

# BLENDING FINANCE SUPPORTING SUSTAINABLE LAND REFORM AND AGRICULTURAL DEVELOPMENT

B Deka : National Treasury | 06 March 2018



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Outline

- Importance of agriculture
- What emerging farmers need
- Why we need blended finance
- Weaknesses of blended finance
- Parliamentary oversights

# Importance of agriculture for SA

- **Agriculture is important for poverty reduction**
  - 3.2 times better at reducing poverty than non-agriculture
  - 1% in GDP due to agriculture increases income of poorest by more than 6%
  - Substantial multiplier effects: top 10 multipliers for SA includes agriculture and services sub-sectors only (extending to top 20, another six with links to agriculture – leather, bakery, wood, etc)
- **SA agriculture is globally competitive**
  - Labour productivity in agriculture is higher than most emerging market peers (Brazil, Chile, China, India, Mexico, Turkey, etc)
  - But (or because), less employment intensive
  - Leading exporter of many labour intensive products: macadamias citrus, table grapes, wool, avocados
- **Employs more than 870000 semi- and unskilled workers**
  - Compared to 607,788 in manufacturing and 383,542 in mining
  - Offers low-wage, manual and elementary employment in **rural areas**

# What do emerging farmers need???

- Access to financial resources/assets,
- Correct mentorship and skills.
- Technology advancement,
- Capacity to meet product volume and standards required by purchasers,
- Structural deficiencies such as rural infrastructure and land tenure systems.
- Market access


# Why blended finance because grants have not been effective.

- DPME REVIEWS- Grants have failed to improve farmers, created dependency syndrome against the objective of achieving sustainability; and promoted entitlement mentality and limited commitment on the part of beneficiaries.
- Silos of farmer support.
- Duplication of support between DRDRL and DAFF
- Focus on number of people assisted instead of viability of projects
- RECAP farmers got cash transfer and funds ended being used differently from intend purpose- effectiveness and efficiency of funding becomes compromised.

# Why blended continue

- Double support is excluded as support is centrally allocated- some farmers benefited twice or thrice, CASP, RECAP etc
- Land Bank make follow up to protect their exposure and assist the farmer.
- Where subsidized interest rate loans are offered to smallholder farmers, the financial intermediaries must provide a programme of technical assistance to ensure maximum success. – ensuring sustainability of sector. Ratio of extension officers appalling.
- Blended finance ensures better targeting and timely supply of support and improved efficiency

## Blended Finance allocations

Transferring Dept	2017/18	2018/19	2019/20	2020/21	2021/22	MTEF
DAFF	100,000	120,000	421,469	295,763	320,068	1,037,300
 DRDLR		650,000	910,153	972,279	984,380	2,866,812
<b>Total</b>	<b>100,000</b>	<b><u>770,000</u></b>	<b><u>1,331,622</u></b>	<b><u>1,268,042</u></b>	<b><u>1,304,448</u></b>	<b><u>3,904,112</u></b>

# Weaknesses

- State grant should be returned at no interest- for sustainability- fiscal
- Spread of financial institutions limited- no competition
- Will not cater for farmers, with limited resources

# Parliamentary oversight needed/ accountability

- No limits to what can be allocated to an enterprises/person- spread of funding- one person gets more than R50ml. – Limits spread across both commodity and spread across the country.
- Potential elite capture- because model seems to be designed for big players. Lessons from RECAP and AgriBEE.
- Target existing farmers who need to be commercialized, yet only new farmers dominating. Too many entry level applications. But we have existing farmers. Why not support those who want to be uplifted.
- Fronting,



# Parliament oversight role/ accountability

- Whether product is afforded to different farmers in terms of size, and variety of commodities.
- National spread of farmers supported. Across all provinces. Lack of publicity

# End

- Thank you