers.

In the Transvaal, Free State Republics and Natal, no Africans were able to effect registration of individual title, except in the Thaba Nchu district where Africans had freehold title before the area was incorporated into the Free State Republic. In the Transvaal Republic and Natal no individual registration of title for Africans was permitted but land was held in trust by whites on behalf of African syndicates. A Native Location Commission was established in 1881 to hold title and land in trust for Africans and similar systems of trusteeship developed in parts of Natal. In the Afrikaner Republics, white land rights were allocated on application, giving the right to those recognised as Burghers to select farms which were submitted for registration with a description by the applicant. On a district basis farms were then inspected and title issued after which quitrent was payable.

The Native Affairs Commission appointed by Lord Milner in 1905 after the war signalled the beginning of segregation and the restriction of land purchases by Africans to areas to be demarcated by future legislation. The impact of the colonial economy soon gave rise to increasing social stratification amongst the black peasantry as those who were able to take advantage of the new opportunities and technologies participated actively in the colonial cash economy. Evidence suggests that they were so successful that they outstripped the productive capacity of most of the Boer farmers. By the early 1890's African independence had largely been destroyed, although the areas of African occupation had been retained as native reserves. New cash taxes were imposed and enforced in these areas and as a result of this, Tswana and Zulu migrants started appearing on the mines during the late 1880's.

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With the formation of the Union of South Africa in 1910, the South Africa Party came to power. The key challenge for the new government was to define a single land and labour dispensation for South Africa. This challenge was resolved through the promulgation of the Land Acts (1913 & 1936). The Natives Land Act of 1913 was passed in response to demands from its rural constituency threatened by the successes of African farmers in tenancy or share-cropping forms of tenure. The Act restricted 80% of the country's population to 13% of the land but was only in practical effect in the Transvaal and Natal. The

statute provided for the continuation of restrictions on freehold ownership in the Orange Free State for whites and measures controlling squatting. The Act did not apply in the Cape as the Cape black franchise and rights to registration of ownership in principle were entrenched in the Constitution of the Union in 1910. The impact of the statute on the lives of the majority of Africans in the Union of South Africa was devastating "*the South African Native found himself, not actually a slave, but a pariah in the land of his birth*"[1].

The Beaumont Commission of 1917 recommended an expansion of areas allocated to Africans by almost double. When these recommendations were tabled in the Native Administration Bill in 1917, the proposed statute was first referred to a Select Committee and to provinces before it was withdrawn. Spatial segregation in South Africa was entrenched during 1924 to 1939. The Native Trust and Land, 1936 (Act No. 18 of 1936) (renamed The Development Trust and Land Act) finally but partially implemented the recommendations of the Beaumont Commission. The statute entrenched the policy of spatial and territorial segregation followed until the 1980's. The policy sought to create a duality of land tenure in South Africa with whites holding land in freehold title supported by registration and Africans in the designated territories with tenure held in trust by the state. State control of land use was justified by the perceived economic failure of African farmers. The 1936 statute also addressed labour tenancy and provided measures to address the perceived over-crowding on farms which were a basis for later forced removals. "Betterment" schemes were introduced in the trust areas which displaced and destroyed many traditional tenure and land allocation systems. Villages were established surrounded by agricultural allotments and where traditional leaders refused to accept the policy they were in many cases replaced with chiefs or headmen appointed by the state.

1.2 Apartheid legacy

The Group Areas Act, 1950 (Act No. 41 of 1950) represented the adoption of a national policy of land rights and use being determined on a racial basis becoming apartheid or separate development for the next 40 years. The Prevention of Illegal Squatting Act, 1951 (Act No. 52 of 1951) and the Native Laws Amendment Act, 1952 (Act No. 54 of 1952) allowed for forced removals of Africans from private and public land and the establishment of resettlement camps.

The Native Resettlement Act of 1954 began urban removals and the resettlement of Africans in spatially separate townships like Meadowlands and Orlando East and the development of Soweto. However Coloureds and Indians were most affected by urban removals under the Group Areas Act since in most urban areas Africans were already removed. The African population was divided into supposedly distinct ethnic nations each with its own homeland and prospect of independence supposedly in keeping with trends elsewhere on the continent.[2] The Bantu Homelands Citizens Act, 1970 (Act No. 26 of 1970) provided for the removal of South African citizenship from Africans and enforced citizenship of a homeland. Industrial development in the 1960's and 1970's and a resultant demand for labour in urban

[1] Native Life in South Africa, a protest against African dispossession, ST Plaatjie 1914

[2] About SA History, South African Government Information website.

areas led to an increase in Africans in the cities but without any tenure except in hostels or informal arrangements as lodgers.

In areas such as the Eastern Cape where “betterment” schemes were introduced in the 1950s such headmen assumed powers to allocate newly created allotments and camps where previously such tenure and composite user rights were allocated by communal tradition. In many areas, traditional rights to residential plots were replaced by Permission to Occupy (PTOs) allocated by Chiefs and headmen. Nominal independence was extended to Bophutatswana in 1977, Venda in 1979 and Ciskei in 1981. In 1976 the Theron Report of the Commission of Enquiry into Matters Relating to the Coloured Population Group recommended an increase in the access of land for Coloureds. Implementation of the Group Areas Act in urban areas and forced removals to rural areas however continued until the late 1980’s. Similarly homeland consolidation continued and the Borders of Particular States Extension Act, 1980 (Act No. 2 of 1980) allowed for the incorporation of so-called black spots into the ethnic homelands.

Thereafter, the Black Communities Development Act, 1984 (Act No. 4 of 1984) allowed Africans to acquire 99-year leaseholds secured by registration on residential land in urban areas outside the homelands. It followed that ownership of more than 87% of the land in the country lay with whites, secured by deeds registration with detailed servitudes and restrictions, and detailed cadastral descriptions. The remaining 13% consisted largely of land in the nominally independent homelands and other areas under diverse traditional communal tenure systems with only the outer boundaries of the areas surveyed. After 1990, negotiations towards constitutional and political reform began in earnest within the country. At the same time Parliament considered a White Paper on South African Land Policy which placed the issue of land and tenure reform as central to constitutional negotiations. “*The White Paper identified its fundamental premise in the proposition that access to land was a basic human need to be fulfilled by free enterprise and private ownership. Thus, at the outset, the outgoing minority government implicitly rejected any solution involving a fundamental departure from the prevailing politico-economic norms of the first world*”[3].

1.3 Patrimonial authority

In the pre-colonial era, traditional leaders and traditional authorities were important institutions which gave effect to traditional life and played an essential role in the day-to-day administration of their areas and the lives of traditional people. The relationship between the traditional community and traditional leader was very important. The normal functioning of the traditional community was the responsibility of the traditional authority.

African labour has been, and continues to be, exploited with no intention of developing its productive capacity. This African labour had been confined to either single-men's hostels or in peri-urban residential locations, as temporary places of abode, until its usefulness would have served its purpose, and would be repatriated to its 'ethnic homeland'. Secondly, these so-called ethnic homeland areas have been, and continue to be, dominated by traditional governance or *'patrimonial authority*' sustained by some subsistence economic activity,

[3] Ibid, p245.

driven, in the main, by women, as the men generally worked in the mines and white commercial farms.

It is the combination of this colonial pattern of economic development, the Apartheid system of racial segregation and these patrimonial patterns of authority in the ethnic homelands, which brought about what former President Thabo Mbeki, called the First and the Second economies. These two economies co-exist in an exploitative relationship, with the First being white, well resourced, capacitated and is part of the global market economy; and, the Second being poorly resourced, incapacitated and confined to providing raw materials and unskilled labour power to the First.

2. THE PROBLEM STATEMENT

2.1 The critical elements of the Problem

Although much progress has been accomplished in the past two decades in overcoming the monumental challenges left over from apartheid, the spatial divide of apartheid's social and political geography remains a defining feature of South Africa. Following the 1913 Natives Land Act, which instigated a long and devastating history of forced removals of Africans from farmland, a range of socially and ethnically based legislation was passed towards reinforcing separate racial and ethnic development. The approach was based on the philosophy of exclusion, in which indigenous South Africans were not only denied the right to own land, but also excluded from opportunities to accumulate capital in other forms including finance, education, skills or social networks. By the end of apartheid, an estimated 80 percent of the population (mostly Africans, Coloureds and Indians) was constrained to a mere 13 percent of South Africa's land surface, most of whom were trapped in a vicious cycle of poverty.

The geo-spatial sources of raw materials, which are rural areas, continue to subsidize the urban economy. Put differently, the rural poor continue to subsidise the urban rich. This pattern of colonial development, in the case of South Africa, has been exacerbated by the system of Apartheid, which confined African people into undeveloped Bantustans, or, so-called ethnic homelands, and peri-urban areas called *Bantu Locations*.

2.2 How does the problem manifest itself

There are countless ills: the scarce ability by households to afford basics such as access to affordable food. There is also widespread idleness among young people that brings in its wake self-destructive habits such as substance addiction, criminality and violence. Studies also suggest that the spread of HIV and AIDS can also be linked to poverty and poor education experienced in black townships and homeland areas. Landlessness also resulted in the stagnation of certain cultures, self-alienation and loss of values of caring, compassionate living, respect for the elderly and those entrusted with the execution of government and the administration of law. In general the effects of centuries of mal-distribution of resources in education, scientific and technological capabilities have left a mark of consumptive rather than productive existence on the African population.

2.3 Social, economic and political consequences.

From various studies and analyses four primary economic challenges can be identified:

- Poor infrastructure
- Unemployment
- Stagnant agriculture sector and lack of diversification of economic opportunities in rural areas
- Over-reliance on grants and remittances

Poor access to socio-economic infrastructure in the rural areas led to mostly unexploited opportunities in areas such as agriculture, tourism, mining and manufacturing. Currently, infrastructure in the rural areas is not geared to support the changing shape of agriculture, and also of non-farm economic activities. There has not been adequate industrialization of rural areas. The direct contribution of the agricultural sector to GDP has declined steadily over the past few decades. Direct production activities in the agriculture sector contribute approximately 3 % of GDP. This can be attributed to a stagnant agricultural productivity in the rural areas, especially in the categories of smallholder and household farming. Rural livelihood activities have focused primarily on subsistence agriculture to the exclusion of other sectors of the economy and diverse enterprises.

There are generally low levels of literacy and skills in the rural areas. Limited economic and educational opportunities have forced the youth and other job seekers to migrate to the cities, leaving behind older persons, women and children in the former homelands. The struggle against apartheid left a powerful legacy of community-based organising and mobilising. The immediate post-1994 period, however, created something of a passive 'recipient' mind-set which remains a barrier to more recent participative planning systems. Moreover, local governments often act more as gate-keepers and controllers than as facilitative bodies allowing communities to control resources and resource allocation. As a result, these foundations have yet to result in significant involvement by communities in planning, project identification, or widespread participation in the implementation of local development programmes and/or service delivery.

Rural areas are characterized by under-utilization and unsustainable use of natural resources. The natural resource base has been depleted by population growth, migration and consumption patterns and the need for residential land and services. Problems also include overgrazing, depletion of woodlands, depletion of water resources and deterioration of irrigation systems and overfishing.

Although the political will exists within the democratic government, fragmentation created by the apartheid state and the sheer cost of overcoming the backlogs and deprivation has constrained the progress made in the development of the rural areas. This coupled with weak institutional structures linking the 3 spheres of government such as IDP forums has not promoted comprehensive rural development. In the implementation of the Integrated Sustainable Rural development Programme political champions were appointed in provinces, but the lack of their ongoing support was one of the issues of concern raised in the review of the ISRDP. Spheres of government have in the past worked past each other

and often independently. Political champions have not taken responsibility for the facilitation of integrated development aligned to the IDPs.

Systems created by the apartheid dispensation in terms of the roles of traditional leaders have resulted in uncertainties in that political arena, and in order to ensure comprehensive rural development the role of traditional leaders and their institutions in rural development as custodian of the land and their relationship with rural villages must be acknowledged and they need to be seen as partners who are empowered to contribute to the development of their villages. Their roles need to be clearly defined as custodians of tradition and promoters of rural development.

As such, today's systematic triple challenges of inequality, unemployment and poverty are symptoms of this long history of dispossession and the denial of economic, social and human development opportunities for the majority. This is most aptly evident in the crisis of rural underdevelopment. Of the 40% of South Africans who reside in rural areas, more than two-thirds lived below the poverty line in 2011, compared to less than a third of urban residents[4]. The majority of South Africans living below the food poverty line, totalling an estimated 10.2 million in 2011[5], is mostly from the country's rural spaces. Also, lack of access to basic services was significantly higher in predominantly rural provinces compared to urban provinces in 2011. The most recent population census further reported that more than 9 out of 10 (94.2 percent) of indigent South Africans were black in 2011, with African children, women, the aged, the disabled and the uneducated suffering the most extreme forms of poverty[6]. Furthermore, only 34.6 percent of blacks were employed in 2011 compared with 69 percent of whites.

These statistics reveal that South Africa remains as one of the most inequitable societies in the world, with its Gini coefficient rising from 0.64 in 1995[7] to a high of 0.7 in 2012[8]. The great majority of the lowest income earners are African rural women. On average, white households are estimated to bring in 5.5 times the income of the average black household. Inequality manifests itself not only in inequitable access to land and enormous income gaps, but also in access to economic opportunities, particularly within the agricultural sector. This is apparent in the persisting dualistic nature of the agriculture sector, which is marked by a prosperous (white dominated) commercial sector that owns and controls the majority of the country's farmland (86%), next to a (mostly black) land-scarce unsupported smallholder sector with limited means to improve production and economic prospects.

4 Statistics South Africa (StatsSA). 2014. *Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011*. Pretoria: StatsSA. Pp. 29

5 Ibid.

6 Ibid.

7 National Planning Commission (NPC, The Presidency). 2011. Diagnostic Overview, Human conditions diagnostic. Pretoria. Government Printer. Pp. 3.

8 Sharma, S. 2012. Rising inequality in South Africa: Drivers, trends and policy responses. Consultancy African Intelligence. Available at: http://www.consultancyafrica.com/index.php?option=com_content&view=article&id=1142:rising-inequality-in-south-africa-drivers-trends-and-policy-responses-&catid=87:african-finance-a-economy&Itemid=294. Pp. 1.

Challenges faced by smallholder farmers in South Africa, estimated to number approximately 220 000 households by the Department of Agriculture Forestry and Fisheries (DAFF) in 2013[9], mirror those faced by small-scale producers throughout the world. Nearly 60% of the world's poor are reported to consist of smallholder producers and pastoralists[10]. The interlinking challenges faced by these groups are mostly associated with limited access to physical, economic and social capital (e.g. land, water, infrastructure (roads, storage facilities etc.), production inputs, credit, markets, extension services, information, education, trainings, organization opportunities, institutions etc.). Paired with the low incomes, these constraints translate into small-scale producers being trapped "within a "cycle of equilibrium" of low margins, resulting in low risk-taking ability and low investment, which leads to low productivity, low market orientation and low value addition which, in turn, nets low margins"[11]. This limits their economic mobility and relegates them to low-productivity, low-return niches in the value chains, as they are unable to successfully compete with large agribusinesses that have come to dominate national and global markets.

Thus far, South Africa's land reform programme has not as expected effectively addressed the challenges facing small-scale producers and generated a sufficient number of successful black smallholder farmers, partially due to the limited strides accomplished in enhancing skill levels, production efficiency, agro-industrial development and market access of these farmers. Furthermore, there is the problem of underutilization and unsustainable use of productive land across the nation, which poses major threats to household food security and national food sovereignty.

Considering that smallholder farmers and farm labourers comprise a substantial portion of the nation's rural poor, as well as extensive evidence of agriculture's potential for catalysing growth and reducing poverty, the answer to South Africa's severe crisis of rural underdevelopment lies partially in policies that promote agro-industrialization within the small-scale farming sector. It is within this context that the Agri-Parks Programme has been developed by the DRDLR. International experience has shown that due to the creation of an enabling environment (in terms of expanded access to resources and markets, bolstered horizontal and vertical linkages, and supporting facilities, institutions and partnerships), Agri-Parks are an effective strategy for increasing the efficiency, reducing the costs and maximizing the value of small-scale production. This subsequently increases the productivity and competitiveness of smallholder farmers, which means higher income earnings for the rural poor, more inclusive value chains, higher participation of women and youth in commercial agriculture, and, as a result, enhanced equity in the sector and broader society.

For these reasons and others, Agri-Parks have proven to catalyse the regeneration of rural economies as they bolster urban-rural linkages, promote the empowerment and participation of marginalized rural citizens and their respective organizations, and advance collaboration

[9] DAFF, 2013. *Strategic Plan for the Department of Agriculture, Forestry and Fisheries.* Pretoria: DAFF.

[10] Haggblade, S., Theriault, V., Staatz, J., Dembele, N. and B. Diallo. 2012. "A conceptual Framework for promoting inclusive Agricultural Value Chains." Michigan State University and International Fund for Agricultural Development (IFAD). Available at: http://fsg.afre.msu.edu/IFAD-WA/conceptual_framework.pdf. Pp. 19.

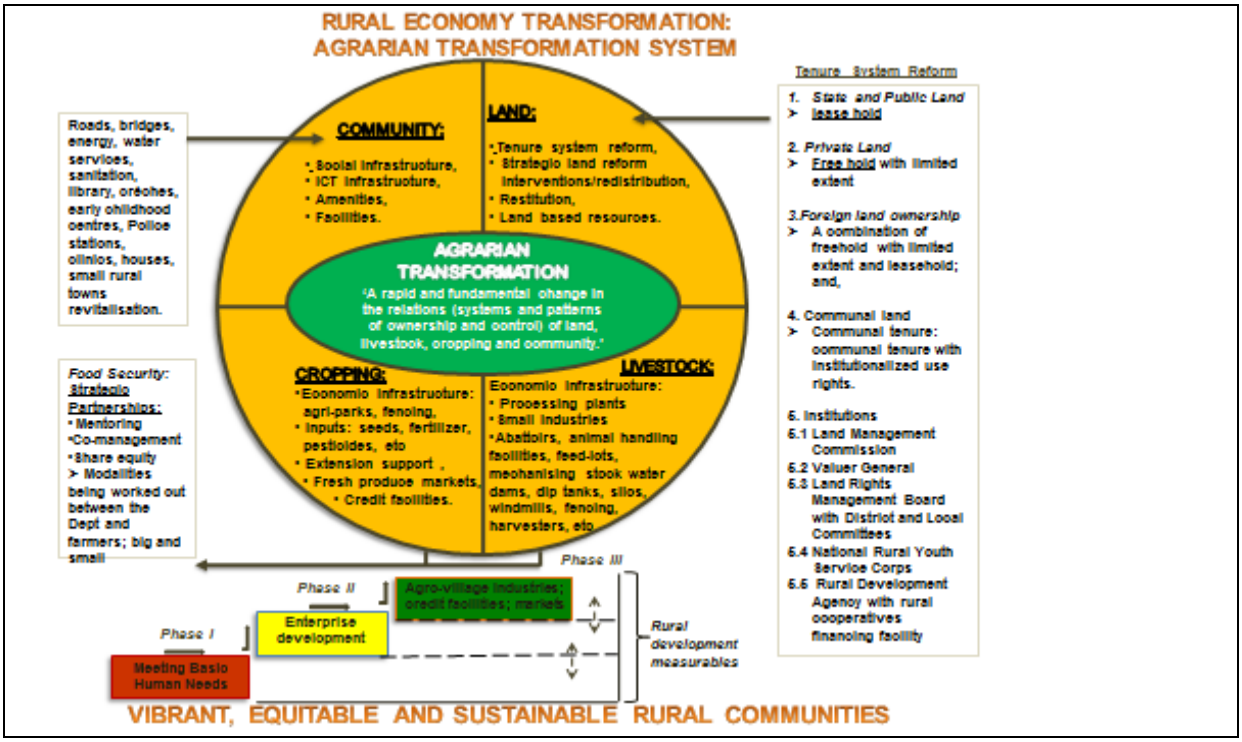
[11] Galvez-Nogales, E. 2010. *Agro-based clusters in developing countries: staying competitive in a globalized economy. Rome:* FAO. Pp. 4.

between numerous stakeholders in the formulation and implementation of rural development.[12]

3. WHAT IS TO BE DONE

3.1 The Rural Economy Transformation Model (RETM) with South African Characteristics

Figure 1: Agrarian transformation system



The RETM will be implemented though the Agrarian Transformation System (which summarises the mandate of the DRDLR), and presents four Development Measurables, laid out in phases, which are meant to run sequentially (for effective planning) and simultaneously (guided by the plans):

a) Meeting basic human needs;
b) Rural enterprise development;
c) Agro-village industries, sustained by credit facilities and value-chain markets; and,
d) Improved land tenure systems (embedded in meeting basic human needs).

[12] Scheitjman, A. and Berdegue, J.A. 2004. *Rural Territorial Development*. Documento de Trabajo No. 4. Programma Dinamicas Territoriales Rurales. Rimisp, Santiago, Chile.

The RETM evolved from the implementation of the Comprehensive Rural Development Programme (CRDP and refined the management system (Section 7), which will be used to guide the management of the agri-parks.

'Agrarian transformation' denotes the 'rapid and fundamental change in the relations (meaning systems and patterns of ownership and control) of land, livestock, cropping and community'. The objective of the strategy is social cohesion and inclusive development of rural economies, in which rural-urban linkages are considered crucial in generating such inclusivity. Empowered citizens and communities are viewed as the main agents of change, to transform land, livestock and cropping activities into successful agro-businesses that inclusive development of the agricultural sector and broader rural economy. In order to achieve this, people must be supported, organized and mobilized to ensure maximum sustainable use of natural resources to the benefit of all community members, which is exactly what Agri-Parks intend to engender. As such, the Agri-Parks Programme shall serve as a primary vehicle for facilitating such organization and support, and thus will be a central driver of the RETM and the Agrarian Transformation Strategy.

The Agri-Parks Programme forms part of the 2011 Green Paper on Land Reform policy review and reformulation process, which has been undertaken with a view to generate reforms that effectively address issues relating to tenure insecurity, food insecurity, rural underdevelopment and inequity in the agricultural sector. The principles underlying land reform as set out in the 2011 Green Paper that these specific objectives uphold are:

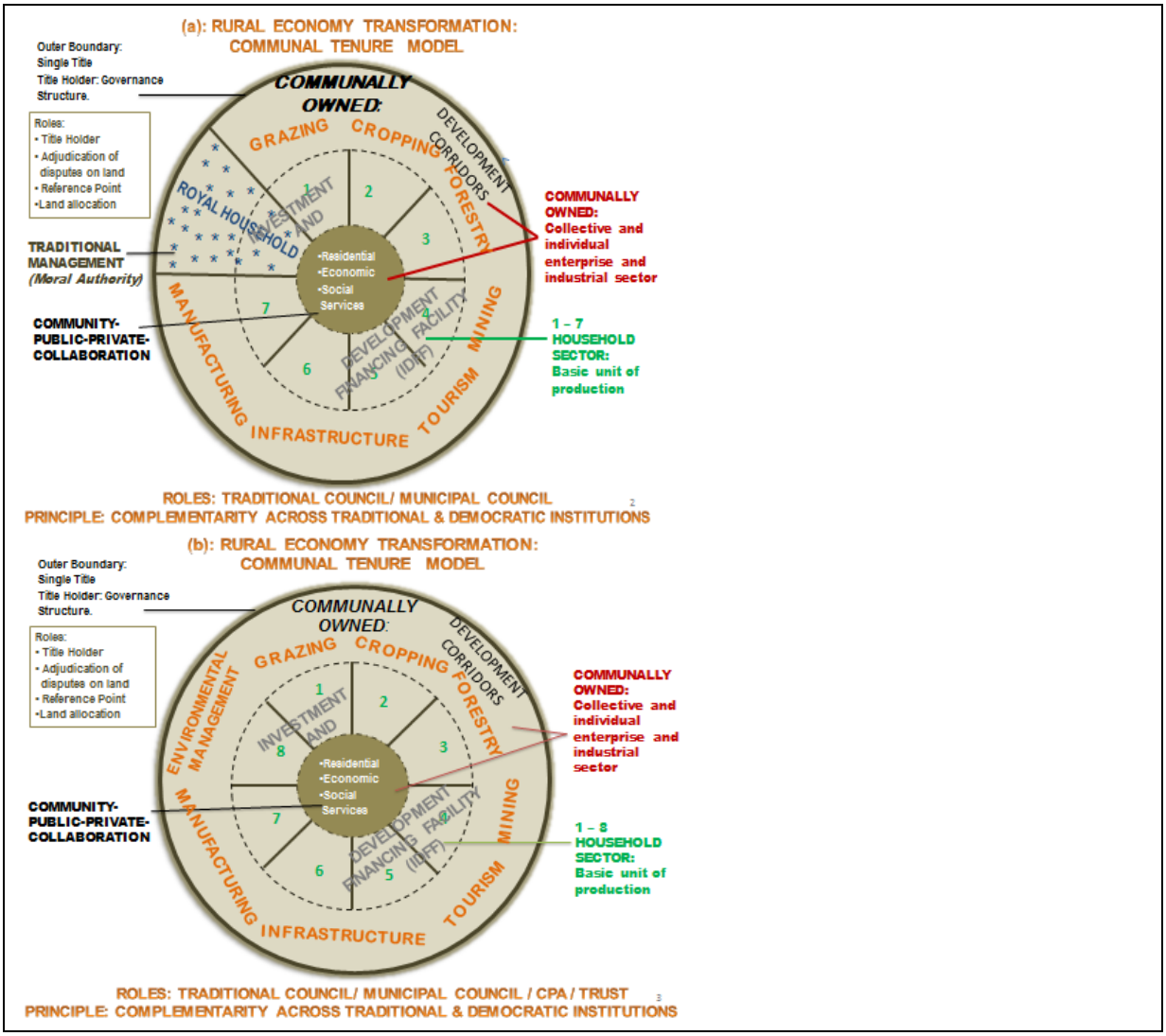
- Deracialisation of the rural economy;
- Democratic and equitable land allocation and use across race gender and class; and,
- A sustained and improved production discipline in order to promote social cohesion, food security, shared economic growth and sustainable development.

Additionally, it defines the strategic objectives of land reform as two-fold:

1) Ensuring that all land reform farms are 100% productive; and
2) Rekindling the class of black commercial farmers, which was deliberately and systematically, destroyed by the 1913 Natives Land Act and other subsequent legislation.

Furthermore, the Green Paper avers that land reform should be pursued with minimal disruption to food production and based on the Agrarian Transformation Strategy/ Rural Economy Transformation Model. Earlier, it has been pointed out that South Africa is faced with a triple legacy of colonialism of a special type, where the colonizer and the colonized live in the same country, apartheid ethnic enclaves and patrimonial authority. The current Administration has designed solutions that seek to reverse this triple legacy. The Wagon-Wheel model is a direct response to this legacy. The Wagon Wheel is a high-level static representation of the social, economic, cultural and political situation in the parts of South Africa that are dominated by communal landholdings and patrimonial authority.

Figure 2: Wagon-Wheel: Communal Tenure Models



A transformed rural economy is also inclusive of communal areas, commercial farming areas, rural towns and villages that can be organized to support both agricultural and non-agricultural sectors. With respect to the communal areas, the reality of these areas is that there is a co-existence and community of elective democratic structures of government and civil society as well non-elective (Royal Houses-succession) and elective (traditional councils) traditional ones. All these formations contribute to the management of these areas and a medley of social, economic and political cultures. The fundamental principle here is that there should be complementarity and not destructive competition between the household sector, traditional sector, public sector and social sector. There is also a challenge in rectifying the gender disparities within some of the communal areas political and administrative structures. A social compact will be explored during the process of engaging traditional leaders, communities on communal agricultural land and other Common Property Institutions in forming part of the agri-parks initiative in their areas. Legal agreements in line with current policy and legal instruments will be developed to draw in targeted farming households from communal areas that fall within the agri-parks domain.

3.2 One District, One Agri-Park, every Municipality a CRDP site

In his 2015 *State of the Nation Address*, President Jacob Zuma stated that there will be one "Mega Agri-park" in each of the 27 poorest districts of the country. This was reiterated in the May 2015 Budget Vote speech delivered by the Minister of Rural Development and Land Reform, Gugile Nkwinti. R 2 billion has been allocated to establishing and operationalizing Agri-Parks in all 44 Municipal Districts, with particular focus on the 27 poorest districts where the aforementioned problems are experienced most acutely. Envisioned as smallholder farmer/ cooperative-led rural development hubs, Agri-Parks have been put forward by the Department of Rural Development and Land Reform (DRDLR) as part of the response for achieving national goals of inclusive rural development and integration, employment creation, poverty eradication and inequality reduction.

These agri-parks will be linked to the district gateways or growth points (within a 50km radius) so as to maximise opportunities for all value chains connected to the Mega agri-park. The Spatial Planning and Land Use Management Act, 2013 (Act No.16 of 2013) (SPLUMA) is therefore critical in the planning of these agri-parks as they will form part of the district rural development plans. The agri-parks will be designed for multiple uses that accommodate small farms, public areas, and natural habitats. They will allow smallholder farmers access to secure land and local markets; provide fresh food to households and schools nearby, and will become an educational, environmental, and aesthetic amenity for nearby communities. A set of spatial criteria will be developed so that the location of each agri-park is properly located for maximum economic effect.

It is further intended that CRDP sites will be established in every local municipality to support the development of the agri-parks in every district in line with the RETM.

3.3 Definition and Elements of an agri-park

Agri-Parks as a concept is new in South Africa, but the idea draws from existing models here and abroad, including educational/experimental farms, collective farming, farmer-incubator projects, agri-clusters, eco-villages, and urban-edge allotments and market gardens. These models exist on both public and private lands. Agri-parks can serve as transition or buffer zones between urban and agricultural uses. The naming of the concept as a "park" is intended to convey the role the Mega Agri-park will play in open space preservation. While the term suggests the permanent land conservation and recreational use exemplified by the public park, it also evokes the traditional model of an agricultural business park or hub, where multiple tenants and owners operate under a common management structure. Agri-parks provide networks of contacts between producers, markets and processors, but also provide the physical infrastructure required for the transforming industries.

Clustering of agricultural enterprises emerged as one of the industry realisations of the economy of agglomeration. Its inherent characteristics were defined by Porter (1998)[13]: "A geographically proximate group of interconnected companies and associates institutions in a particular field linked by commonalities and complementarities". Porter (1998) used the diamond model of competitive advantage to analyse how the concentration of economic

[13] Porter, M.E. (1998) Clusters and the new economy of competition. *Watertown*: *Harvard Business Review*, **76**, 77-90.

activities in the cluster industries can result in new and better ways to compete and to bring innovation faster to the market. It can be noticed that such spatial clustering is defined by relations not by membership, and the spatial boundaries are as flexible as needed. Another important property of clusters is that they are dynamic and not static over time, but changing continuously. The Organisation for Economic Co-operation and Development (OECD) has produced a different definition, focused on the knowledge dimension: "Clusters are characterized as networks of production of strongly interdependent firms, knowledge-producing agents and customers linked to each other in a value adding production chain".[14] There is an important difference between the empirical model of clusters and the cluster policies and initiatives oriented to their creation and development. Cluster policies are specific governmental efforts to support clusters. Those policies include industrial and Small, Medium Enterprise policies, or research and innovation policies. Cluster policies are frequently supported by specific governmental programmes or initiatives.

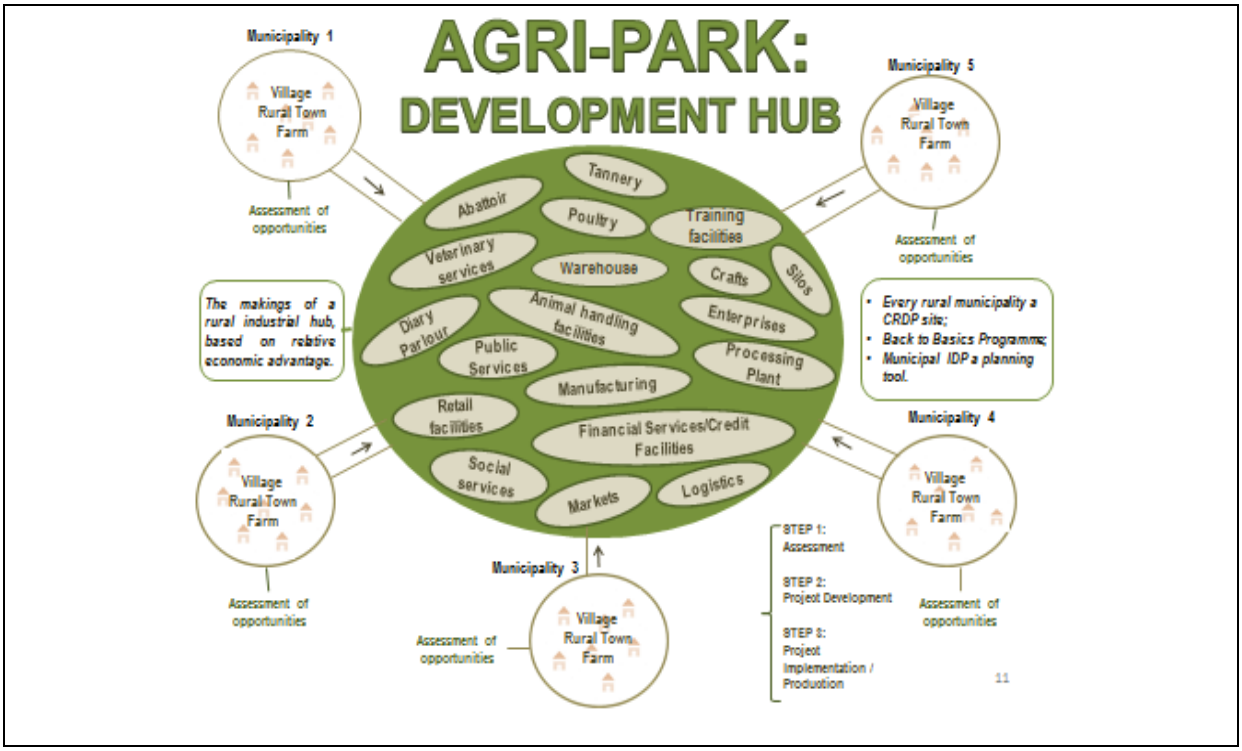
A well designed Agri-park (see diagram below) with all the requisite facilities has considerable potential for commercial success. The focus of the agri-park is primarily the processing of 'agricultural products' (and the mix of 'non-agricultural' industries may be low or non-existent). Of prime importance is access to a viable agricultural land, where a range of productive agri-horticultural enterprises may exist. Services such as management, information, transport, storage and packaging can be shared across a range of different crop and livestock products. There may also be opportunities for recycling waste and/or using rejected products from the one processing stream as the raw material for the next.

Within the South African context, the Agri-Park Programme forms part of Government's undertaking to review all land reform policies as enunciated in the 2011 Green Paper on Land Reform, with a view to address issues relating to historical exclusion, equitable access to land, and inclusive participation in the optimal utilisation of land; as well as to address challenges relating to access to food and economic opportunities. As is demonstrated in the sub-sections below, this programme is grounded in and advances the overarching aims and proposals of key national frameworks and of significance, programmes aimed at rural economy transformation.

The agri-park approach will include the selection and training of smallholder farmers, as well as selecting farms per province for the placement, incubation and training of unemployed agricultural graduates and other agro-entrepreneurs. An amount of R2 billion has been set aside to implement this initiative in the coming financial year (April 2015 to March 2016). In addition, the agri-parks will be farmer-controlled. This is seen as a critical task of moving South Africa towards achieving the strategic objective of restoring the class of black commercial farmers, which was destroyed by the 1913 Natives Land Act' and other colonial and apartheid legislation and practices.

[14] Roeland, T. and Den Hertog, P. (1999) Boosting innova-tion, the cluster approach. *OECD Proceedings*, Publica-tion Services, Paris

Figure 3: Agri-park Development Hub



The model will have a strong social mobilisation component so that black farmers and agri-business entrepreneurs are actively mobilised and organised to support this initiative. The DRDLR's strategic partnerships with key government departments such as the Department of Agriculture, Forestry and Fisheries and the Departments of Cooperative Governance and Traditional Affairs will lend credence to the sustainable development of the model. Other national government departments, provincial government departments and the 44 district municipalities (including relevant local municipalities) will play a leading and/or supportive role as the model is implemented through the full value-chains within each Mega agri-park.

State land will be used for both production and processing (the 25 state farms per Province, linked to the DRDLR's Animal and Veld Management Programme). The agri-parks should create jobs and develop entrepreneurial and managerial skills in the rural space, where raw materials are mainly produced. The rural-urban economic relations will change from rural-urban dependency to mutual dependency between the two complementary segments of the same economy.

Establishing productive and competitive agro-processing industries requires considerable effort on the part of those involved in the production, processing, transporting, marketing and sales chain. A well organised and well located agri-park has the potential to provide the facilities for processing a range of materials to produce a variety of products, and to provide common services. There is scope for cost- effectiveness and wise investment that will enhance the performance of each entrepreneur within the collective group. Links between producers and processors are symbiotic, but also competitive and the park should remain with a separate identity focussed primarily upon the post-production sector; at least at time of establishment and during the early years of trading. Given the importance of pricing between materials sold off-farm and purchases at the factory gate, a competitive edge is

essential to ensure that the best producers and processors remain commercially viable. There is therefore scope for contractual farming and processing agreements. In essence, the agri-parks should be:

- based on the relative economic advantage of the District, compared to other Districts;
- have all the elements of the dominant products' value-chain in the District - from production to warehousing/storage, packaging, processing, retailing, transportation;
- subsidized by the Government, at least for the first ten years, on a diminishing scale: land acquisition, development, inputs, products pricing - for affordability and competitiveness;
- part of the government's Exit Strategy for Recap, Rural Women Crafters and the Narysec Programmes;
- laying the basis for the Rural Development Agency and a Rural Investment and Development Financing Facility (RIDFF); and,
- Cementing the foundations for rural industrialisation, as set out in the National Development Plan, over the next two decades.

4. OBJECTIVES AND PRINCIPLES

The Agri-Park Policy aims to create rural industrial hubs across South Africa to serve as primary vehicles of agrarian transformation and comprehensive rural development in order to: enhance agricultural production and efficiency; promote household food security and national food sovereignty; engender agrarian transformation through rural enterprise development and employment creation; and, address the triple challenges of poverty, inequality and unemployment as starkly manifest in rural areas.

4.1 Its objectives are therefore as follows:

- Establish Agri-Parks in all of South Africa's Districts, starting first on state land within the 27 Priority District Municipalities that will kick start the Rural Economic Transformation for these rural regions;
- Promote growth of the smallholder sector by creating 300 000 new small-scale producers, as well as 145 000 new jobs in agro-processing by the year 2020 (as set out in the NGP);
- Promote the skills of and support to small-holder farmers through the provision of capacity building, mentorship, farm infrastructure, extension services, production inputs and mechanization inputs;
- Strengthen existing and create new partnerships within all three spheres of government, the private sector and civil society to develop critical economic infrastructure such as roads, energy, water, ICT and transportation/logistics corridors that support the agri-park value chain;
- Enable producer ownership of the majority of Agri-Parks equity (70%), with the state and commercial interests holding minority shares (30%);
- Allow smallholder producers to take full control of Agri-Parks by steadily decreasing state support over a period of ten years;

- Bring under-utilized land (especially in Communal Areas Land and land reform farms) into full production over the next three years, and expand irrigated agriculture; and
- Contribute to achievement of the NDP's "inclusive rural economy" and target of 1 million jobs created in agriculture sector through creating higher demand for raw agricultural produce, primary and ancillary inputs, as well as generating increased downstream economic activities in the sector.

4.2 Principles

There are 10 principles that should guide the developing of agri-parks:

1. One Agri-Park per District (44) with focus on the 27 priority districts
2. Agri-parks must be farmer controlled.
3. Agri-parks must be the catalyst around which rural industrialization will takes place.
4. Agri-parks must be supported by government for a period of 10 years to ensure economic sustainability.
5. Strengthen partnership between government and private sector stakeholders to ensure increased access to services (water, energy, transport) and production on the one hand, while developing existing and create new markets to strengthen and expand value-chains on the other.
6. Maximise benefit to existing state land with agricultural potential in the provinces, where possible.
7. Maximise access to markets to all farmers, with a bias to emerging farmers and rural communities.
8. Maximise the use of high value agricultural land (high production capability).
9. Maximise use of existing agro-processing, bulk and logistics infrastructure, including having availability of water, energy and roads.
10. Support growing-towns and revitalisation of rural towns, in terms of high economic growth, high population growth over past 10 years and promote rural urban linkages.

5. KEY GOVERNMENT STRATEGIES SUPPORTING THE DEVELOPMENT OF AGRI-PARKS

5.1 National Development Plan

The National Development Plan view agriculture as critical to employment and food security. It is estimated that Agriculture would potentially create a million jobs by 2030. Vision 2030 of the National Development Plan (NDP) calls for an inclusive rural economy wherein: *rural communities should have greater opportunities to participate fully in the economic, social*

and political life of the country. People should have access to high-quality basic services that enable them to be well nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture, and were possible by mining, tourism, agro- achieved though successful land reform, job creation and poverty alleviation. The 2030 vision speaks of the inclusivity and integration of rural areas, through successful land reform, job creation and poverty alleviation, and places Agriculture as the driving force behind this vision. The NDP identifies the following as key catalytic interventions include "expansion of irrigated agriculture, supplemented by dry-land production where feasible. In areas of low economic potential, the NDP speaks of the importance of basic services such as basic education, health care, basic services and social security to support the development of human capital. Agri-Parks will serve as important mechanisms to execute the NDP's proposed rural development strategy due to their potential for supporting small-scale agricultural production and stimulating agro-processing in rural areas. One core element of this approach is conducting commodity and value-chain analyses and mapping exercises to determine the best areas to establish Agri-Parks based on the growth potential of value-adding commodities. As such, each Agri-Park will focus on specific prioritized commodities that have the highest prospect of succeeding in their region. This is directly in line with the NDP's approach of targeting high value commodities (most of which are labour intensive) to stimulate industrial growth, accompanied by measures that ensure sustainable production on redistributed land and an improved institutional support system.

In this regard, the NDP identifies certain agricultural sub-sectors that have the most potential for development, which are categorized into large labour-intensive industries, smaller labour-intensive industries, and large existing industries with significant value-chain linkages. For instance, small-scale labour intensive agriculture, including macadamia, pecan nut, rooibos tea, olive, fig, cherry and berry industries, are found to have the greatest expansion potential due to the significant market demand for these products. The NDP projects that approximately 80 000 jobs can be created by further developing these particular areas of small-scale agriculture. By providing the necessary inputs, facilities, institutions, market-linkages and partnerships, Agri-Parks can enable small-scale producers and rural residents to create new and expand existing enterprises in these industries, which will have positive growth impacts on the rural economy.

5.2 New Growth Path

In 2010, the Department of Economic Development published a framework for a proposed New Growth Path for South Africa, which was specified by the MTSF 2014-2019 document as a key policy instrument in achieving the NDP's vision for 2030. Setting the country's trajectory for economic development, the central objective of the NGP is to reduce joblessness, poverty and inequality through the creation of decent jobs. The target is the creation of 5 million jobs by 2020. To meet this target, the NGP argues that economic transformation, driven by state interventions in selected sectors of the economy (such as Agriculture) is necessary. Five job drivers, all of which are addressed by the Agri-Parks Programme, are identified by the NGP in this regard including:

1. Substantial public investment in infrastructure;

2. Targeting more labour-absorbing activities in agricultural and mining value chains, as well as manufacturing and services;
3. Taking advantage of new opportunities in the knowledge and green economies;
4. Leveraging social capital in the social economy and the public services; and
5. Fostering rural development and regional integration.

Thus land reform and rural development within the NGP are viewed as conduits to poverty reduction, employment generation and spurring economic growth. The NGP has as its set target to create opportunities for 300 000 households in agriculture smallholder schemes and 145 000 jobs in the agro processing by 2020. Thus the reformulation of the land reform through the provision of support infrastructure, marketing, finance and extension of services is deemed necessary. With core objectives of smallholder development and job creation, Agri-Parks will be important in achieving these targets.

Furthermore, the framework document acknowledges that an effective rural development strategy must: focus on providing a realistic understanding of the economic potential of different regions of the country, including the quality of land, water and proximity to markets; and take into account long-term changes in settlement patterns. The use of such a mapping process as conceived within the NGP aims to provide an opportunity to think innovatively about new opportunities for employment creation. As will be demonstrated, this is exactly in line with the Agri-Parks approach.

5.3 Industrial Policy Action Plan

With infrastructure investment one of its main components, upon which all other proposed actions rest, the Agri-Park Programme is also key in advancing the objectives of the Industrial Policy Action Plan (IPAP 2 and 3), which is a three-year rolling plan that promotes investment and competitiveness in leading sectors and industries. The Plan pinpoints certain activities to unlock potential in labour-absorbing priority sectors with growth multipliers, seeking to create 43 000 direct and 860 000 indirect jobs in sectors that show potential for growth, including green energy, metals, automotive, Agriculture, textiles, forestry and cultural industries, amongst others. Thus, as will be shown to be a core component of the Agri-Parks Policy, the issue of mapping is vital in stimulating rural employment creation.

The intended outcomes of IPAP 2 and 3 are increased employment, growth and diversification of exports, enhanced industrial capability, human capital development and a more developed domestic technology base. Implemented within the broader National Industrial Policy Framework adopted in 2007, IPAP 2 and 3 are components of a larger set of strategies which intend to engender a new growth path for South Africa that is fuelled by more labour-intensive and value-adding activities.

One defining feature of the IPAP is its goal to further develop various sectors that provide substantial improvements in employment opportunities and skills in rural areas. Examples of such sectors are (amongst others): agro-processing industries including aquaculture, beverages, food processing and horticulture; high-value agricultural niche markets such as organic produce, cotton; small-scale milling industries; biodiesel; charcoal manufacturing, forestry and related industries such as paper, pulp, furniture and sawdust. Together, these

prioritized sectors are expected to create more than 300 000 direct and indirect jobs in rural areas alone.

Through their emphasis on rural development, infrastructure investment, small-scale farming, agro-processing, spatial targeting and land reform, the envisioned drivers for employment creation outlined by the IPAP 2 and 3 have significantly influenced the development of the policies emerging from 2011 Green Paper policy review and reformulation process, one of which is the Agri-Parks Policy. Together with other policies discussed below, the Agri-Parks Programme will promote an approach to land reform and rural development consisting of comprehensive spatial planning, appropriate categorization of land and beneficiaries to ensure sustained agricultural development, associated/targeted skills development, employment creation, significant infrastructural expansion, improved public service delivery, more dedicated investment in agriculture through a targeted approach, and the increased involvement of the private sector in land reform and rural development initiatives.

5.4 Agricultural Policy Action Plan

The Agricultural Policy Action Plan (APAP) is thus a programmatic response in achieving the above. The Agricultural policy plan vision statement is "***An equitable, productive, competitive, profitable and sustainable Agriculture, Forestry and Fisheries Sector" growing to the benefit of ALL South Africans".*** The APAP seeks to provide both a long-term vision, and focused interventions in a 5-year rolling schedule, to be updated annually. APAP is based on Sectoral Key Action Programmes (commodities) and Transversal Key Action Programmes (e.g. research and innovation). It furthermore presents institutional arrangements and processes for achieving this objective –more especially to integrate planning, M&E between DRDLR and DAFF across 3 spheres of government. The APAP has 4 policy levers which are:

a. Equity and Transformation

- Ensuring a more producer-friendly (and consumer-friendly) market structure
- Accelerating implementation of the Charters and the Small-scale fisheries policy;
- Promoting local food economies; and
- Investment in agro-logistics

b. Equitable Growth and Competitiveness

- Promoting import substitution and export expansion through concerted value chain/commodity strategies;
- Reducing dependence on industrial and imported inputs;
- Increasing productive use of fallow land; and
- Strengthening R&D outcomes.

c. Ecological Sustainability

- Climate Smart Agriculture

d. Governance

- Support services;
- Skills development;
- Research and development; and
- Knowledge and information management (integrated spatial economic planning);
- Market access, information and regulation; and
- Institutional arrangements

The developments of Agri-parks are thereby in line with the APAP 4 policy levers and would help in achieving its set out goals.

6. KEY LEVERS OF AGRI-PARKS

The role government and other development partners in the establishment and effective management of Agri Parks cannot be underestimated. This view, shared by a number of scholars, practitioners and international development institutions such as the Food and Agriculture Organization (FAO), is based on the important role that such initiatives and strategies play in improving rural livelihoods, employment creation and achievement of overarching national development objectives. Therefore, the role of Government in this process is extensive in order to achieve social and economic aims.

It is argued that clustering in the agricultural sector will most likely need to be induced by an external agent which could be Government, large local firms, international investments, or a mix of these three types of actors[15]. This is the case because in a number of cases many primary producers do not have the capacity. However, in some cases, many producers form agro-clusters to actualize a number of economic goals. However, this does not in any way remove the importance of the role of Government in planning, establishing, operationalizing and supporting agro-industrial initiatives such as Agri-Parks. For example, governments have provided institutional support to agro-clusters by: liberalizing production and export of certain commodities; promoting technological learning for exports (especially those biased towards small producers); supporting export promotion activities and collective marketing initiatives by SMEs; introducing supportive legislation and policies; and creating new and capacitating existing institutions to support Agri-Parks at various levels of research, input, processing, marketing etc.[16]

As such, the establishment and operationalization of Agri-Parks will be a joint initiative of the DRDLR in partnership with the Department of Agriculture, Forestry and Fisheries (DAFF), and this collaboration will extend to other government departments at all levels, including the Departments of Water Affairs, Energy, Transport, and Cooperative Governance, especially

[15] Sharma, S and Anupam, 2014. "Agro-based Clusters: A Tool for Competitiveness of Indian Agriculture in the ERA of Globalisation", *Global Journal of Finance and Management,* 6(8), 2014. Available at: http://www.ripublication.com. Pp. 717.

[16] Galvez-Nogales, E. 2010. Op.Cit. Pp. 20.

at the municipal level. Additionally, the design, development and operationalization of the proposed Agri-Parks shall be driven by key private sector actors including commodity groups, cooperatives, organized agriculture, Agri-Biz and existing markets. Input and support from these private sector stakeholders shall prove essential for strengthening and enhancing the Agri-park specific commodity value-chains. This multi-stakeholder approach shall ensure that the needs and interests of the many actors involved, including producers, consumers, Government and investors are addressed, and that holistic support and inclusive participation bolsters the performance of Agri-Parks[17].

Furthermore, the establishment and operationalization of Agri-Parks in each of the 44 identified Municipal District sites shall draw from and be integrated into existing programmes of the DRDLR, DAFF, Department of Economic Development and other relevant Departments. Examples of internal programmes from which financial, human and other resources will be leveraged for, and whose objectives will be advanced by the Agri-Parks Programme comprise programmes and initiatives encompassed in the Rural Development Framework, which has the overarching objective of creating "*vibrant, equitable and sustainable rural communities*", and proposes the Agrarian Transformation Strategy as the central mechanism through which this shall be accomplished. For example, these include the:

- **National Rural Youth Service Corps (NARYSEC)**, which is intended to engage rural youth in community development work aimed at positively impacting on the future of development and sustainability of the rural areas and meant to address the level of rural youth unemployment;

- **Animal and Veld Management Programme (AVMP),** which aims to address unsustainable land use practices by providing a comprehensive support system to rural livestock producers as well as effective land management and care through three sub-programmes including soil rehabilitation, re-greening the village space, and decongesting the village space. Closely aligned to certain Agri-Parks component related to infrastructure development, the AVMP proposes enhanced stock water provision, fencing, mechanization, machinery sheds, workshops, administrative buildings, fuel storage tanks, silos and storage facilities, animal handling facilities and others;

- **River Valley Catalytic Programme (RVCP)**, which aims to enhance productivity along riverbanks in South Africa, contributing to increased food security, sustainable development of natural resources, agriculture, infrastructure, social services, etc., and rural development through expanded enterprise development of on-farm and off-farm value additional activities. This involves various components that are directly linked to the Agri-Park Programme, including: human resource development; soil and land management; water management; crop management; afforestation; pasture/fodder development; livestock management; rural energy management along river banks; and,

- **Revitalization of Small rural towns and villages**, whose objectives, as those of the Agri-Parks Policy, are multi-pronged and include:

[17] Ghandi, V.P. and Jain D. 2011. Op.Cit.

- Enhancing rural centres' abilities to meet the needs of their residents and those people living in the surrounding vicinities (i.e. education, healthcare, infrastructure, employment and administrative needs);
- Advancing social cohesion and equity in rural communities;
- Increasing the creative and innovative capacities of residents and, in turn, enhancing competitiveness;
- Enhancing the ability of communities to adapt to external pressures while retaining their own unique characteristics;
- Adopting environmentally sustainable practices which utilize resources in the most efficient way while avoiding depletion;
- Reclaiming and restoring degraded facilities such as degraded town centres, dilapidated housing and post-industrial areas in a way that benefits the majority of the region's residents; and,
- Developing functional spatial order of settlements through grounded infrastructural planning and implementation, especially concerning transport, water and sanitation, communications and electrical services.

In addition to the development programmes proposed by the RDF, the Recapitalization and Development Programme (RECAP) (conceptualized and launched in 2009) is another instrument that the Agri-Parks Programme will draw from. Closely aligned to the objectives of Agri-Parks, RECAP aims to provide black emerging farmers with necessary physical, social and economic infrastructure and resources to operate successful farming enterprises. Targeting all land acquired under the restitution and redistribution programmes; RECAP promotes the establishment of agricultural enterprises and industrial development for emerging black commercial farmers to navigate the agricultural value chain. Thus this strategic farmer support policy is premised on similar principles as the proposed Agri-Parks. As such, RECAP funds and sub-programmes will be leveraged to promote enhanced production and support (in the form of mentorship systems, co-management and share equity schemes and others) for small-scale producers participating in the Agri-Park initiatives. Without going into their details, several other internal programmes and policies to be aligned with the Agri-Parks Programme include: Restitution; the Proactive Land Acquisition Strategy; the proposed *Strengthening the Relative Rights of People Working the Land Policy*; and, the *Communal Property Associations Amendment Policy*.

On the other hand, external programmes to be integrated with the Agri-Park Programme include the APAP (as discussed earlier), Comprehensive Agricultural Support Programme (CASP), *Ilema Letsema* campaign, Municipal Infrastructure Grant programme, IPAP (as discussed earlier), Community Works Programme; Expanded Public Works Programme, and Food banks. The coordination and cooperation of the different spheres of and sectors across Government in implementing the Agri-Parks Programme is therefore important to its success. Three other critical success factors have been identified in ensuring that the proposed Agri-Parks are successful in achieving their intended outcomes including that:

a) They must be supported by provincial governments and signed off by District Municipalities;

b) District Municipalities, Provincial and National Departments must agree on the commodities to be processed at each of the Agri-Parks; and,

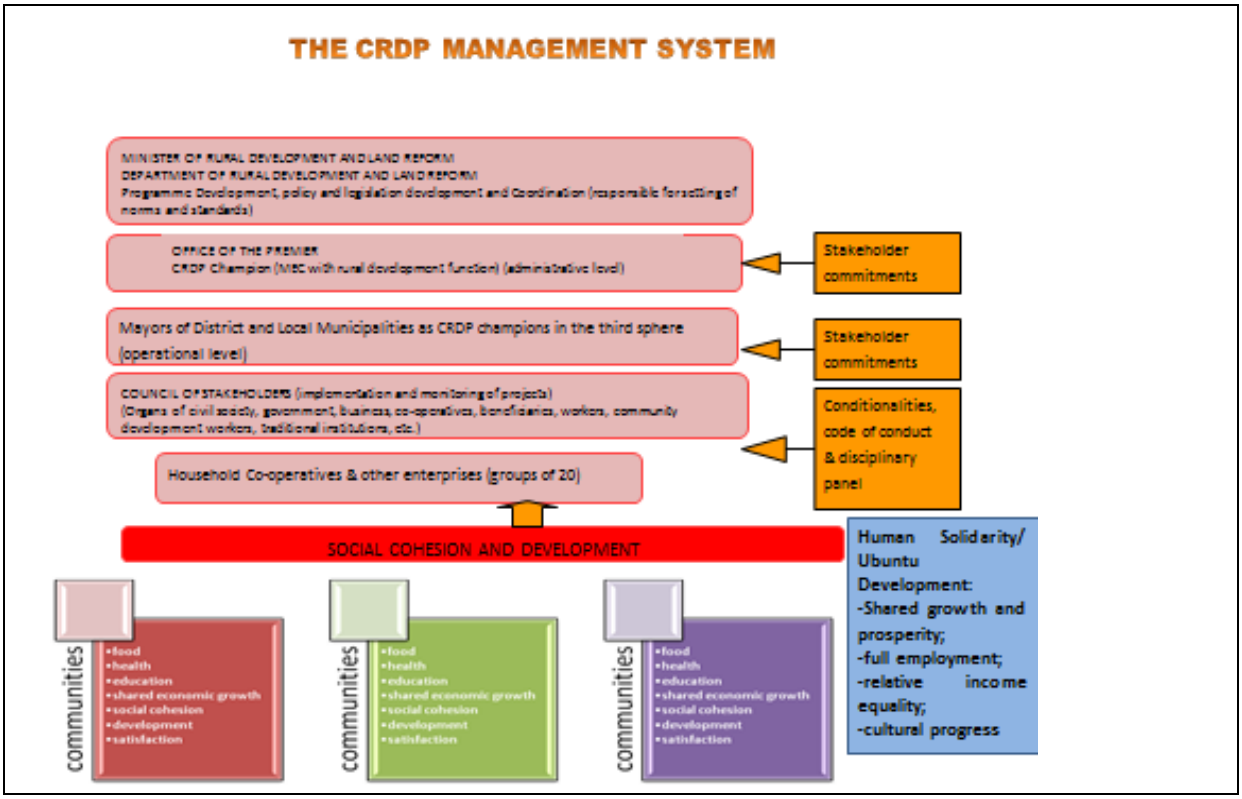
c) All relevant government actors must demonstrate adequate support in implementing the Agri-Parks Policy, especially in terms of water, energy, roads and transport, environmental matters.

7. IMPLEMENTATION STRATEGY

7.1 Comprehensive Rural Development Programme (CRDP) Management System

The CRDP Management System has been developed and refined as a tool for collective effort and will utilised to support this programme. The Institutional Roles and Role-relationships model is a high-level dynamic representation of an institutional framework that defines and streamlines roles and responsibilities of the key players in the rural economy transformation space – organs of the State, community-based governance structures, investors and communities represented by households. It also provides an accountability system from the governance structures to households and relevant organs of the State.

Figure 4: CRDP Management System

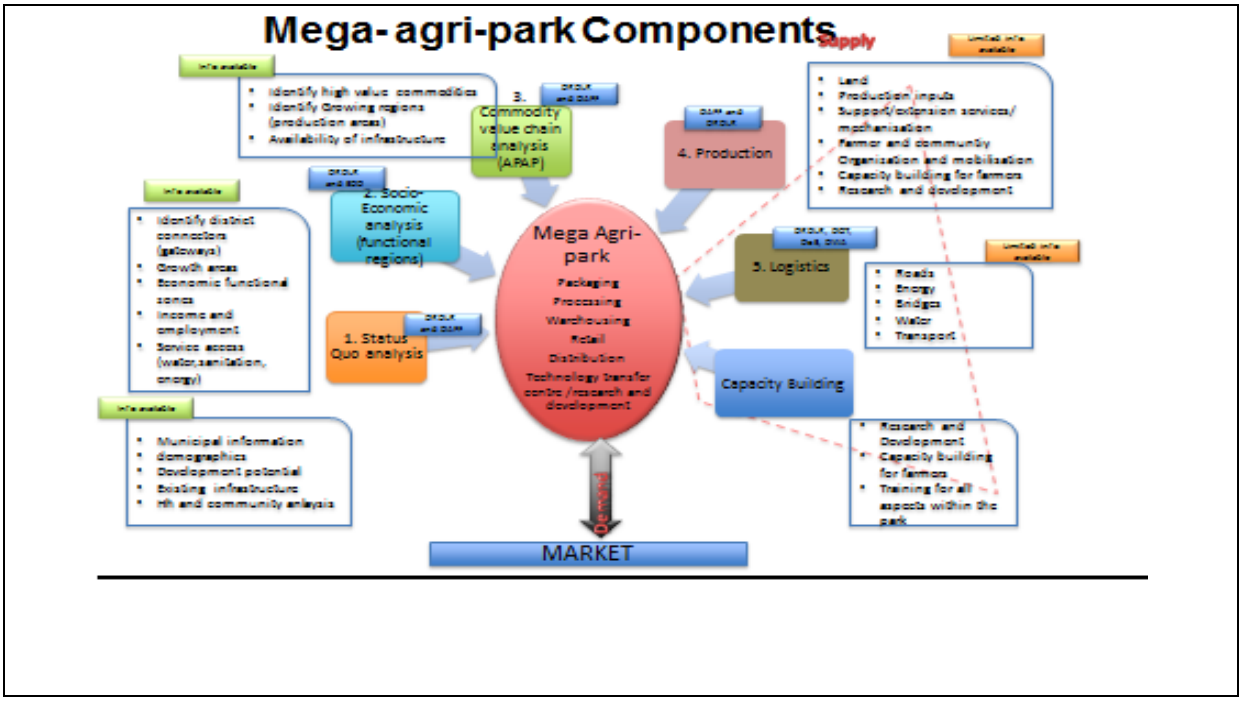


The establishment and operationalization of Agri-Parks will be a joint initiative of the DRDLR in partnership with the Department of Agriculture, Forestry and Fisheries (DAFF), and this collaboration will extend to other government departments at all levels, including the Departments of Water Affairs, Energy, Transport, and Cooperative Governance, especially at the municipal level. Additionally, the design, development and operationalization of the proposed Agri-Parks shall be driven by key private sector actors including commodity

groups, cooperatives, organized agriculture, Agri-Biz and existing markets. Input and support from these private sector stakeholders shall prove essential for strengthening and enhancing the Agri-park specific commodity value-chains. This multi-stakeholder approach shall ensure that the needs and interests of the many actors involved, including producers, consumers, Government and investors are addressed, and that holistic support and inclusive participation bolsters the performance of Agri-Parks[18].

7.2 Phases of Agri-Park Establishment

Figure 5: Agri-park Components



The impetus for establishing Agri-Parks falls on Government, but will also require significant support from the private sector and mobilization of rural farmers and communities. International experience has revealed that various physical and financial factors need to be taken into account in the process of creating Agri-Parks in order to ensure their success. These factors include where the location of the park, composition of the park, agro-industrial development potential, the size of the park and plots, required infrastructural facilities, park management, economic issues, park finances, park promotion and the potential economic impact of the Agri-park on the region (and how to evaluate such). Together, these determinations will frame the design and specific operations of each Agri-Park[19].

Building on these various factors, the establishment and operationalization of Agri-Parks in South Africa will follow four phases based on:

[18] Ghandi, V.P. and Jain D. 2011. Op.Cit.

[19] Rao, L.K. 2006. *Agro-industrial Parks: Experience from India*. Rome: FAO. Pp. 71-72.

A) **Locality:** First, economically viable sites in all 44 priority districts shall be identified for the construction of Agri-Parks shall. This phase entails:
    - Creating and institutionalizing technical and operational tasks teams to manage all phases of Agri-Park development and implementation;
    - Establishing the proposed National Agri-Park Project Support Facility, which will coordinate and support district-based operational teams;
    - Developing a detailed plan of and designing a prototypical Agri-Park model that is adaptable based on commodity types;
    - Performing a Status Quo Analysis in each of the 44 District Municipalities that looks at all available municipal information including demographics, land availability/ capability, development potential, existing infrastructure (roads, energy, bridges, water transport etc.) and information regarding resident households and communities;
    - Conducting a Socio-economic analysis for each of these areas, in which district connectors (gateways), areas of economic growth/ decline, economic functional zones are all identified; and income, employment statistics and access to utility services data (to water, sanitation, energy etc.) is collated;
    - Conducting a National spatial, commodity, value chain and market analysis to determine target sites through identification of high value commodities, growing production areas and available infrastructure;
    - Generating site specific maps containing district specific narratives and selection criteria for initial identification of sites;
    - Further development of evaluation criteria for assessing Agri-Parks proposals;
    - Weighing each Agri-Park proposal against this evaluation criteria and other important findings from previous analyses to make final determinations on Agri-Park sites; and,
    - Signing resolutions for the establishment of Agri-Parks with each District Municipality identified.

As indicated in the above activities, Government proposes a methodological approach in analysing districts to determine the most appropriate sites for the location of the Mega Agri-Parks. The methodology for site selection has been informed by the following:

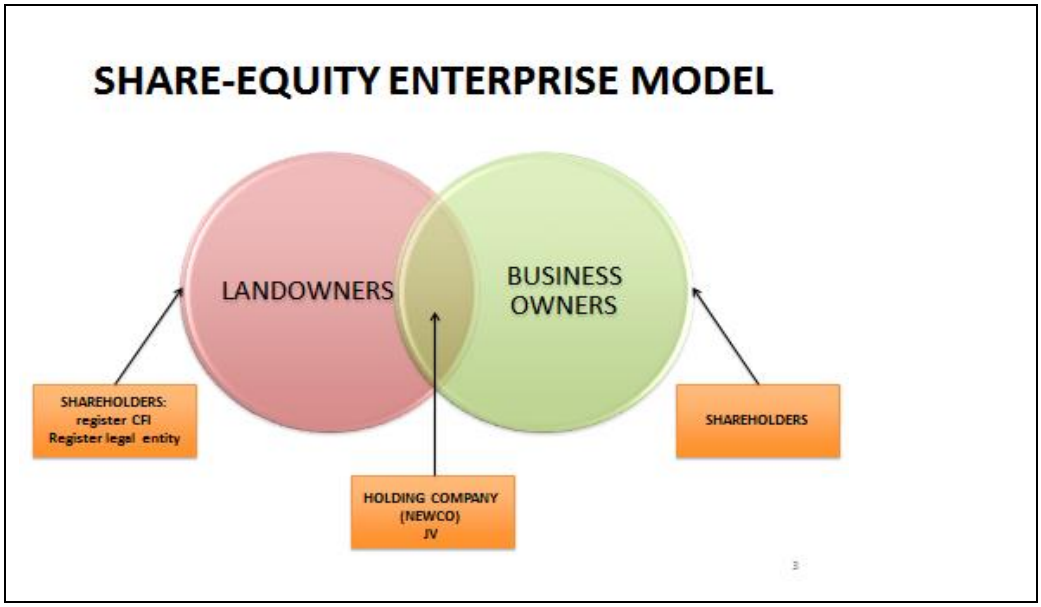
- The need to utilize existing state land with agricultural potential in the provinces;
- The need to create equal access to markets to all farmers within the province with a bias to emerging farmers and cluster of communities;
- The approach of having one Agri-Park per district;
- In the selection of the production hubs, a geographic analysis was conducted to identify all areas with greater soil potential and high to moderate potential agriculture within the provinces;
- In selecting the best location for the Agro-Processing hub various indicators were used including the availability of the existing agro-processing plants, agricultural support/extension offices, accessibility from all parts of the provinces, and the development potential of each District;
- The mapping of the rural economy and clustering of challenges will be considered;

- Commodities mapping against soil capability and agriculture potential and Agri logistics and requirements at a regional scale;
- The identification of gateways and economic potential of towns and linkages for Agri logistics (roads, railways and ports);
- Supporting programmes and existing initiatives like the CASP, PGDS, municipal Spatial Development Frameworks, CRDP, identified AVMP sites and provincial agriculture master plan, spatial planning and value chain analysis etc. to support or not support the growth constrains of value chains;
- The mapping of active and fallow lands and degraded lands for resuscitation purposes in traditional areas;
- Spatial location of communities and potential for the revitalization of rural towns; and,
- The availability of water schemes or water resources.

B. Enhancing Production: Identification and support of smallholder farmers, state farms and communities in close proximity of the identified Agri-Parks. This second stage entails:

  - Organization and mobilization of stakeholders and communities residing in identified site localities through participatory consultation on Agri-Parks model, site selection and identification of production areas to receive support;
  - Capacity-building and support to smallholder farmers and communities through provision of land, trainings, farm infrastructure, extension services, production inputs and mechanization inputs (all of which should be aligned to priority commodities as set out in the APAP);
  - Developing detailed production and capacity building plans for farms located in proximity of identified Agri-Park sites;
  - Coordinating Agri-Park development with other DRDLR programmes targeted at increasing the pace of land acquisition and redistribution;
  - Conducting research and development in this regard;
  - Enabling producer ownership of 70% of the equity in Agri-Parks, with the state and commercial interests holding the remaining 30% minority shares (see **Figure 6** below); and,
  - Allowing smallholder producers to take full control of Agri-Parks by steadily decreasing state support over a period of ten years;

Figure 6: Share Equity Model



C. **Agri-Park Infrastructure Development:** This must be based on existing and new business plans, infrastructure assessment and commodity and market requirements. This third phase consists of:
   - Formulating infrastructure plans for each Agri-Park and ensuring alignment of plan with key infrastructure programmes., which requires consideration of: Agri-Park size; local building codes, health, sanitation issues; vehicle access and parking requirements; plot size and numbers; and, extent of space needed for common infrastructure facilities (e.g. laboratories, warehouses, quarantine, power generation plant, telecommunications, effluent waste treatment etc.);
   - Working out logistical details including those concerning roads, communication networks, energy, bridges, water, and transport;
   - Constructing and operationalizing the Agri-Parks, including working out logistical details.

D. **Markets and Commodity Value Chain Development and Expansion:** Following the guidance of Chapter Six of the NDP, this stage requires that:

   - Agri-Parks will focus on agricultural commodities that have the most promising growth potential (based on district-specific available resources and demand at the regional, national and international levels. Within the large commercial agricultural sector, important sub-sectors to look at include citrus, table and dried grapes, sub-tropical fruit and vegetables, which are all labour-intensive industries. Additionally, non-labour intensive industries with significant value chain linkages should be considered including poultry, soybeans, animal-feed, yellow maize, and sunflower and canola oils. Especially important is consideration of small-scale labour-intensive farming sub-sectors including macadamias, pecan nuts, rooibos tea, olives, figs, cherries and berries;

- Ensuring access of producers to improved infrastructure to carry products through the value chain process and to markets, as well as sharing critical market information;
- The provision of agricultural extension services allows farmers to be informed of new agricultural technologies, obtain advice on best agricultural practices, and obtain assistance with dealing with adverse shocks such as insect infestation or plant disease (Dercon et al., 2006)**;**
- Establishing preferential procurement mechanisms to both promote the entrance of new producers and other entrepreneurs, as well as support existing ones; and,
- Finalizing off-take agreements per each identified commodity and Agri-Park.

7.3 Implementation structures

7.3.1 District Land Committees

District Land Committees will be charged with identifying land for redistribution in each of South Africa's 44 districts. The SPLUMA would be used to guide the work of the DLCs. The DLCs are to consist of a diverse range of stakeholders who will forge a common understanding on how land acquisition should be carried out and work to sidestep the many conflicts that have surfaced in the past, considering the highly emotive nature of land redistribution. The committees will target the acquisition of at least 20 percent of the land in the agricultural sector and work within the ambit of the Constitution and legislative framework of the country. The DLCs will identify suitable and strategically located land acquired through the various land reform programmes since 1994 for the purpose of creating functional agricultural economies through the Agri-parks.

7.3.2 Technical Task Teams

The Policy Framework proposes the creation of specialized multi-disciplinary technical task teams at the National and Provincial levels to oversee the establishment and operationalization of Agri-Parks. The National Agri-Parks Multi-disciplinary Special Task Team (MDSTT) will be chaired by the Director-General (DG) of the DRDLR, and consist of DGs from the DAFF, as well as the Departments of Trade and Industry, Science and Technology, Energy, Water and Sanitation and Small Business Development, as well as Head of Departments (HODs) of Provincial Agriculture, Municipal Managers (from all 44 Districts), and nominated Deputy Director-Generals (DDGs) from the DRDLR and DAFF. The MDSTT shall meet on a monthly basis and report to the Ministerial Implementation Forum (amongst others).

Playing both a political and management oversight role in implementing the Agri-Parks Policy, the MDSTT shall be responsible for:

- Providing strategic guidance on the roll out of the Agri-Park Programme;

- Providing guidance on spatial plans and targeting based on the plans developed, including reaching the target of 25 state farms and/or land portions per province;
- Monitoring progress against the project plans;
- Reviewing the proposed projects against the Strategic Plans to ensure the department is consistently following that plan, before making a recommendation to the Minister;
- Scrutinizing the Spatial Targeting Plan and providing high-level determinations on allocation of funding across the country. Such decisions must be made in terms of alignment with the programmes of all involved departments rather than by each specific project;
- Providing an oversight function to monitor the committees' work, to eliminate disjuncture and to ensure alignment of projects and funding; and,
- Assisting in resolving any blockages.

The Provincial Multi-disciplinary Special Task Teams (PMDSTTs) shall be chaired by the HOD/ Public Security Sub-Committee and have in their membership HODs or delegated officials from the Departments of Cooperative Governance, Public Works, Roads, Traditional Affairs, and DRDLR (RID, LRD, REID and SPLUM). The PMDSTTs will also meet once a month and must report to the MDSTT and Ministerial Implementation Forum. Functions of these provincial task teams include to:

- Provide strategic guidance on the roll out of the Agri-Park Programme in their respective province and districts based on the approved plan of the MDSTT on Agri parks;
- Monitor progress against the business plans and project plans;
- Review the proposed projects against the Strategic Plans to ensure that the province is consistently following that plan, before making a recommendation to the MDSTT;
- Ensure budget allocation to all identified projects as per plan (from relevant sectors);
- Provide an oversight function to monitor the operations of committees to eliminate disjuncture and to ensure alignment of projects and funding; and,
- Assist in resolving any blockages at District and Provincial levels.

7.3.3 Operational Task Teams

In addition, all three spheres of Government have an important role to play in the running of the proposed Agri-Parks. As such, Agri-Parks Operations Task Teams will be created at the National, Provincial and District levels. It is proposed that these tasks teams meet on a weekly basis. The National Agri-Parks Operations Task Team (NAPOTT) shall be chaired by the DDG of Rural Development and report to the DG/DDG Forum. NAPOTT will be responsible for executing the following functions:

- Develop National Agri-Parks Plan;
- Facilitate design of prototypical Agri-Park;
- Provide technical support and guidance for planning and implementation;
- Facilitate establishment of and oversee the Project Management Office;
- Provide technical support to all provinces for roll out of the Agri-Parks;
- Develop Guidelines and SOPs;
- Check Provincial business plans against guidelines;

- Recommend to DG/DDG Forum;
- Check budget alignment as per plans;
- Provide inputs to assist in the compilation of the provincial Agri-Parks business plan; and,
- Manage project roll out against approved project plans across the country (timelines, milestones and budgets).

The Provincial Agri-Parks Operations Task Team (PAPOTT) will report to the NAPOTT and undertake various functions including to:

- Provide technical support and guidance for planning and implementation;
- Oversee the day to day operations of the Project Management Office;
- Provide inputs to assist in the compilation of the provincial Agri-Parks business plans;
- Identify all provincial projects that contribute to the Agri-Parks business plans and compile a Provincial Project Register; and,
- Monitor project implementation against approved project plan.

In turn, the District Agri-Parks Operations Task Team (DAPOTT) will report to the PAPOTT and be responsible for:

- Assisting selected municipalities develop proposals for establishing Agri-Parks;
- Providing technical support and guidance for implementation;
- Oversight of implementation of the District Plan;
- Coordinating all relevant stakeholders as per plan;
- Managing expenditure against the business plan;
- Identifying all district projects that contribute to the Agri-Parks business plan and compiling a District Project Register; and,
- Monitoring project implementation against approved project plan.

Furthermore, a National Agri-Park Support Facility shall be created to coordinate and provide support to district-based operational task teams. Also District Land Reform Committees (DLRCs) will work together with the DAPOTT to ensure effective implementation of the Agri-Park Policy. The DLRCs shall play an important role in identifying and selecting beneficiaries as well as allocating land for the Agri-Parks Programme. In this regard, the Beneficiary Selection and Identification Criteria developed by the Department will be strictly adhered to.

8. FUNDING

As previously noted, the Agri-Park Policy intends that both internal DRDLR programmes and external programmes and structures shall provide the necessary funding for establishing and operationalizing Agri-Parks. Specifically, as announced by President Zuma and then reiterated by the DRDLR Minister in his 2015/2016 Budget vote speech, R 2 billion has been demarcated for the implementation of the Agri-Parks Policy in the 2015/2016 financial year and for the subsequent years of the MTEF.

The renewed emphasis on and need for rural development in South Africa exposes the limited capacity of the Development Finance System (DFS) and other development agencies to transform the rural economy and reach marginalised enterprises in rural areas, notably the former Bantustans, where many of these agri-parks will be formed. This limitation is in line with the general inefficiency of the enterprise finance segment of the DFS. Improved coordination and collaboration is clearly a core requirement for successful rural development financing, particularly within an institutional reality of differentiated roles and responsibilities amongst a number of State entities (and to which number one could then add the multitude of private sector and community entities). Government could create a platform that could oversee and direct improved collaboration between different role players in providing rural finance. This could be initiated by establishing an inclusive national rural financing forum. The most obvious location for this would be the National Rural Development Agency (RDA) and Financing Facility, which the DRDLR has indicated it intends establishing. As the national government Department with the mandate for rural development, DRDLR would be the champion and shareholder of the RDA.

A coordinated agricultural and rural financing mechanism and body is also proposed in the *Integrated Agriculture Development Finance Policy Framework (IADFP) for Smallholder Farmers* developed by DAFF in March 2015.

9. MONITORING AND EVALUATION

One of the most notable benefits of agro-industrial clusters is the favourable environment they create for collective action, which is considered the cornerstone of increasing competitiveness. One key area of collective action between the state, farmers, agri-businesses and other actors involved in the Agri-Parks programme to enhance their competitiveness is monitoring and evaluation[20]. This will need to occur at various levels including the monitoring and evaluation of (amongst others): production, processing and other systems involved; compliance with food quality and safety, environmental and social standards; consumer acceptability, market research, benchmarking, shelf life testing and product analysis; the performance of smallholder farmers in the different commodity value chains; the implementation and effectiveness of trainings; the progress accomplished by each Agri-Park against the specific district project plans; and the overall implementation and impact of the Agro-Parks Programme[21].

Additionally, once initial site identification occurs (based on the Status Quo, Socio-economic and National analyses), selected district municipalities, assisted by the DAPOTT and the DLCs, and will be required to develop and submit proposals for launching Agri-Parks in their respective areas. These proposals shall be evaluated against the ten guiding principles for Agri-Park establishment (see section 2), with the following factors taken into consideration by the PMDSTT and MDSTT before making final recommendations to the Minister:

- Whether the Agri-Park locality is supported (in writing) by the provincial (Premier's Office), district and local municipal governments;

[20] Galvez-Nogales, E. 2010. Op.Cit. Pp. xi.

[21] Ibid; Rao, L.K. 2006. Op.Cit.

- If the proposed nature of the Agri-Park is aligned to a prioritized APAP commodity and stated policy objectives;
- Whether the proposal is supported (in writing) by Farmer Organizations, Traditional Leadership and other key stakeholders resident to the area;
- How the ownership model for the Agri-Park has been proposed by the District Municipality;
- Whether agreements have been put in place (or will be arranged) to ensure that the Agri-Park facilities are controlled by smallholder farmers;
- Whether the proposal clearly outlines how other industries will benefit from the Agri-Park infrastructure investment (e.g. water, energy, sanitation, roads and improved institutional arrangements) to achieve IPAP 2 objectives;
- The estimated size, value and gearing ratio/leverage of these other industries;
- The presence of other existing industries in the area that can contribute and complement institutionalization of the proposed Agri-Park;
- Whether the proposal clearly demonstrates how the Agri-Park will support smallholder producers, especially in terms of: a) logistic brokerages such as how farmers will transport produce and livestock to the Agri-Park facility and then to markets; b) access to financing (e.g. loans and grants); c) access to mentorship, support, training and extension services; d) provision of production inputs (of the appropriate type, quality and quantity); and, e) market and value chain development;
- Whether the district and local municipality IDPs support establishment of the Agri-Park through bulk service provisions;
- What financial and institutional mechanisms exist or will be developed by municipal and provincial governments to support the Agri-Park in the future (once national support is reduced);
- Whether the proposal identifies the establishment and development of enterprises in support of the Agri-Park;
- The existence or planned arrangement of partnership agreements with private sector investors to establish the Agri-Park, and the nature of such agreements;
- Whether the proposal indicates existing or planned off-take agreements (through a letter of intent) to be leveraged;
- Whether any existing state land that has good production potential (particularly for cultivating any of the prioritized APAP commodities) has been identified in the proposal;
- If and how the proposal ensures that emerging farmers and rural communities will benefit from the off-take agreements and expanded market access resulting from the establishment of the Agri-Park;
- Whether any potential agricultural land with high production capability has been identified and mapped out; and,
- Whether the proposal demonstrates how available high value agricultural land and other important production resources (e.g. rivers and irrigations schemes) will be most beneficially utilized.

An effective monitoring and evaluation system will require consistent ongoing communication between the proposed structures (the DAPOTT, PAPOTT, MDSTT, PMDSTT and DLRCs) and all of the other different players involved (other Government support Departments/ institutions, producers, key business operators, research and development teams etc.). Assessment of the implementation and outcomes of each

proposed phase of the Agri-Park programme will occur at regular, interim and annual (or bi-annual) intervals. As indicated by Haggblade et. al. (2012), "ongoing dialogue among groups with a vested interested in value chain performance becomes a vehicle for recognizing shifting opportunities and monitoring ongoing performance of commercially viable vulnerable groups[22]."

10. EXPERIENCE ELSEWHERE

Agri-Parks are forms of agro-based clusters, known as "concentration of producers, agri-businesses and institutions that are engaged in the same agricultural and agro-industrial subsector, and interconnect and build value networks when addressing common challenges and pursuing common opportunities".[23] A number of clusters have been established around different sectors and subsectors across the world. The Agro-based clusters, identified in about 24 developing countries, are becoming more and more popular within the developing world as the agricultural sector is transforming radically into a viable competitive and innovative business venture. In the context of these agro-based clusters, the importance of Agri-Parks emanate since they provide a space where a number of agricultural processing and industrial activities are undertaken drawing together different stakeholders in an agricultural value chain.

Agro-industries are seen as important components of the manufacturing sector where value is added to agricultural raw materials through processing and handling operations.[24] As such they serve as sources of employment and income generation having within them the capacity to elicit innovation and create opportunities due to their locational proximity with the sources of the raw material. In that same light, they attract investments especially within the rural economy where the raw materials that arrive at the agro-processing enterprises emanate from. Because of the benefits of clustering within a sector or within a subsector, in the case of agriculture, the agricultural sector or specific commodities or subsectors such as agro-industrial processing, many developing countries adopted and established agro-based clusters to safe guard common interests and improve competition. On this issue, a number of Agro-based Clusters exist in South America, Asia, and even Africa. Some of these clusters are explored to help this paper draw necessary lessons for the South African drive towards establishing Agri Parks in the country.

10.1 The European experience

The EU has established relevant frameworks for innovation policies (2010), agriculture and industrial competitiveness (2010). It has also closely associated innovation and SME support – over 99% of total Mediterranean food companies operating in the agro-food sector are SMEs (FDE, 2012) – in the Entrepreneurship 2020 Action Plan. This Plan aims at making the principle of "think small first", a cornerstone of innovation, growth, industrial and agricultural policies. An interesting example of EU pro-innovation instruments targeting

[22] Haggblade et al. 2012. Op.Cit. Pp. 25.

[23] Galvez-Nogales, E. 2010. Op.Cit.

[24] Da Silva, C.A. and Mhlanga, N. (Eds.) 2011. Op.Cit.

SMEs is the Enterprise Europe Network2, which has a specific group for agro-food issues that helps European SMEs to identify innovative solutions for product development. The EU countries have access to R&D funding under the EU Seventh Framework Programme for Research (FP7), which has a budget of 1.9 billion euros for research initiatives in the food, agriculture and fisheries, and biotechnology industries (EC, 2009).Within the FP7, Activity 2.2 “Fork to farm” focuses on health and consumers, nutrition, food processing, quality, safety and traceability as well as the impact of climate change on and through food and food chains.

In terms of development policy, the European Regional Policy Programme 2007-2013 should be highlighted. It promotes an approach based on innovative clusters and technoparks through a growing number of national initiatives supported by Community instruments (EC and OECD, 2008). This programme comes from a long tradition of industrial policies deeply rooted in regional contexts and based on the concept of competitive areas in the food industry. Although they have various names these approaches (e.g. the French “pôle de compétitivité”; the British “centres of excellence” and German “industrial regions”) share the same principles, since the idea is always to apply bottom-up policies involving regional, industrial and technological dimensions to stimulate innovation, attract agro-industries that are being relocated and avoid relocation.

In the Netherlands, land consolidation marked the demise of the largely unprofitable mixed farm businesses of the past and gave rise to a strategy on “agroparks.” It is defined as a spatial cluster of several value chains in an industrial set up, situated in the close vicinity of the metropolis. The clusters contain a variety of different agro-production, -processing, agrologistic and agro and food linked services and functions. Within the cluster the principles of industrial ecology are being applied and located in the large scale central processing unit. The spatial cluster thus combines units that represent the different parts of the value chain from primary production to ready to eat food product, with added compartments of essential agro business services like research and development, education and training facilities, trade and logistics facilities, park management services. Clustering with non-agro-industries like energy production and waste management can further decrease economic costs and environmental emissions.

The spatial clustering of different agro-production chains and the spatial combination of agro-processing, logistics and non-agro-functions in Metropolitan Food Clusters enables many prosperous scenarios. The concept is based on the principles of sustainable development (balanced development between planet-people-profit with an adequate process).Designing Metropolitan Food Clusters, agro-parks and rural transformation centres is based on an integrated approach in a 'creative research by design process (co-design). It is not only oriented on the' hardware' of the MFC but also on the more complicated 'orgware' aspects (co-operation structure, business development) and on time consuming 'software aspects'' (education and training, communication). The development approach is co-design, working together with Knowledge Institutes, Entrepreneurs, Non-Governmental and Governmental Organisations to realise the system-innovations of Metropolitan Food Clusters. As at the end of 2011 there were 4 operational Agroparks in the Netherlands viz. Agriport A7, Biopark Ternenzen, Agropark Bergerden and AVEBE clusteer Zuid Groningen. There were two that were planned but not implemented and 6 others under various stages of construction.

- ***Agriport A7*** is located some 40km north of Amsterdam on the edge of the A7 motorway. It covers some 20,000ha; it is mainly glasshouse based agriculture. There are other enterprises which share by-products. However they are planning additional elements (business-parks). The location has good connections to all of the Netherlands, Germany and further afield, with close proximity to Schiphol airport and Rotterdam seaport. It is strategically located as well as being in an area that has favourable growing conditions.
- ***Biopark Terneuzen*** covers 45ha, located next to Zeeland seaport. It is strategically positioned on the Dutch-Belgium boarder with excellent communication links to Europe and the rest of the world. The park has titled itself under the 'Smart Link' heading. It promotes and facilitates the exploitation of key synergies between businesses in the same area. It aims to maximise the potential of exchange and use of by-products and waste products, which then become feedstock, energy or utility supplements for others.

10.2 The South American Experience with Agro-based Clusters

In South America, notable agro-based clusters are found in Brazil and Chile, as well as many others such as Argentina, Ecuador, Columbia and Nicaragua. Clustering within these countries, as the literature tends to show, has been initiated within a number agro-industrial activities. This is attributed to the comparative advantage enjoyed by the Latin American region in terms of developing industries based on natural resources. Thus clusters abound in the agro-industrial subsectors such as wine, fruits, fish, cut-flowers as well as coffee production among others.

Chile and Argentina are two countries known to have led the 'wine revolution' within Latin America. The Wine cluster in Chile, Argentina (Cuyo wine Cluster), Bolivia (wine and *singani* (brandy) cluster and the southern Brazil wine cluster are widely known in the international markets.[25] These wine clusters are characterized by their production levels and their market orientation; the number and size of firms involved; and the governance and investments with the industries that make of the clusters. An important issue worthy of consideration in regards to these clusters is that they are dominated by a large number of "vertically integrated small- and medium-size firms."[26]

The wine cluster in Chile, like many others in the Latin American region, emerged traditionally through clusters formed by many small wine producers and families that ran wineries. The goal was to "produce and sell bulk wine in the domestic market" so there was low export levels within this subsector until the 1990s when there was a switch from bulk production to 'quality" production of 'premium wines" for the export markets. According to Galvez-Nogales (2010), the causes of this strategic move were multiple: excess production regionally and globally; high worldwide demand for premium wine; creation of brands from Latin America and the establishment of Controlled Domination of Origin (CDO) in Chile and

[25] Galvez-Nogales, E. 2010. Op.Cit. Pp. 15.

[26] Ibid. Pp. 16.

Argentina; ban on bulk wine exports within [the region]; industry's globalization of production, distribution and marketing; and consistent advancement in product quality and innovation at the regional level.[27]

Other agro-based clusters in the region include the mango, grape and apple clusters in Brazil; raspberry cluster in Chile; and the Salmon cluster in Chile. A major underlying feature of all these clusters is that they began small for internal consumption and broadened to focus mainly on export related production based on the needs of the consumers and especially the nature of the international export markets. The successes of these clusters owe a great deal to collective actions between and amongst their members, as well as institutional and policy support from government and other partners such as research institutes and universities, private sector actors and international experts within the particular subsectors.

10.3 Asian Experiences of Agro-based Clusters

In Asia, agro-based clusters are said to be central in addressing socio-economic challenges in the region especially through development of agriculture and agro-based industry in countries where agro-based clusters can be found. Within this vast continent, notable clusters can be found in countries such as China, Thailand, India and Vietnam. The character of agro-based clusters in this region is nuanced – some clusters are largely 'dormant' while others are highly dynamic. Some are linked directly to governmental developmental policies; some emerged through institutions such as development agencies and universities, while a number of others emerged from the local initiatives with no external support.

In Thailand, the Western GAP Cluster is located in an area of the country consisting of four provinces characterized by vegetable production. The cluster action emerged due to concerns over the future of the country's agricultural and agro-industrial exports, which had suffered a number of setbacks when compared with its regional competitors in China, Vietnam and the Philippines. The regions that make up the Western GAP cluster include the Kanchanaburi province, Supan Buri province, Ratchaburi province and the Nakhon Pathom province.

In India, the Maharashtra grape cluster is another example of strides for combined efforts towards improving the quality of fruits and vegetables in the country so as to boost export successes. It is noted that the inability of smallholder producers in the subsector to meet food safety requirements militated against the growth of the agro-export industries in India. This grape cluster was thus formed in 1961 by a group of 25 grape producers with the aim of improving the cultivation practices, which then pervaded the industry.

Along with the development of agricultural economy and the change of agricultural development mode, the phenomenon of clustering of agricultural industry has emerged in many places in China, notably, the vegetable cluster in Shouguang of Shandong Province, tea cluster in Anxi of Fujian Province, flower cluster in Chenggong of Yunnan Province,

[27] Ibid. Pp.17.

sugar cluster in Guixian of Guangxi Province, garlic cluster in Jinxiang of Shandong Province. These agri-food based clusters are all based on one type of agricultural product, with concentration of specialised producers, processors, input suppliers, transportation provider, intermediary agents, research organisations, service institutions and other supporting institutions[28].

10.4 The African Experience of Agro-based Clusters

Notable in this area is the South African Wine cluster, as well as Kenya's flower, diary and coffee clusters. The South African wine cluster, located in the Western Cape, is said to be one of the most significant wine clusters in throughout the developing world. It is rated in the same category as those of Chile and Argentina in the Latin American region. This wine cluster is known for the quality wines produced, thus placing South Africa as one of the largest wine producers in the world. The industry emerged in the Cape in the 19th century and continued through the formation of the Cooperative Viniculture organization in 1917. By the end of Apartheid, there were newer wineries and thus the emergence of cooperative growers who market their wines independently.

Some of the factors that account for the wine cluster's success include collective action within the wine industry, as key actors understood the importance of innovation at the technical and organizational levels. Much attention was therefore paid in expanding the volume of export wines. Government support was also important through state-funded research institutions such as the Nietvoorbij Institute of Viticulture and Oenology of the Agricultural Research Council. Other contributors to the success of the industry include the Wine Industry Network for Enterprise and Technology, controlled by the South African Wine and Brandy Company; South African Wine Information Services that will collect, process and disseminates industry information, and an academic research support provided by the department of Vinitculture and Viticulture at Stellenbosch University and the Elsenburg Agricultural College.

10.5 Summary of lessons learnt from the international case studies

- Rural-Urban proximity is good for agricultural production;
- Proximity to research centres is vital for agricultural production;
- Investment in rural roads reduces poverty, increases output and profit;
- Low transport cost is good for the farmers and an environment for transport competition should be put in place;
- Extension support increases agricultural production;
- Adequate storage and warehousing need to be provided to avoid loss of crops;
- Collective action and bargaining is needed in promoting the businesses within the park;

[28] Xin, L. (2009). The role of local government in agricul-tural clusters. *Commercial Research*, **3**, 71-75.

- A cooperative culture should be encouraged and supported to bring down costs and stimulate the market;
- A conducive policy, legislative and financial environment is necessary to attract private sector partners; and
- Basic services to farmers participating in the scheme are important.

11. CONCLUSION

The concept of Agri-Parks as a key driver in rural economy transformation has been developed at different levels within South Africa. There is no doubt that it is important to have facilities which can provide both a meeting point and space for small-scale producers to successfully compete within the agricultural and agro-industrial sector value chains. The government has committed itself toward establishing these Agri-Parks in each of the44 district municipalities in the country to help transform rural economies and improve food security as well as reduce poverty at the lowest levels. In this light, an initial funding of R2 billion was made available for the Agri-Park initiative – a strategy that has the making of bringing about sufficient improvement in the economic performance of the lower producers. However, it is important, based on the survey of clusters and different agro-industrial parks in different parts of the developing world, for the Government to sufficiently plan and put mechanisms to ensure the effective implementation of this strategy across the country.

An important issue to note is that most of the agro clusters discussed above were export driven based on the nature of the produce within which they were clustering. For example, the wine cluster in Chile shows how attention within the cluster was directed toward the production of premium wines for export. While this is a viable economic venture, which can also be seen within the South African wine cluster and its ability to become one of the leading wine producers in the world, this may potentially neglect the social aspects of the initiative in regards to poverty reduction and inclusivity of the people in the lowest economic level.

In addition, available literature acknowledges the importance of examining the environmental impacts of agro-industrialization through three distinct lenses: (1) direct effects on agriculture and upstream supply industries; (2) direct downstream effects on processing, distribution and related commercial activities in agro-industrial supply chains; and (3) indirect effects, such as income growth and other structural changes. These are important aspects of the Agri-Park model that Government needs to take into consideration as it prepares for the implementation of this initiative.

Very importantly, the policy environment has to be conducive for the activities that would be undertaken within the context of the Agri-Parks so that the innovativeness and competitiveness of small-scale producers and rural residents that comes with clustering around the agro-industrial processes can effectively be harnessed. One of the major challenges faced by modern food businesses is the difficulty that small-scale farmers face in

participating in value chains.[29] As such, it is crucial that the establishment of Agri-Parks occur in strategic rural locations in South Africa, which are close to the prioritized production areas that have high growth potential and create additional avenues for collaborative activities within these value chains. The government could also learn from the experiences drawn from Chile, Brazil, India and China to develop institutions and partners to participate effectively within these Value Chains.

[29] Vorley, B., Lundy, M. and J. Macgregor. 2009. "Business models that are inclusive of small farmers". In Da Silva, C.A. and Mhlanga, N. (Eds.) 2011. Op.Cit. Pp. 6.

ANNEXURE 1: SUMMARY OF KEY POLICY AND LEGISLATIVE FRAMEWORKS

The following KEY policies, programmes and legislation are relevant to the development of Agri-parks:

POLICIES	RELEVANCE
RECAPITALISATION AND DEVELOPMENT POLICY (2010-)	Grant financing on targeted land reform farms, PLAS farms and state land farms.
COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (2004)	The aim of this programme is to provide post-settlement support to the targeted beneficiaries of land reform and to other producers who have acquired land through private means and are, for example, engaged in value-adding enterprises domestically or involved in export. The programme is a core focus for the department and will make interventions in six priority areas: ▪ Information and technology management ▪ Technical and advisory assistance, and regulatory services ▪ Marketing and business development ▪ Training and capacity building ▪ On/off farm infrastructure and product inputs ▪ Financial support The strong growth in the allocations directed to CASP since 2009 and the n Newly introduced Ilima/letsema programme should provide the financial resources needed to improve the support services to farmers and impact on the productivity of land to address food security, particularly in poverty-stricken rural areas. But this depends on finding an appropriate **national funding mechanism** and an effective model for an extension service that will improve the utilisation of land and its productivity in order to support farming households with sustainable livelihoods.
MICRO-AGRICULTURAL FINANCE INITIATIVE OF SOUTH AFRICA (MAFISA) (2005)	MAFISA was established by DAFF. The pilot project started in 2005/06 and is still underway today on the back of a government grant of R1 billion provided in that budget year. When MAFISA was set-up it was not intended to replace any existing programme but rather to complement and optimise the use of established financial intermediation infrastructure and increase outreach in order to improve access to financial services by the rural poor. Briefly, as MAFISA stands, it is a project located within the Department of Agriculture that provides funds to development finance institutions that are tasked with the responsibility of on-lending these funds, at concessionary interest rates, to predefined clients
AGRICULTURAL BLACK ECONOMIC EMPOWERMENT (AGRIBEE) (2008)	Agricultural black economic empowerment (AgriBEE) is aimed at transforming the agricultural sector, by bringing black emerging farmers/entrepreneurs into the mainstream economy, in line with the objectives of the Broad based Black Economic Empowerment Act (2003). The AgriBEE Charter was gazetted in March 2008 and launched in April 2008, serving as a policy guideline for BEE in the agricultural sector. The AgriBEE Fund is intended to assist individuals or a group of individuals to obtain equity and ownership in qualifying transactions both in primary agriculture and in the agribusiness sector.

POLICIES	RELEVANCE
COMPREHENSIVE RURAL DEVELOPMENT PROGRAMME (2009-2012)	The CRDP is premised on a three-pronged strategy which focuses on agrarian transformation, rural development and land reform. The programme is also directly linked to Government's: Outcome 7: Vibrant, equitable and sustainable rural communities and food security; Outcome 4: Decent employment through economic growth; and Outcome 10: Sustainable natural resource management. The CRDP is premised on three phases: • Phase One: is regarded as an incubator stage which focuses on meeting basic human needs; • Phase Two: is regarded as the entrepreneurial development stage where medium to large-scale infrastructure development is the driver; and • Phase Three: focuses on supporting the emergence of rural industrial and financial sectors which is driven by small, medium and micro enterprises and village markets. ***The National Rural Youth Service Corps (The NARYSEC):*** As part of the National Youth Development Strategy, a specific response for rural youth was developed within the principles of the CRDP. It is envisaged that job creation and skills development for the youth in the rural areas will ultimately have a positive impact on the future of development and sustainability of the rural areas.
GREEN PAPER ON LAND AND AGRARIAN REFORM (2011)	Outlines the following strategic elements: land reform has the following strategic elements: • land redistribution; • land restitution, development; and • land tenure reform (and administration). These strategic elements deal with both quantitative and qualitative factors in land reform.
RURAL DEVELOPMENT FRAMEWORK (2013)	In this text, agrarian transformation denotes *'a rapid and fundamental change in the relations of land, livestock, cropping and community'*. It also introduces the Animal and Veld Management and River Valley Catalytic Programmes and the revitalisation of small towns and villages.
RURAL ECONOMIC TRANSFORMATION MODEL (2012-2030)	See Section 5 of this document
AGRICULTURAL POLICY ACTION PLAN	See Section 5 of this document
NATIONAL DEVELOPMENT PLAN (VISION 2030)	See Section 5 of this document
NEW GROWTH PATH	See Section 5 of this document
SPECIAL ECONOMIC ZONES POLICY (2012)	Special economic zones (SEZs) emerged as a policy instrument to support industrial development in particular by providing for the introduction of targeted incentives and infrastructure. This is especially useful where government wants to extend incentives to specific activities that lie outside designated zones, and where – as in South Africa – neither the provision of infrastructure nor spatial re-organisation of the economy are central aims of the SEZ programme.

LEGISLATION
THE CONSTITUTION (ACT NO. 108 OF 1996)
SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (ACT NO.16 OF 2013)
LAND REFORM: PROVISION OF LAND AND ASSISTANCE ACT, 1993 (ACT NO. 126 OF 1993), AS AMENDED IN 1998
THE RESTITUTION OF LAND RIGHTS ACT, 1994 (ACT NO. 22 OF 1994), AMENDED IN 2013
BROAD-BASED BLACK ECONOMIC EMPOWERMENT AMENDMENT ACT, 2013 (ACT NO. 46 OF 2013).
PUBLIC FINANCE MANAGEMENT ACT, 1999 (ACT NO. 1 OF 1999)
PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT, 2000 (ACT NO 5 OF 2000)
SPECIAL ECONOMIC ZONE ACT, 2014 (ACT NO.16 OF 2014)
EXTENSION OF SECURITY OF TENURE ACT, 1997. NO. 62 VAN 1997
STATE LAND DISPOSAL ACT 48 OF 1961
THE CO-OPERATIVES ACT, NO 14 OF 2005
TRANSFORMATION OF CERTAIN RURAL AREAS ACT 94 OF 1998
EXTENSION OF SECURITY OF TENURE ACT 62 OF 1997
INTERIM PROTECTION OF INFORMAL LAND RIGHTS ACT 31 OF 199
COMMUNAL PROPERTY ASSOCIATIONS ACT 28 OF 1996
NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 1998 (ACT NO. 107 OF 1998)