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Support for pro-poor agricultural development and rural poverty reduction
in Eastern Cape

By

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Support for pro-poor agricultural development and rural poverty reduction in Eastern Cape

Abstract

Official data show that a small proportion of Eastern Cape households evidently derive their main or primary income from farming. But the same data also show that the majority of households with access to small plots suitable for farming are concentrated in Eastern Cape. Furthermore, comparative analyses of standard indicators of human well-being and development of Eastern Cape with the rest of South Africa show that the province consistently reports worse than national average rates of poverty, food insecurity, unemployment and inequality- reaching extreme levels in rural locations. Over the medium term, higher economic growth and service-oriented sectoral change, might be inadequate to reverse this dismal track record in human well-being.

In this context, this paper considers the potential of better targeted public spending on agricultural development for resource-poor small farmers to raise living standards in the Eastern Cape. According to the latest official evidence, slightly more than half a million households in Eastern Cape (representing roughly 40% of all South African households) reported that they have access to farmland- with average land size in the order of 1-1.25 ha per family. Interventions aimed at boosting agricultural productivity among these small producers, such as the CASP launched in 2004/05, must be better targeted to meet the needs of the intended beneficiaries.

Support for pro-poor agricultural development and rural poverty reduction in Eastern Cape

1. Introduction

Approximately 6.6 million people live in the Eastern Cape, comprising roughly 13.5% of the South African population, ranking it third in terms of population size behind Gauteng and KwaZulu-Natal (StatsSA, 2009). The province incorporates the former homelands of Transkei and Ciskei, fragmented enclaves designed under apartheid and systematically underdeveloped through lack of sustainable investment and constant out-migration of its productive workforce. Although the highest population densities prevail in and around Port Elizabeth and Uitenhage, a coastal metropolitan hub constructed around a restricted secondary industrial base, substantial numbers of the province's population reside in rural areas around commercial farms and communal-tenure villages (Eastern Cape Provincial Government [ECPG], Growth and Development Plan, 2004).

What this last point underscores is that any effective provincial development strategy ought to coherently set out empowering and growth-enhancing interventions for rural development, or perhaps more precisely, sustainable agricultural-led development. It must strive to boost productivity and employment creating investment in agriculture as a way to improve human well-being. Moreover, the spatial spread of key development indicators- unemployment and money-metric indicators of poverty and inequality point to rural localities to be at a distinct disadvantage with extremely dismal scores for the

standard set of indicators. Comparing these indicators of human well-being with similar national data for South Africa highlights an even more depressing contrast of socio-economic underdevelopment and deprivation. It is indeed a poor province seriously in need of a comprehensive and sustainable development strategy.

Eastern Cape provincial government has an economic development plan which gives marginal attention to its agricultural sector. Furthermore, the new 2010-2014 strategic plan of the provincial Agricultural Department lacks a clear perspective on how to optimize the agricultural resource-potential of the province for sustainable livelihoods and raise the living standards of people living in that region of South Africa. In this context, this paper critically evaluates the current and potential contribution of agricultural development as an integral component of a broader pro-poor Eastern Cape economic development strategy. Agriculture's direct and indirect contributions to economic development are well-documented (Meijerink and Roza 2007, NDA 2001, Bresciani and Valdes 2007). It contributes to economic growth and has the potential to reduce income poverty on a sustainable basis- especially through wage-labour on farms and income-generating small-scale farming.

The paper is divided into 3 main sections: First, we present a comparative overview of Eastern Cape economic growth trajectory and pathways, with special attention to sectoral contributions. The second part shifts attention to livelihood strategies and living standards to highlight the main ways in which rural people in the province make a living. The third main section critically reviews the agricultural sector in the province, focusing on land

use patterns by agricultural sub-sectors (highlighting agro-ecological changes underway), land/ agricultural reforms and examines public expenditure on agriculture to demonstrate the extent to which a pro-poor agricultural led strategy informs policy. Overarching conclusions and directions for future research are offered in the final section.

2. Economic development pathways of the Eastern Cape

2.1. Phases of economic growth

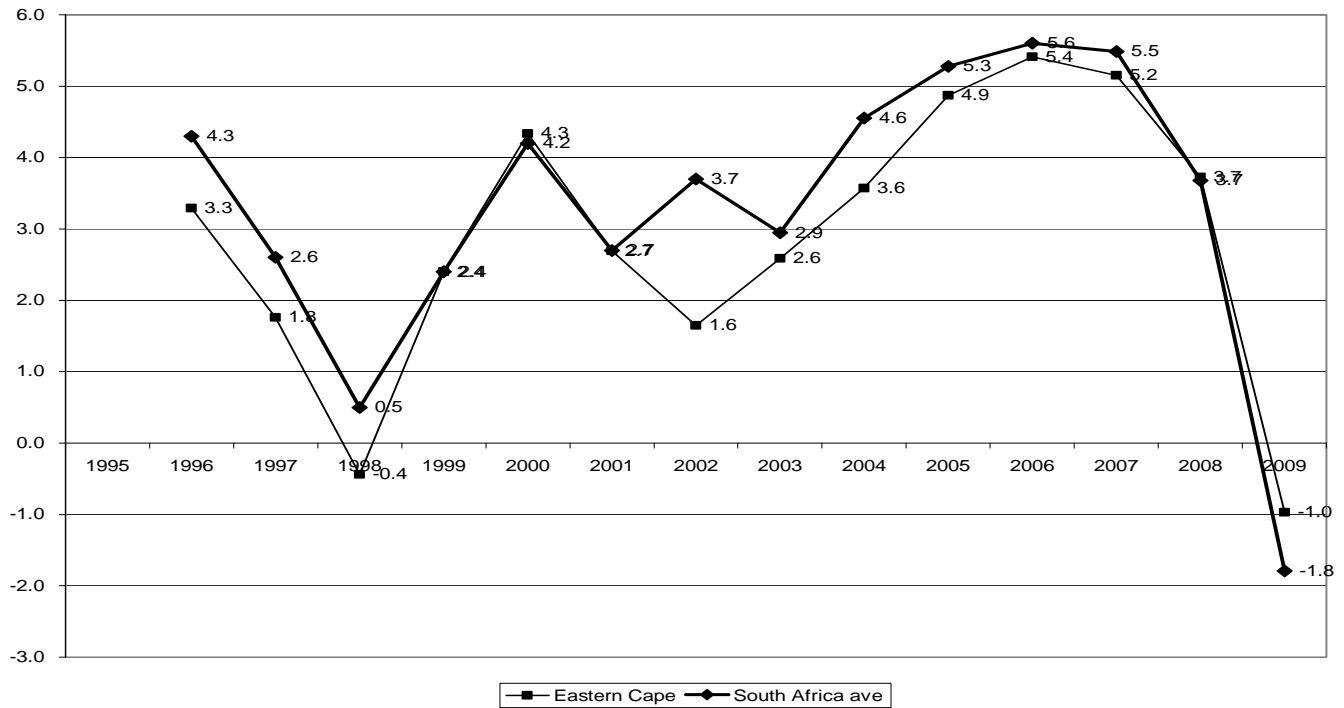
To argue the case for a pro-poor agricultural development strategy for Eastern Cape, this section starts with a comparative overview of key provincial economic indicators in recent years. This overview draws specific attention to the provincial economic growth rate and trends in the contributions of key sectors to its economic performance. We focus on the post-apartheid era because the 1996 Constitution and subsequent spatial policy framework legally fixed its provincial borders. To contextualize this background information, and where feasible, a comparative analysis with relevant national-level data will be presented.

Eastern Cape Province contributed about 7.5% to the national GDP in 2008 (StatsSA 2009). Figure 1 shows that for the period 1996 to 2009, economic growth in Eastern Cape roughly tracked the nationwide trend. Over this short period, it is possible to subdivide the economic performance in Eastern Cape into four distinct phases: a downturn from 1996 to 1998; lackluster growth for 1998-2002; steady and accelerated growth until 2006-2007; an economic downturn post-2008. Economic upturns and downturns closely match national trends, albeit usually lower levels than the national average rate of

growth. This implies that sectors that drive economic performance in the province have been and continue to be very sensitive to forces that impact on the national economy. Historically, the real GDP growth rate for Eastern Cape has experienced more fluctuations relative to other provinces. Degefe, (1998), for example, argues that the economic downturn of 1996-1998 was a direct spillover from East Asian Economic crisis, which evidently had an extended lagged-effect on South Africa. Tracking the developmental outcomes of the lackluster economic performance, Khosa (2002) found that 'growth failed to trickle down to the poor' but was, unsurprisingly, inadequate to substantially raise real living standards.

The steady accelerated economic growth which started in 2002 and peaked around 2006-07, was driven and sustained by many factors. However, policy statements tend to focus on the latter period of the growth cycle. Eastern Cape policy makers adapted the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) introduced by the Mbeki-administration in 2005, to propel economic expansion in the province in a more focused manner whilst also aligning it to national policy priorities (PDGP, 2009). When compared to the national average, growth rates declined in 2008 as a result of the global economic downturn initially driven by the financial crisis linked to the US housing sector.

Figure 1: Comparison of Provincial Real GDP and South Africa average GDP at constant price 2005 and



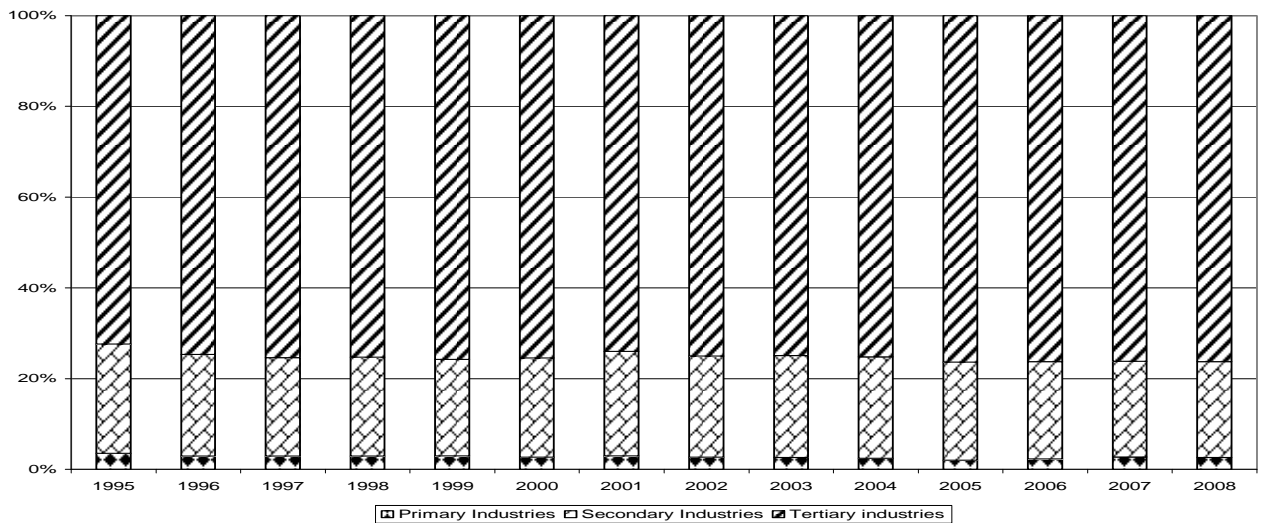
Source: Stats SA, 2009

2.1. Composition of key economic sectors

Visible shifts in the sectoral composition of economies normally occur over long periods and display structural development patterns (Memedovic, and Lapadre, 2009). Data limitations and the brief post-apartheid period prevent us from detecting large-scale transformations in the sectoral composition of provincial and national economic output. Against the backdrop of these constraints, we present a snapshot of trends in sectoral composition for the last 15 years. This helps to understand where agriculture fits into overall development, its potential value addition to growth and its status relative to other sectors.

Figure 3 below shows the sector contribution to the province GDP and confirms the relative decline in the primary and secondary sectors since the mid-1990s. In 2008, the tertiary sector made the main contribution to provincial economic growth- estimated to account for 68.5% of economic output. At the same time, the contribution of the secondary sector contributed around 19% whilst the primary sector (predominantly farming) contributed 2.4% to value-added output. The main components of the tertiary sector are the financial sector (20%) and community and personal services (Barbour and Sowman, 2004, StatsSa 2007). The primary sector, particularly agriculture, is unstable as it remains vulnerable to exogenous environmental and macro-economic shocks.

Figure 3: Comparison sector contribution to the Provincial economy from 1995 to 2008



Source: Stats SA, 2009

3. Livelihood strategies and living standards

In this section we present an overview of the livelihood strategies and living standards of people in Eastern Cape. Historically, agriculture played a key role in sustaining living standards. However, today the sources of household income appear to be more diversified, but heavily reliant on transfer incomes: pensions/grants and remittances-drawing on reported main source of the household income in the General Household Survey (StatsSA, various years). The point here is that even this might offer a very inaccurate view of what is happening because people might be investing some of their cash transfers in small-scale farming- anecdotal evidence seems to suggest this.

3.1. Employment and livelihood strategies

Employment remains the chief pathway to lift people out of poverty. To understand this, we need to focus on labour market participation of the population in Eastern Cape. Historically, rural households of former homelands have supported their families with remittance incomes of family migrants working in the mines and commercial farms (Perret *et al*, 2000). With the poor performance and weak labour-absorbing growth in mining, employment declined significantly in this sector. Furthermore, the sectoral shift from primary industry towards manufacturing and tertiary industries has led to relatively slow absorption of unskilled and semi-skilled labour because these sectors demand more of skilled labour. Overall, the sectors that drive economic growth in Eastern Cape have not significantly absorbed the available labour force (Barbour and Sowman, 2004).

Officially, agriculture's contribution to job creation in 2002 stood at 9% of the workforce in the province. From 1996 to 2002 the average annual employment growth rate in agriculture was in the order of 3% (Fraser *et al*, 2003). The majority of those employed in agriculture are employed in the large commercial farms and in some instances by the emerging farmers. Smallholder farmers rarely employ permanent non-family workers; they typically rely on family labour (D'haese, *et al*, 2005). By 2009, commercial farms employed 725 000 workers (Statistic South Africa, 2009).

Livelihood strategies for rural households are closely tied to labour market participation (Simbi and Aliber, 2000). Even though remittances represent the second component for the rural livelihood, it has significantly declined (Barbour and Sowman, 2004; see also data in appendix). The province lacks diversity in the rural non-farm economy and abundant labour-intensive small-scale industries and other local value adding activities (Farolfi and Perret, 2002). As a consequence there has been significantly reduced employment in the rural non-farm sector alongside the decline in remittance incomes. Islam and Buckley (2009) added that low wages in commercial farms have left workers with virtually no extra income to send to their rural families. In the context of the 2007-2008 wave of rapid food price inflation, the inability of migrants to remit might have contributed to rising incidents of household food insecurity.

Farming forms part of a mix of livelihood strategies activities among poor rural households across Eastern Cape. They regard livestock as a source to 'smooth incomes' and as a mitigation strategy against uninsured economic shocks/risks (Nkonki, 2007).

Fraser *et al* (2003) calculated that in the central Eastern Cape (note: Ciskei area for 1999 included), agriculture contributed 9,3% of the rural household income. Perret (2002) argues that full-time farming (sheep keeping and wool production), remains an alternative strategy to earn cash income, despite high risks, compounded by missing and imperfect credit and product markets in many rural localities in the province.

3.2. Living standards of population

The Eastern Cape Province faces a number of challenges such as underdevelopment, high unemployment, high dependency ratios, high poverty levels, and a skewed economic structure (Provide, 2005). This is a province which is more than 60 percent rural and yet is driven by the tertiary sector, with a total contribution of 68.5% to the economy (Statistics South Africa, 2009). The GDP per person in the Eastern Cape is lower than the national average (Provide, 2005, Stats SA, 2009). According to the IES/LFS 2000 estimate the Eastern Cape *per capita* income was R6,774 in 2000, only about half the national average of R12,411. The average income reported from an agricultural household amount to R17,729 lower relative to that of non-agricultural households amounting to R32,204. Also on racial groups, Coloured and African agricultural households are the least earners with income levels R13,690 and R12,749 respectively, while White agricultural households had the highest of R145,806 (Provide, 2005).

Food shortage is also a problem in the province (Provincial growth and developmental plan, 2004). The climatic conditions are not conducive for crop production. Grain is

acquired from large commercial farmers and group projects under irrigation. Also some smallholder farmers do have small gardens at the back of their homesteads (Bank and Meyer, 2006). The grain from such practice cannot be enough to support the whole family. Hence, livestock are sometimes sold to generate income for food purchase (Provide, 2005). Aliber and Hart (2009) found 3-4 million households engage in small-scale farming, to supplement their food requirements, with the majority of these resource-poor small farmers in Eastern Cape. According to BMR (2005), the province has the majority population in the lowest income category, and spend the largest amount on food. In this case, of the R70 billion estimated in 2005, 25.5% accrue to food. Food expenditure accounts for 60%-80% of the household and agriculture can help with long-term food security (Baiphethi and Jacobs, 2009).

Poverty has not changed significantly over period between 2004 and 2008 (BMR, 2009). Currently, nearly 7 out of 10 people still live in poverty. The East of the province still has the highest poverty concentration. Income inequality can be seen prominently between the urban and the rural population. In the rural population, inequality is seen in between the agricultural and non-agricultural households (Provide, 2005). The poverty is very much directly linked to the historical economic neglect of the province.

Household in the Eastern Cape can either be categorized as agricultural and non-agricultural household (Provide, 2005). The agricultural households are mainly found in the rural area, while the non-agricultural households occupy the urban areas. The sources of income for the rural households include: agricultural income (sales of agricultural

products, wage income from working in the commercial farms) and non-agricultural income (pension funds, child grant and remuneration from working). The evidence from the Provide (2005) shows that the agricultural households are worse-off in terms of income when compared the non-agricultural households.

Headcount poverty rates measured in monetary terms in Eastern Cape remain the highest in the country- hovering between 60% and 70% depending on various estimates used (Provide, 2005; Bank and Meyer, 2006). At municipal level only Nelson Mandela metropolitan (around Port Elizabeth) had poverty rates below the national average. Other areas had poverty above the national average, with the OR Tambo, Amathole and Chris Hani ranked the poorest districts (Provide, 2005).

Poverty is mainly a rural phenomenon, agricultural households having the highest levels and depth of poverty. Moreover, poverty is not a static condition, especially among farmers (Perret, 2002). It may shift from one type to another due to the life-cycles and other factors such as shocks/crises, and long-term factors. Examples given by Bank and Meyer (2006), includes racial/gender discrimination and market failures. The life-cycle plays a major role as aging population get more access to pension fund. ²Given that that has been significant increase in the contribution of government transfers of over years. Evidence from the BMR (2009) shows that in 2008 financial year, 12,8 million household received grants country wide. Of this figure, about 18% where in the Eastern Cape second highest following the 25.4% in the KZN. This could be explained by the

² Government transfers in South Africa has seven types of social grants; Care Dependency, Child support, Foster care, Grand-in-aid, Old age grant, Disability and War Vet grant.

fact that these are two provinces with the highest number with in the lowest income group.

Poverty is also correlated with education level. According Perret (2002), high poverty levels exist in households with no education. Provide (2005) shows poverty as in the province correlated with ill-health as well as unemployment. From these patterns of poverty and unemployment, we can deduce that growth in the province has not significantly reduced poverty and joblessness.

Using income as one way of measuring poverty, in 2007 about 67% of the Eastern Cape population had income below R800 a month (Stats SA, Community survey, 2007). According to the BMR (2009), the majority of the households country wide (51.5%) have their income trapped in the lowest income group. Eastern Cape has 19% (1310193) of households in the lowest income group, just below that of KZN (20.5% -1411913).

Table 1 below shows a set of common measures of human well-being for Eastern Cape for the period 2000-2007. Although there has been a decline in th average poverty headcount ratio over this period, and the absolute numbers of people living in poverty, the provincial HDI and gini coefficient do not show overall improvements in human well-being. In terms of income distribution, the province is characterised by inequality, as shown with Gini coefficient close to 1. The Gini coefficient figures in the table above shows that inequality has worsened from 2000 to 2007 increasing fro 0.65 to 0.67.

(Estimates from Provide (2005) placed the Eastern Cape gini in 2000 in the order of 0.69.).

Table 1: Comparative overview of Human Development Measures for the Eastern Cape³

Measure	2000	2004	2007
Human Development index (HDI)	0.49	0.53	0.53
Gini Coefficient	0.65	0.67	0.67
Number of people in poverty (million)	3.99	4.31	3.95
Percentage of people in poverty (%)	63.1	67.2	61.9

Source, Global Insight, 2008

The source of inequality is from the labour income for the overall Gini coefficient for the province (Provide, 2005). It is interesting to note that, income from gross operating surplus⁴ contributes to the inequality more amongst the agricultural households than in the non-agricultural household. This could imply that, the inequalities in the ownerships of capital stock and land are the driving factors amongst agricultural households (Provide, 2005). It is also believed that inequalities within agricultural households are driven primarily by inequalities in the distribution of wages (Provide, 2005).

³ Measures the ability to live a healthy life, communicate, participate in the community and means to afford a decent living. The Gini coefficient measures the inequality takes figures between 0 and 1 representing perfect equality and perfect inequality respectively.

⁴ Income from gross operating surplus can be interpreted as returns to physical and human capital, and, in an agricultural context, the returns to land owned by the agricultural household. Implying that inequalities in the ownerships of capital stock and land are the driving factors to the inequality amongst agricultural households (Provide, 2005)

4. Support for pro-poor agricultural development

4.1. Agricultural dualism

South Africa has a dualistic agricultural sector which means that alongside highly capitalized and large-scale commercial sector many resource-poor small farmers cultivate crops and keep livestock under varied land tenure arrangements. (NDA 2001, Kirsten and van Zyl 1998). Historically, commercial agriculture has been dominated by a minority of white farmers, either as family farmers, agricultural cooperatives or modernizing agribusinesses. Resource-poor small farmers are predominantly black and more than two-thirds of them are concentrated in the former homelands, mainly but not exclusively in the including Eastern Cape. According to table 2 below, 70% of the land (17,1 million hectares) is in the provinces' commercial farming regions against 30% in developing areas (the former homelands). This inequality in land distribution is even starker if examined in conservative per capita terms because more resource-poor farmers are concentrated on this smaller proportion of land. The post-apartheid government has been implementing policies for a more equitable distribution of land and agricultural resources in an effort to gradually overcome agricultural or agrarian dualism. In Eastern Cape, as well as other provinces, some beneficiaries of these land and agricultural reforms form a new category of small black farmers on private farmland often categorized as emerging farmers.

Land and agro-ecological conditions remain key determinants of farming yields and returns, especially for resource-poor farmers using traditional methods and unable to make huge capital investment in farming. Table 2 compares land availability, potential

and usage in South Africa and Eastern Cape. Farmland in the Eastern Cape is mainly used and presumably suitable for grazing across both agrarian settings. Although farmland classified for commercial farming is more the three times the size of communal land in the province, commercial constitutes only 14% of total commercial farmland in the country.

Table 2: Land Utilization in South Africa⁵

	Total area (ha)	Farm Land (ha)	% of total area	Potentially arable land (ha)	% of total area	Grazing land (ha)	% of total area	Nature conservation & Forestry (ha)	% of total area	other	% of total area
Eastern Cape	17061600	14817723	86.8	1172901	6.7	13644822	80.0	756920	4.5	1456957	8.7
South Africa	122320100	100665792	82.3	16737672	13.7	83928120	68.6	13219963	10.8	8434345	6.9
Developing Agriculture in former homelands											
Eastern Cape	5175400	4001856	77.3	529400	10.2	3472456	67.1	186587	3.6	986957	19.1
South Africa	17112800	14479766	84.6	2545673	14.9	11934193	69.7	1036468	6.1	1596566	9.3
Commercial Agriculture											
Eastern Cape	11886200	1081586	91.0	643501	5.4	10172366	85.6	570333	4.8	500000	4.2
South Africa	105207300	86186026	81.9	14192099	13.5	71993927	68.4	12183495	11.6	6837779	6.5

Source: Department of Agriculture, Forestry and Fishing, 2010

Preliminary findings from the 2007 Census of Commercial Agriculture show that the biggest share of gross farming income in the Eastern Cape was generated from animals and animal products (StatsSA 2008). Compared to other provinces, Eastern Cape is a major producer of high quality merino wool and luxury mohair fibres supplying 30% of South Africa's wool and 80% of national mohair production. Some of the arable land is

⁵ Very small proportions of the arable land are utilized and such amounts could not be included by the source. The arable land in utilized in the commercial agriculture, of which Eastern Cape province has about 601 651ha utilized against total of 12900 122ha.

considered suitable for crop farming: slightly more than 500,000 ha in developing areas compared to 600,000 ha under commercial crop production. Pineapples and chicory are major commercially produced crops and recent data suggest output of both crops continue to increase (DAFF, 2010).

According to the available official evidence, reported in table 3.1 below, slightly more than half a million households in Eastern Cape (representing roughly 40% of all South African households) reported that they have access to farmland- with land size in the order of 1-1.25 ha per family.

Table 3: Households reporting access to farming plots by average plot size (in hectares) for Eastern Cape and South Africa, 2005-2008

	2005		2006		2007		2008	
	Eastern Cape	South Africa	Eastern Cape	South Africa	Eastern Cape	South Africa	Eastern Cape	South Africa
Avg. land size (ha)	1.04	1.86	1.19	1.65	1.23	1.92	1.18	1.80
<i>st. dev (ha)</i>	<i>1.89</i>	<i>3.66</i>	<i>2.13</i>	<i>3.57</i>	<i>3.08</i>	<i>4.24</i>	<i>2.21</i>	<i>3.95</i>
N (households)	532,255	1,183,441	656,482	1,380,252	526,855	1,142,653	506,506	1242152

Source: StatsSA (various years) GHS

4.2. Land and agricultural policy reforms

In Eastern Cape, as in other provinces that incorporate the former homelands, the disparities between the commercial and communal (particularly resource-poor smallholder) farmers cut across the areas of access to productive inputs and access to markets. In communal areas land tenure arrangements remain insecure and certain and this is a disincentive to private investment in efficiency enhancing farming practices. Natural resource degradation and poor access to water, primarily due to inadequate investment in upgrading irrigation, are additional barriers to raising farm productivity in communal areas. Other factors constraining farming in the underdeveloped regions of

are: poor agricultural infrastructure, inadequate access to functional social service, lack of ownership of land, capital assets and finance capital.

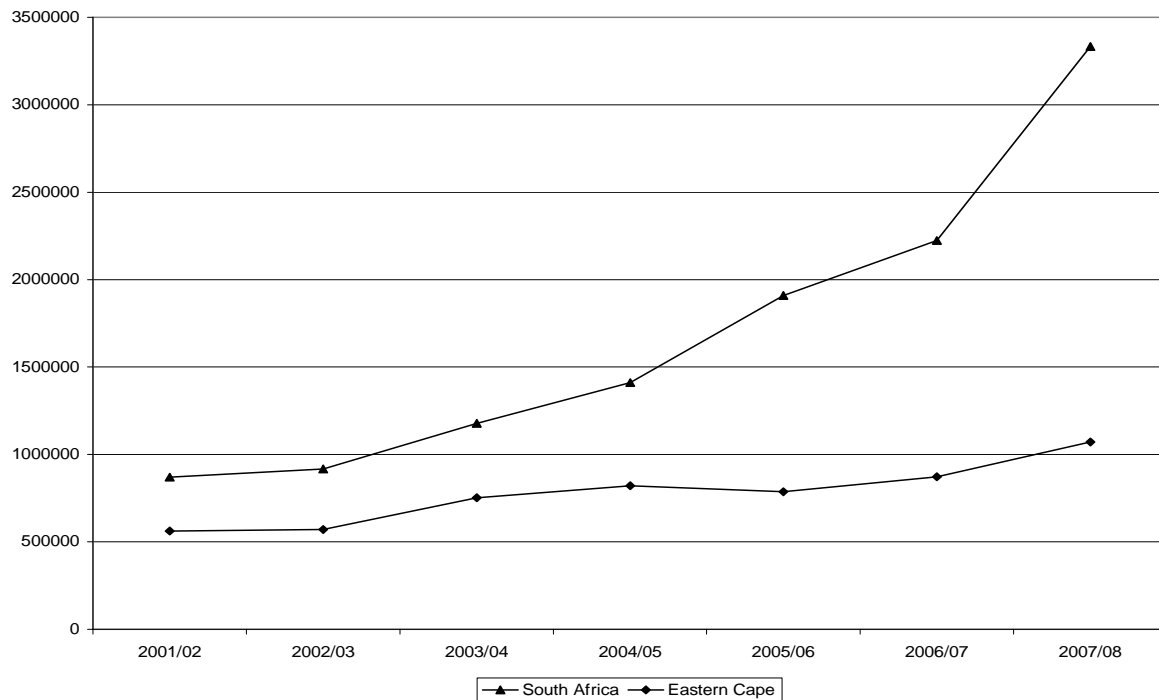
Over the last 15 years several state policies have been adopted to bridge the gap between the large commercial farmers and small-scale farmers. Land reform, deregulation of agricultural markets, the formalization of farm dweller tenure relations, and AgriBEE are examples of these policy changes. The motivation for land reform is grounded in the notion that promoting smallholder agricultural growth can be an effective strategy to reduce rural poverty and income inequality (Machethe, 2004). The Land Redistribution for Agricultural Development (LRAD), rights-based land restitution and legislation to protect the tenure rights of farm dwellers continue to be national and provincial flagship land reform strategies.

According to the Eastern Cape development plan, only 4.3% of land in the Eastern Cape has been transferred to 'emerging farmers' since 1994 (PGDP, 2009), partly due to lack of funding. Some of the challenges facing land reform programme mentioned includes; inadequate resources, insecure land tenure arrangements, poor M& E systems, weak (often non-existent) intergovernmental coordination and other institutional arrangements (including dysfunctional community property associations). Beside the periodic quality of life surveys, comprehensive information about the socio-economic status of land reform beneficiaries is still lacking and this is an obstacle to systematically track the livelihoods impacts of land reforms (Hall 2009).

4.3. Agricultural development support

If agricultural development is to achieve its pro-poor outcomes, appropriate policies and adequate fiscal support are vital. Additional policies, such as the Comprehensive Agricultural Support Programme (CASAP) and Agricultural Broad Based Black Economic Empowerment (AgriBBBEE), have also been selectively implemented to fast track agricultural development support to poor black farmers. National Budgets and Estimates of National Expenditures published annually by National Treasury show that national fiscal expenditure on agriculture has been increasing from R872 million (in 2001/02) to about R3.3 billion in 2008/09. Whilst provincial governments also raised fiscal support for agriculture, information in figure 6 comparing trends in spending on agricultural in Eastern Cape and national government, shows that the province continues to lag behind in terms of pace at which it is raising the level of spending.

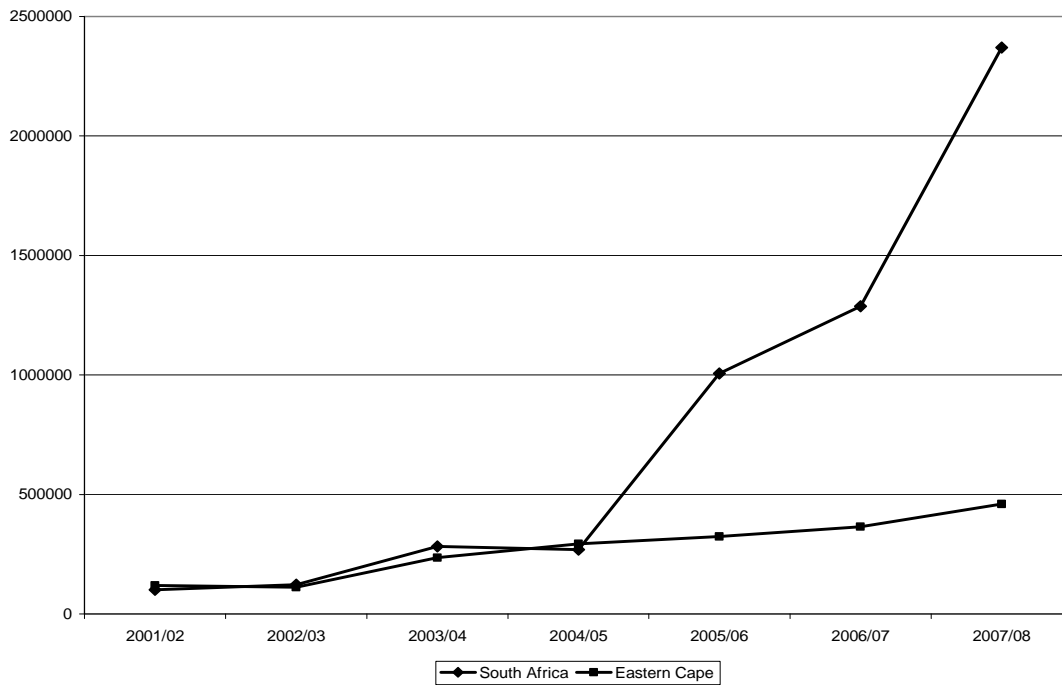
Figure 6: Eastern Cape Provincial and National government spending on agriculture, 2001- 2008



Source: National Treasury (various) Estimates of Provincial Expenditure: Agriculture

Agricultural development support for resource-poor small farmers gets channeled through the ‘farmer support programmes’. Figure 7 shows that there has been a sharp increase in national government spending on farmer support from 2004/05 onwards. A key explanation for this relates to the introduction of the CASP programme in 2004. Comparing the differences in the steepness of each trend line over the same time interval suggest that the rate of increase in the spending on farmer support in Eastern Cape is lagging behind the rate at which national government has been pouring fiscal resources into farmer settlement/agricultural development support. Given that the province accounts for the majority of small-scale household farmers, approximately 50% of all these farmers throughout South Africa, one would have expected this rate to at least to keep track with the national pattern.

Figure 7: Provincial government spending on farmer settlement support and development, 2001- 2008



Source: National Treasury (various) *Estimates of Provincial Expenditure: Agriculture*

The observed expansion in the monetary value of agricultural development support provides insufficient evidence to assess the importance attached to the agricultural sector.

One way to shed light on this is by looking at the changes in two proportions:

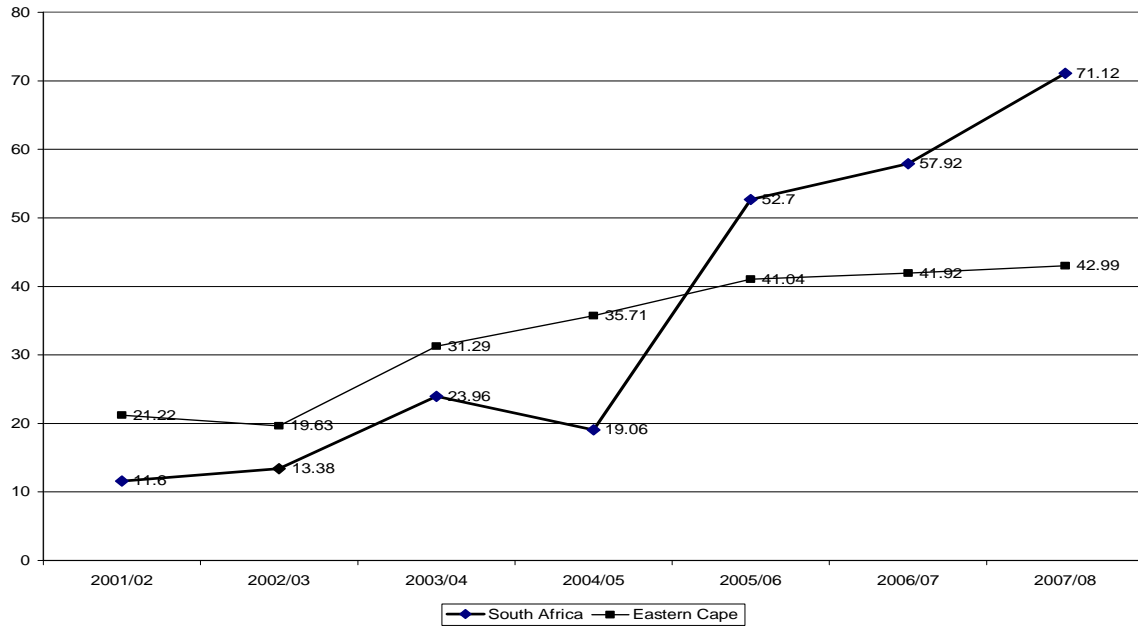
(a) the proportion of agricultural spending in total expenditure- to illustrate where agriculture ranks relative to other spending priorities

(b) the proportion of the farmer support relative to total agricultural expenditure- to show the extent to which fiscal resources are targeted at resources-poor farmers.

Figure 8 graphs the share/proportion of farmer support expenditure relative to total spending on agriculture for the province and that of South Africa, respectively. Our estimate of (a) at the national level show that government continues to spend less than 1% of its total budget on agriculture and only a small fraction of national expenditure actually goes directly to farmer beneficiaries.

Focusing on Eastern Cape, it is interesting to observe that its relative share on farmer support spending has been above that at national average for the period prior to 2004/05. In fact, the share of the farmer support programme has steadily increased from approximately 21.22% (2001/02) to 41.04% (2005/06) period. However, after 2005/06, there has not been any substantial rise in share of fiscal resources allocated to farmer support for the province- rising to mere 43% by 2007/08 .

Figure 8: Farmer settlement support and development as a percentage of total agricultural expenditure by province, 2001-2008



Source: National Treasury (various) *Estimates of Provincial Expenditure: Agriculture*

Going forward, what is the emerging strategic vision of Eastern Cape policy leaders in the domain of agriculture? Given the foregoing analysis of agricultural development expenditure patterns, what evidence is there to show that a dramatic pro-resource poor small farmer shift is beginning to form the thrust of support for agricultural development? The 2010-2014 Strategic Plan for Eastern Cape agriculture is an informative starting point because it underscores several initiatives. It laments the underperformance of the agricultural sector relative to manufacturing, services and tourism sectors. Some of the major constraints to account for this are resource limitations to support poorer farmers and rising prices of fertilizer (PGDP, 2009). Land transfers through land reform and nominal increases in agricultural development support, to date, apparently did not reverse the overall decline in agricultural productivity and output. Other commentators, such as Fraser and Jari (2009), are of the view that inefficiencies in agricultural output markets

compounded by weak institutional arrangements continue to block the poverty-reducing potential of support for farming.

The Six-Peg Policy framework which promotes a green revolution strategy for Eastern Cape is set to continue. To date, this framework has underpinned infrastructure installation (including fencing, dipping tanks, stock water dams and irrigation schemes) and key farming inputs such as tractors and implements. In 2007/08, Six-Peg delivered the following: erected some 650 km of fencing, upgraded 72 dipping tanks, developed 42 small irrigation units, 25 tractors and established 30 stock water facilities. Siyakula Massive, the provincial intervention to improve food security through maize production, is set to continue (Tregurtha 2009).

The Rural Sustainable Village Model, aimed to expand investment in agricultural infrastructure, was introduced in Mbizana in 2008 and is set to be expanded. It promotes entrepreneurial development with a user friendly marketing information system using cell phone technology. This initiative was developed and launched in December 2008 (Nkwinti, 2008) to enable previously disadvantaged farmers better access to market information, particularly output market prices.

Conclusion

This paper has argued the case for promoting a pro-poor agriculture-led development strategy in Eastern Cape Province, a populous region incorporating the former homelands of Transkei and Ciskei. Three sets of arguments have been developed in support of this

proposition. Firstly, we have demonstrated that accelerated economic growth in Eastern Cape during 2002-2007, based on tertiary and secondary sectors, has not substantially improved human well-being. Secondly, while the headcount of income poverty has been improving, income inequality and the human development index for the province, especially in rural areas, have worsened. Thirdly, fiscal support for agricultural development is increasingly lagging behind the pace of national investment, yet the province is home to the majority of resource-poor small farmers in the South Africa.

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Main sources of household income for Eastern Cape and South Africa, 2002-2008

		2002		2003		2004		2005		2006		2007		2008	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%
No income	E.C.	75,564	4.70	38,588	2.39	23,548	1.43	41,824	2.43	27,730	1.61	14,969	0.84	19,918	1.14
	RSA	318,711	2.72	346,281	2.76	186,379	1.53	248,154	1.96	285,354	2.22	294,424	2.24	284,125	2.13
Salaries & wages	E.C.	642,449	39.94	616,074	38.21	577,847	35.04	685,000	39.75	685,206	39.79	814,805	45.51	834,001	47.71
	RSA	6,960,693	59.40	7,197,462	57.46	6,836,946	56.15	7,327,832	57.80	7,532,805	58.52	8,050,406	61.16	8,276,504	61.92
Remittances	E.C.	302,301	18.79	308,780	19.15	285,161	17.29	236,681	13.73	234,851	13.64	239,294	13.37	219,097	12.53
	RSA	1,586,143	13.53	1,824,059	14.56	1,730,459	14.21	1,521,707	12.00	1,391,536	10.81	1,325,062	10.07	1,274,165	9.53
Pension and social grants	E.C.	482,126	29.97	567,293	35.19	654,184	39.67	642,851	37.30	703,448	40.85	650,286	36.32	630,301	36.06
	RSA	2,129,910	18.17	2,454,286	19.59	2,617,477	21.50	2,879,294	22.71	3,102,345	24.10	2,971,078	22.57	3,172,570	23.74
	Farm Income	E.C.	13,060	0.81	14,858	0.92	19,304	1.17	17,820	1.03	28,325	1.65	22,778	1.27	6,058
	RSA	112,062	0.96	105,123	0.84	124,041	1.02	116,414	0.92	165,638	1.29	137,922	1.05	98,122	0.73
Other non-farm income	E.C.	93,020	5.78	66,579	4.13	89,100	5.40	99,257	5.76	42,288	2.46	48,265	2.70	38,647	2.21
	RSA	611,394	5.22	598,596	4.78	680,102	5.59	584,357	4.61	394,287	3.06	385,026	2.92	260,143	1.95
Total	E.C.	1,608,520		1,612,172		1,649,144		1,723,433		1,721,848		1,790,397		1,748,022	
	RSA	11,718,913		12,525,807		12,175,404		12,677,758		12,871,965		13,163,918		13,365,629	

Source: StatSA (various years), own estimates based on GHS household weights