Western Cape Government

Agriculture

Evaluation of the Implementation, Design and Strategy of Project Khulisa Agri Processing

Full Report
November 2018

BLUE NORTH
THINKING. FUTURE

DNA Economics
Making economic sense of common problems

Contact Details

Blue North

Name: Myles Oelofse

Postal address: P.O. Box 12529, Die Boord, Stellenbosch, 7613

Physical address: 25 Longifolia Street, Paradyskloof, Stellenbosch, 7613

Telephone: (072) 102 7652

Email: myles@bluenorth.co.za

DNA Economics (Pty) Ltd

Name: Yash Ramkolowan

Physical address: 1122 Burnett Street, Hatfield, Pretoria

Telephone: (012) 362 0025

Email: yash.ramkolowan@dnaeconomics.com

Table of Contents

List of Figures

List of Tables

Glossary of Terms

AFMAS	Africa Food Manufacturing & Safety Summit
Agri-Mancom	Agri processing Management Committee
BDS	Business Development Support
BEE	Black Economic Empowerment
BPO	Business Process Outsourcing
CASP	Comprehensive Agriculture Support Programme
CT	Cape Town
CPUT	Cape Peninsula University Technicon
CRTF	Chemical Residue Testing Facility
DAFF	Department of Agriculture, Forestry and Fisheries
DOA	Western Cape Department of Agriculture
DEDAT	Western Cape Department of Economic Development and Tourism
DPME	Department of Monitoring and Evaluation
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation
ESC	Evaluation Steer Committee
FDI	Foreign Direct Investment
GI	Geographical Identity
GDP	Gross Domestic Product
GVA	Gross Value Add
HCB	Halal Certifying Body
HCF	Halal Consultative Forum
HIP	Halal Industrial Park
ICSA	Islamic Council of South Africa
IDC	Industrial Development Corporation
IPSA	Islamic Peace College of South Africa
IPAP	Industry Policy Action Plan
KAP	Khulisa Agri-Processing
MI	Market intelligence
MENA	Middle-East and North African
MTSF	Medium-Term Strategic Framework MTSF
MJC	Muslim Judicial Council
NDP	National Development Plan
NGP	New Growth Path
OIC	Organisation of Islamic Cooperation
PDI	Previously disadvantaged individual
PMDSTT	Provincial Multi-Disciplinary Special Task Team
PSG	Provincial Strategic Goal
PSP	Provincial Strategic Plan
SANHAS	South Africa National Halal Standard
SMME	Small, Medium and Micro-sized Enterprises
Steer Com	Steering Committee

SABF	South African Brandy Foundation
SSA	Statistics South Africa
SARS	South African Revenue Service
SI	Strategic Intent
TAF	Technical Advisory Forum
TOC	Theory of Change
ToR	Terms of Reference
US	University of Stellenbosch
VC	Value Chain
WC	Western Cape
WCG	Western Cape Government
WCFFI	Western Cape Fine Foods Initiative
WCHIITT	Western Cape Halal Industry Inter-Governmental Task Team
WISP	Western Cape Industrial Symbiosis Plan
WOSA	Wines of South Africa

1. Introduction

Accelerating economic growth and job creation remain critical imperatives for South Africa, and confronted with widespread and persistent exclusion and unemployment, policymakers at national and provincial level have set their eyes on a trajectory of faster and more inclusive GDP growth. At national level, the National Development Plan - adopted in 2012, espouses the model of job creation through accelerated economic growth while enhancing education quality, skills development and innovation. Economic growth and job creation is thus at the heart of the National Development Plan, which aims to create 11 million jobs by 2030 (The World Bank, 2015). The New Growth Plan (NGP) Framework aims to unblock private investment to address systematic blockages to employment-creating growth (infrastructure, skills, regulatory framework, for example). It focuses on productive sectors and proactively intends to support industries, activities and projects that will generate employment. The NGP has identified several job drivers for growth, including infrastructure, agricultural value chains, mining value chain, manufacturing, and tourism.

At provincial level, the Western Cape Government's Provincial Strategy set out five Provincial Strategic Goals (PSGs) for the period 2014 to 2019. The PSP is closely aligned with the NDP and identified five provincial strategic goals (PSGs) to deliver on its vision over a five-year term, with PSG 1 focussing specifically on creating opportunities for growth and jobs (Western Cape Government, 2014).

To action and operationalise the policy response above, the Western Cape Provincial Government (WCG) began developing and implementing initiatives and interventions to create opportunities for economic growth and employment creation (PSG 1). One such intervention was "Project Khulisa" (translated as Project "Cause to Grow" in English), an ambitious five-year partnership between government and the private sector which utilised extensive research and intensive consultations to identify key sectors and design game-changing interventions.

In the development of Project Khulisa, WCG recognised its limitations in terms of resources and influence and chose to concentrate on only three sectors of the economy. To identify these, the WCG undertook a comprehensive top-down analysis of the Western Cape economy and based on this analysis and extensive research, the WCG selected three sectors to be included in Project Khulisa; tourism, oil and gas, and agri processing[1].

[1] For the purposes of Project Khulisa, the Western Cape Department of Agriculture has defined agri processing as "*All post-harvest activities applied to products that originate from primary agriculture, forestry and fisheries which involve the transformation, preservation and preparation of products for intermediary and final consumption to make them usable as food, feed, fibre or industrial raw materials. This includes waste and waste products*."(DoA, 2015a).

Agri processing is a strategically important sector to both the national economy and the economy of the Western Cape. According to the Provincial Strategic Plan 2014-2019, agri processing directly contributed approximately R12 billion in GVA and accounts for more than 79, 000 formal jobs in the Province. However, despite this, several key challenges were identified that constrained the agri processing potential of the Western Cape. Despite these challenges, the research and engagements revealed several opportunities (levers) to overcome these challenges and unlock the potential of the agri processing sector. Unpacking the high-level agri-processing sector, the WCG identified the key sub-sectors and industries within agri-processing with the highest growth and job creation potential and uncovered economic trends (GVA, growth rates, contribution to employment, and exports), explored opportunities and challenges, provided market opportunity analysis, and identified the key areas for action. Based on this, three strategic intents were ultimately selected, with targets set for each. Action plans for each of these were developed and approved in 2015, detailing deadlines, resource requirements and responsibilities (Western Cape Government, 2015). The targets of the three strategic intents are to:

a) Increase the Western Cape share of the global Halal market from <1% to 2% by 2025.

b) Double the value of SA wine exports to China and Angola by 2025.

c) Increase the value-add in the Western Cape agri processing sector by R7 billion by 2020.

With the situational analysis and planning completed, implementation of Project Khulisa Agri Processing commenced in October 2015. Implementation activities were designed in a stepwise process (horizons), in recognition that not all planned activities could be achieved at once.

1.1. Purpose of the evaluation

Three years into the implementation of Project Khulisa, the WCG has called for an evaluation into the design, implementation, emerging impacts of Project Khulisa Agri Processing. In the evaluation nomenclature, **a design evaluation**, is undertaken prior to the implementation or during the early implementation of a project or programme to test if an intervention **in theory** is designed in a robust manner and if it is appropriate and fit-for-purpose. An **implementation evaluation** focuses on the actual delivery of a programme or project – the inputs, activities and outputs. It expands on the initial work done during a design evaluation by exploring whether the assumptions and the theory of change are working **in practice**, and reviews the resources, systems, operational procedures, and management and accountability structures of the project. The findings and results empower policy makers, project administrators and project managers with the information they require to improve performance, and where appropriate, take corrective action. Extending the scope of an implementation evaluation to include **emerging impact** allows an evaluator to make informed decisions and judgements on whether the programme is likely to achieve its intended objectives and outcomes.

The evaluation will produce **10 key recommendations** for the three strategic intents of Khulisa's Agri Processing project. It is understood that the evaluation findings and recommendations should be relevant and useful to the Western Cape Provincial Cabinet and all stakeholders with a

footprint in agriculture and agri- processing in the Western Cape. The users of the evaluation will be central stakeholders outlined in the ToR and includes provincial cabinet and government at different levels, agriculture sector, industry organisations, business, and academia.

1.2. Structure of the evaluation report

This report is divided into 9 sections:

- Section 1 introduces the evaluation and describes its purpose.
- Section 2 describes the approach and methodology used in this evaluation.
- Sections 3 to 7 present the findings for each evaluation criteria.
- Section 8 concludes this report and outlines the recommendations.

It should be noted that the theory of change underpinning Project Khulisa Agri Processing and highlighting the assumptions made in the design of the programme is presented in Annex 1.

2. Evaluation approach and methodology

2.1. Evaluation theory

The Khulisa Agri Processing project involves multiple stakeholders working on different aspects of the project. It was therefore imperative that they all be engaged and involved in this evaluation. Against this backdrop, we implemented Michael Patton's utilisation-focused evaluation theory to complete this evaluation (Patton, 2008). This theory is based on the premise that the success of an evaluation is judged by usefulness to the users of the evaluation and ensures that the users of the evaluation are involved throughout the evaluation.

There are several ways to incorporate utilisation-focussed evaluation theory into an evaluation design. For this evaluation we recommended the participation of programme managers, policy makers and users of the evaluation in the Evaluation Steering Committee (ESC). In addition, the validation workshop to test the theory of change also helped integrate the views of users of evaluation. In writing the final report, the evaluation team has incorporated the voices of the range of different stakeholders, some of whom may be the users of the findings and recommendations. In addition, the quality assurance process we have instigated helps to ensure that the needs of evaluation users voiced during the inception phase have been addressed in the evaluation.

2.2. Evaluation methodology

Most evaluations follow a standard methodology that involves the development of an evaluation framework, information gathering and data analysis. Figure 1 depicts the five stages involved in this evaluation. It should be noted that these stages are not performed perfectly sequentially; they rather form an iterative process of data collection and analysis.

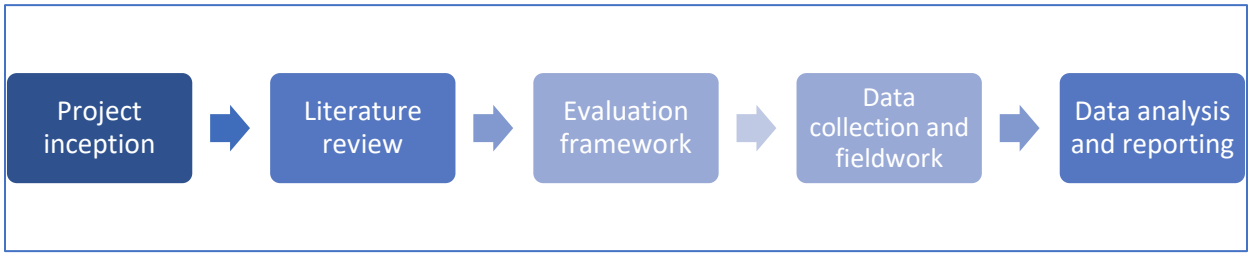


Figure 1 *Project stages*

2.2.1. Project inception

The evaluation started with an inception meeting between core members of the evaluation team and the Evaluation Steering Committee (ESC). The inception meeting was held on the 23 May 2018 and clarified the scope of the evaluation, the role of the ESC and the execution of the evaluation. Following the inception meeting, the inception report was drafted and disseminated to the steering committee. It was subsequently approved by the ESC in June 2018.

2.2.2. Literature review

In order for an evaluation to yield findings and recommendations that are useful and appropriate to the complexity of the intervention, the evaluation team began by gaining an in-depth understanding of Project Khulisa. This was done by collecting and synthesising evidence on the intervention through a literature and document review. The literature review included three components: i) A review of the policy, legislative and regulatory framework; ii) a review of grey and academic literature; and iii) a review of all strategic documents related to Project Khulisa itself. The literature review is an Annex to this report.

2.2.3. Evaluation framework

The evaluation framework for this evaluation contained five evaluative criteria against which the findings of this study are assessed. Evaluative criteria are the general principles and values that evaluators use to judge the merit of a policy or intervention. For evaluations conducted under the auspices of the National Evaluation Framework, the DPME recommends using the standard OECD-DAC criteria (Organisation for Economic Co-operation and Development , 2017):

- **Relevance and appropriateness** refers to the extent to which the intervention is aligned to the country's needs and priorities, and is an appropriate response to the specific problems identified
- **Efficiency** is a measure of how economically resources and inputs have been used and if the intervention has delivered value for money
- **Effectiveness** assesses the extent to which the intervention has achieved its intended objectives and outcomes
- **Value for money** assesses how cost effective the project is
- **Sustainability** measures the extent to which the project has created positive effects that will continue beyond the end of the project.

The evaluation assessed the evaluation elements above using the questions summarised in the table below. These evaluation questions built on those set out in the Terms of Reference and were approved by the ESC during the inception phase of this evaluation.

Table 1 *Evaluation questions, criteria and source of evidence*

Primary question	Secondary question	Evaluation criteria	Source of evidence
To what extent does the design of the project enable the achievement of its intended objectives	Were the problems that the project aims to address clearly defined?	Relevance	- Review of policy, legislative and regulatory framework - Academic and grey literature
	Is the design of the project appropriate to address the problems identified? Is the intervention aligned to national and provincial priorities in the sector?		
	What is Theory of Change underpinning the design and implementation of Project Khulisa?	Appropriateness	- Review of policy, legislative and regulatory framework - Academic and grey literature - Government reports (e.g. annual reports, strategic plans) - Project documentation - Interviews with key experts and stakeholders
	What are the assumptions that underpin the design of project? - How do these assumptions affect the achievement of project objectives? - Are the indicators used to monitor the intervention appropriate and SMART?		
	Is the target group for the intervention clear? - What criteria are used to select project participants?	Appropriateness	
	Are the institutional, governance and operational structures of the project partners appropriate?	Appropriateness	
Has the implementation of the intervention been efficient?	Was the project implemented as planned? - Has project support service been delivered as planned? - Are the assumptions made in the ToC being managed by key stakeholders?	Efficiency	- Interviews with key experts and stakeholders - Group discussions
	In what way does the institutional dynamics within the project partners affect the efficiency of project implementation?		
	Do the project partners have the right capacity and systems to undertake project tasks? - Do the personnel involved in the project have the requisite skills and experience?		- Interviews with key experts and stakeholders - Group discussions
	Are project outputs delivered on time and within budget? - What are the causes for delays in project execution? - How does these delays and bottlenecks influence and under/over expenditure?	Efficiency	- Interviews with key experts and stakeholders - Group discussions
	Do the assumptions made at the onset of the project still hold true?	Efficiency	

Primary question	Secondary question	Evaluation criteria	Source of evidence
	What can be done to improve the efficiency of project implementation?		Synthesis of evaluation findings
To what extent has the project been effective in achieving its intended objectives?	Has the project achieved its outcomes & objectives as planned?	Effectiveness	- Document and literature review - Interviews with key stakeholders - Groups discussions
	What progress has been achieved in the agri-processing component? - Which outputs have been completed? - How many jobs have been created through the project? - How many emerging farmers have benefitted? - Do PDIs & SMMEs have improved access to value chain?		
	What lessons can be drawn from the implementation of the project to date? - What are the key successes and challenges?		
	How is the success of the project measured? - What are the KPIs used to measure success?		
	Did the project deliver value for money? - Who benefitted from the project? - Do the benefits outweigh the costs of the project?		
	What can be done to improve the effectiveness of the project?		Synthesis of evaluation findings
To what extent are the benefits of the project sustainable in the long-term?	Will the project be financially and economically sustainable? Will the project in its current design leverage private sector funding?	Sustainability	Synthesis of evaluation findings
	Will the project be socially sustainable? Are the jobs created likely to exist beyond the project period?		
	Will the project be environmentally sustainable?		
	Can the project be expanded to other components of the agriculture value chain?		
	Can the project be replicated or scaled up in the future?		

Source: Adapted from the Terms of Reference

2.2.4. Consultations, interviews and group discussions

To ensure that the evaluation encompassed and considered the views of a sufficiently wide range of stakeholders on Project Khulisa, the evaluation methodology included conducting individual semi-structured interviews and group interviews. The table below summarises the number of consultations / interviews conducted. Note that the final column lists the number of consultations completed while the second column lists the initial targeted number of respondents. However, many consultations were conducted with several respondents at a time and the total number of actual respondents far exceeds the initial target. In general, the evaluation team has experienced very good cooperation from all these stakeholders and have benefited tremendously from the insights provided through these interviews.

Table 2 *Stakeholder engagement: planned vs actual*

Type of stakeholder	Number of planned interviews	Number of individual interviews completed
Ministry of Agriculture, Economic Development and Tourism (Provincial Cabinet, Western Cape Government)	1	2
Department of Agriculture – Policy, strategy and implementers	5	11
Department of Economic Development and Tourism (DEDAT): Policy, strategy and implementers	4	8
Other National & provincial Depts & state organs	4	3
Organised agriculture in the Western Cape	2	3
Industry organisations	12	6
End user companies	6	2
Academic and research houses	2	2
	36	37

2.2.5. Data analysis and reporting

Qualitative data analysis

All interview data was recorded and transcribed. A thematic analysis was conducted. The data was analysed by screening emerging themes that were linked to each of the strategic intents and the evaluation criteria. Initially, the data was coded by various themes such as implementation, design, and impact which was further divided into efficiency, appropriateness. Additionally, the data was analysed by coding the information gathered per strategic intent, followed by its initiatives. The analysis went through 3 phases. The first being identifying and placing the data was coded as mentioned above. The second phase included aligning the data to the primary evaluation questions listed above. The third phase of the analysis included aligning the data to the secondary questions.

Quantitative data analysis

We undertook a basic analysis of project expenditure versus budgeted. The team had planned an econometric analysis to support the impact evaluation, which was not undertaken – the explanation of this in section 2.3.

2.2.6. Updated evaluation timeline

The draft evaluation report will be submitted 15th October 2018, with the final report due 31st October 2018. A stakeholder validation workshop will be held on 26th October 2018. A summary of the major milestones achieved over the duration of this evaluation is depicted in Figure 2.

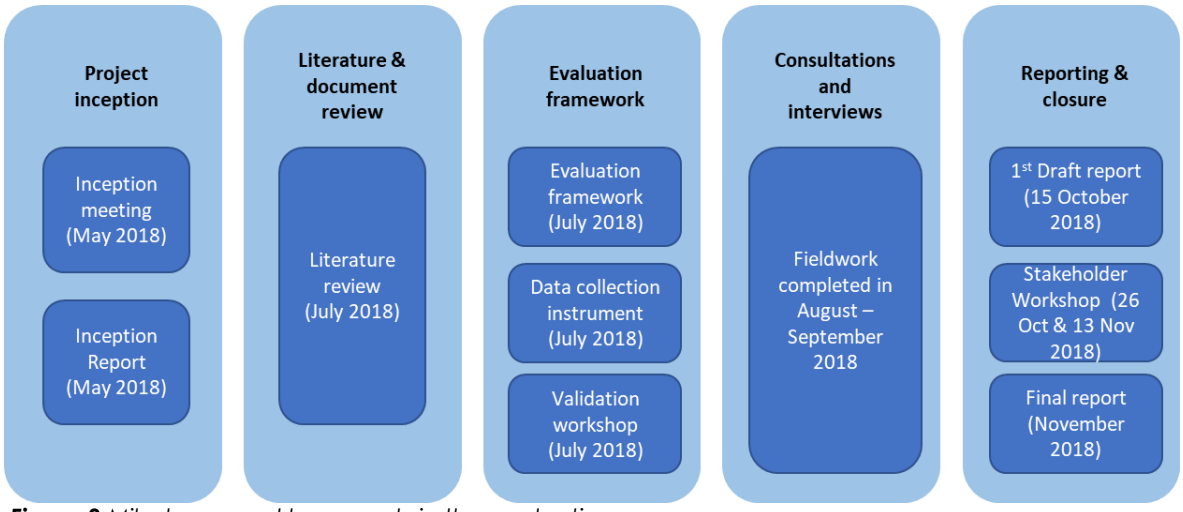


Figure 2 *Milestones and key events in the evaluation*

2.3. Limitations to the evaluation

In the original methodology of the evaluation, the evaluation team proposed undertaking either an econometric analysis or partial equilibrium analysis of Project Khulisa agri processing in order to better understand the impact of the programme. However, the use of such techniques was highly dependent on the data available. Engagement with various stakeholders in the Khulisa programme highlighted limited data availability at both the macroeconomic level and at project/ intervention level. As a result, the proposed impact analysis could not be completed as explained below.

2.3.1. Absence of baseline information

While the Project Khulisa intervention areas were identified based on extensive analysis undertaken by McKinsey, limited to no baseline information (at a granular level) for each intervention area was collected. In addition, discussions with some stakeholders suggest that interventions in specific areas may have been undertaken based on inaccurate analysis. This implies that there is limited clarity on what each intervention area looked like prior to the implementation of Project Khulisa.

2.3.2. Availability of relevant programme data

Discussions with Project Khulisa stakeholders indicate that while a number of aggregated datasets for the agri-processing sector have begun to be developed, these are largely based on macroeconomic, sectoral information. For example, data on trends in agri-processing employment has been generated from national Statistics South Africa (StatsSA) labour force surveys, while data on export trends in the halal industry has been created from national customs trade data collected and disseminated by the South African Revenue Service (SARS).

However, it appears that there has been limited data collected at the programme level. The nature of the current interventions under Project Khulisa means that without programme / intervention level data it is not possible to directly attribute changes in macroeconomic data to the specific interventions at the project level. It is important to note that the gap in data was identified at an early stage of the project, and data capacity was requested, this request was declined.

2.3.3. Project nature of interventions

In Khulisa, most initiatives are somewhat independent in nature, and can thus be viewed as individual projects, rather than being a systematic set of interventions that follow a clearly defined time or implementation path. The impact of such project-type interventions, as opposed to, for example, the implementation of a school learnership programme, are especially hard to assess. For Project Khulisa each initiative is undertaken in an almost ring-fenced manner, at a point in time that is not necessarily related to other initiatives within the broader programme. The different start and completion dates (prior to any delays) also means that there is no single point in time at which a single, well-defined structural break could be identified for Project Khulisa. This makes it hard to attribute changes in macroeconomic data to the any individual project or Project Khulisa as a whole.

2.3.4. Type of interventions undertaken

A review of the initiatives undertaken within each of the strategic areas of intent highlights that most are institutional in nature. For such institutional interventions, programme level data is a necessity in order to understand the impact of each initiative. These types of institutional interventions are particularly difficult to model using econometric, partial or general equilibrium analysis, especially in the absence of project level indicators. Further, some interventions may only be able to be evaluated from a qualitative perspective. This may apply, for example, when attempting to understand the impact that the establishment of governance structures in the halal industry has had. In addition, for the initiatives that are not institutional in nature (such as those related to skills and export promotion interventions), it is unlikely that there are available control groups against which each initiative can be measured. This makes attributing outcomes and impacts to Project Khulisa especially difficult.

3. Khulisa Agri Processing Design: relevance and appropriateness

For this evaluation, the first evaluation criterion examines the **relevance and appropriateness** of Project Khulisa Agri-processing. It evaluates the extent to which the intervention addresses the identified problem/s and is suited to the province's needs and priorities. This section presents the findings from an assessment of the relevance and appropriateness of Project Khulisa Agri Processing. It responds to the following evaluation question:

EQ 1: To what extent does the design of the project enable the achievement of its intended objectives

3.1. Relevance

Good intervention design begins by identifying the problems, determining their causes, analysing their effects on the population or subgroups within the population and measuring the nature and scale of the problem. To understand if the foundation of Project Khulisa Agri-processing addresses the correct problems, this evaluation draws on the literature review to identify the core problems Project Khulisa is trying to solve, focussing on the following evaluation question:

EQ 1.1. Were the problems that Project Khulisa Agri Processing aims to address clearly defined?

Project Khulisa was ultimately established to address three concerns for the Western Cape government:

- A slowdown in South Africa's (and the Western Cape's) growth and exports since 2008, due to a range of global and domestic factors. Among the domestic factors this included increasing industrial action, constraints related to electricity and transport infrastructure, skills shortages, labour market rigidities, and low savings and investment.
- Low levels of job creation, exacerbated by the economic slowdown. In 2008, unemployment in South Africa had risen to more than 25%, and in 2014, more than one third of the national labour force was either out of work or had stopped searching for work. Job opportunities created in more recent years have been concentrated in services, while the primary sectors of agriculture, manufacturing and mining have shed workers. As a result, the total jobs created have fallen far short of the growing labour supply.
- Growth has been experienced mainly in sectors that had lower labour absorption rates, with declining contribution by primary and secondary sectors of the economy.

The rationale for the establishment of Khulisa Agri Processing was therefore clear, aiming to address these challenges, by identifying and focusing on providing support to sectors that would both contribute to economic growth and that were relatively more labour-intensive. Khulisa Agri Processing was developed in response to clearly defined challenges of inadequate economic growth and rapidly increasing levels of unemployment.

3.2. Appropriateness

The analysis below examines the appropriateness of design and objectives of Project Khulisa and Project Khulisa Agri-processing. It must be noted that as this evaluation focuses on the agri processing aspect of Project Khulisa, the appropriateness of Project Khulisa (design process and design) is discussed only in-so-far as it relates to the **agri processing sector**. This section responds to the following evaluation question:

EQ 1.2: Is the design of Project Khulisa (and Project Khulisa Agri Processing) appropriate to address the problems identified?

3.2.1. Phase 1: Project Khulisa development

Project Khulisa was developed using an intensive design process to ensure that the Project was constructed in a way that provided the best opportunities to achieve economic growth and job creation. In order to assess the appropriateness of the response, it is important to explore and assess the three phases which took place in the design phase of Project Khulisa. Designing the project with three sequential phases, as outlined in Figure 3, was considered key to ensuring a robust and inclusive approach to the selection of sectors, the design of interventions, and the ultimate implementation of the project.

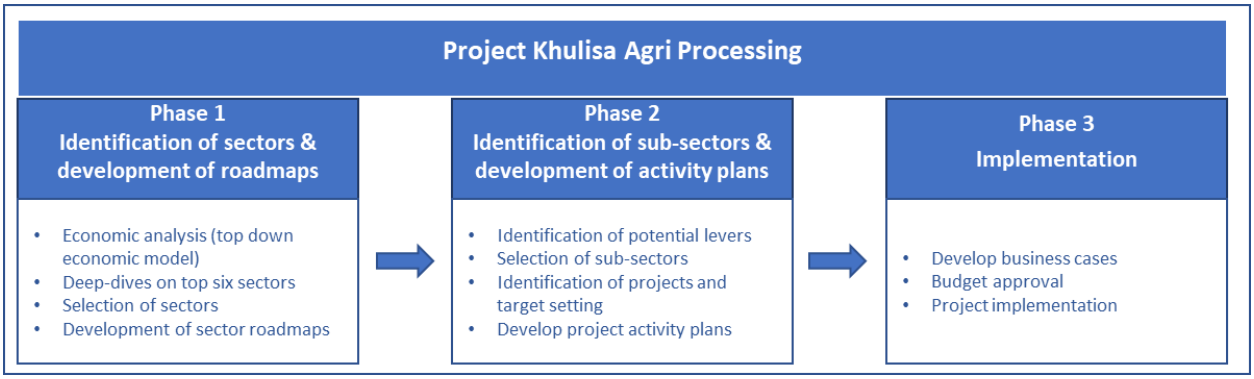


Figure 3 *Design of Project Khulisa – 3 Phases*

To ensure that the sectors and industries included in Project Khulisa were productive[2] and had the highest potential to positively contribute to employment and economic growth, the design process began by creating a clear taxonomy and baseline of the Western Cape economy (Phase 1). The analysis – done by McKinsey & Company and titled "*Accelerating job creation and growth in the Western Cape*" - utilised a top-down economic model underpinned by Gross Domestic

[2] Productive sectors are those that contribute to a competitive advantage and create opportunities for other sectors to develop and thrive (Project Khulisa, June 2016).

Product (GDP) and Gross Value Add (GVA) to review the historical performance of 22 sectors, produce a baseline of economic performance and sector contribution to employment, and produced 5-year forecasts for the prospects of economic growth and job creation in each sector under three scenarios (WC DOA and DEDAT, 2016).

Sectors were reviewed and ranked based on, firstly, the sector's level of strategic importance (attractiveness) to the Western Cape economy - the sector's contribution to job creation, growth in the short and long term, and GVA, and secondly, the feasibility of achieving fast-paced growth and job creation in each sector – the WCG's ability to influence critical policy levers (such as incentives and regulations); the availability of critical competitive factors (such as skills, infrastructure, and finance); and the appetite of, and commitment from, the private sector (McKinsey, 2014). The analysis identified and analysed not only the factors constraining growth in each sector, but also identified opportunities and levers for addressing the problems identified.

Based on the results of the taxonomy and baseline of the Western Cape economy, the Project Khulisa Steering Committee identified six potential sectors, namely; tourism, business process outsourcing (BPO), agri processing, film, oil and gas, and renewables. To narrow this list to three, further research was undertaken to forecast the potential contribution of these sectors to GVA and employment and explored the strengths and inhibitors (challenges) in each of the six sectors, using international experience to draw comparisons and/or illustrate examples of success. The key challenges and opportunities in each of the sectors were also explored in detail, and based on this, the WCG selected three sectors to be included in Project Khulisa; tourism, oil and gas, and agri processing (Figure 4).

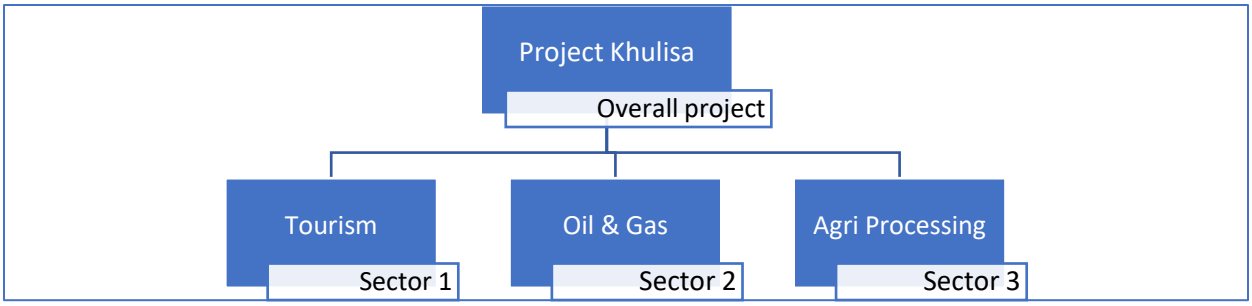


Figure 4 *Structure of Project Khulisa*

Source: (WC Dept of Agriculture; WC Department of Economic Development and Tourism, 2016)

3.2.2. Phase 2: Design of Project Khulisa Agri-processing

While Phase 1 of Project Khulisa identified the agri-processing sector as a potential contributor to growth and job creation and provided a roadmap to steer further research, Phase 2 of Project Khulisa unpacked the high-level sector potential by identifying subsectors and key activities for implementation.

Selection of the Agri-processing sector

The deep-dive in Phase 1 by McKinsey and Company identified agri processing as a high growth sector with the potential to scale (based on the sectors performance and contribution), suggesting that under a high growth scenario, the sector's GVA contribution could increase by 126%, from R12 to R26 billion in 2019, and it could add a further 100,000 formal jobs. McKinsey, through their analysis, highlighted several key challenges that constrain the agri processing potential of the Western Cape, viz: barriers to market access; access to water and electricity; weak logistics, poor infrastructure and exchange rate limitations for new technologies; low levels of skills and high salary costs; a weak regulatory framework; and a challenging business environment for SMMEs in the sector (McKinsey & Company, 2014a).

The McKinsey report went one step further, identifying three opportunities for action to accelerate the growth and expansion of agri-processing in the Western Cape, viz: development of specialised agri-processing parks' improved water management, and the promotion of Western Cape products.

Identification of priority levers in agri-processing

Unpacking the opportunities in the agri-processing sector began by identifying key action areas and priority levers and recognising the sub-sectors and industries with the highest growth and job creation potential. This research set the foundation for the design of projects and interventions to be implemented at sub-sector level.

The identification of action areas and levers was of critical importance. If the Western Cape Provincial Government was to take full advantage of the opportunities in the agri-processing sector, the plans and projects developed needed to be designed within the constraints faced by the Western Cape Provincial Government in terms of influencing the critical factors in agri-processing. In addition, the Western Cape Provincial Government had to ensure that the plans and projects pursued in agri-processing aligned to spatial and municipal priorities in the province. For this reason, an exercise was undertaken to analyse and prioritise fourteen priority levers in the agri-processing sector which could be used either as direct interventions or enabling interventions in the pursuit of the objections of Project Khulisa. Each of the levers was workshopped in a comprehensive consultative process attended by a broad stakeholder group (Government (National and Provincial), industry, industry bodies and private sector).

The levers were identified and elaborated upon at the consultative first workshop (March 20th, 2015), and each lever was described in detail in a 'one-pager' outlining barriers, opportunities, key stakeholders as well as the identification of a government lead *and* a private sector lead.

Table 3: *Action areas and priority levers for agri-processing*

Action points	No.	Priority lever
Water and energy	1	Develop new water infrastructure for purposes related to agriculture
	2	Introduce water demand management programmes to improve water-use efficiency
	3	Improve energy security through increased energy supply and improved demand management
Infrastructure	4	Develop specialised agri-processing parks
	5	Hard Infrastructure to improve the export process
Regulatory	6	Provide an information platform for the private sector
	7	Improve the regulatory and legislative environment
	8	Drive innovation by coordinating research and development efforts
	9	Improve support services and facilities
Efficiency gains	10	Skills development
Promotion	11	Increase support of Western Cape products in existing markets and develop new markets
	12	Promote Western Cape products on the domestic market
	13	Import replacement
	14	Transformation

The idea was then to submit the action plan with these levers[3], and a detailed action plan. Therefore, the intention, following the first design workshop, was that the Khulisa Agri Processing design would be based on a lever approach (these were subsequently reduced to 12). What transpired thereafter, however, was a difference of opinion regarding where the institutional responsibility of the project should lie – at the Department of the Premiere or within the Ministry of Economic Opportunity. This was clarified after the first workshop, and responsibility for the further development of the project was given to the Ministry of Economic Opportunity. This decision furthermore entailed that Khulisa would *not* be classified as a game changer. Following this, it was decided that the design process should continue to explore other options, instead of pursuing the envisaged lever approach.

Deep-dive and selection of subsectors

Following the identification of the levers in the first workshop, and clarification of roles regarding leadership of Khulisa, the high-level roadmap developed at the end of Phase 1 by McKinsey was used to further guide the identification of game-changing initiatives and potential activities in the

[3] During the design workshop, the number was reduced to twelve levers.

agri processing sector. This was done using an analytical deep dive as well as two further workshops.

The Project Khulisa Agri Processing design team unpacked the high-level agri-processing sector potential into detailed actionable and implementable initiatives at sub-sector/ industry level in three stages. For the agri processing sector, sixty-nine (69) sub-sectors were analysed using a three-dimensional matrix consisting of the value of production growth (in % over the period 2008 – 2011), employment growth (in % over the period 2008 – 2011, and the value of production (in R million in 2013). The desirability of the sub-sector was also evaluated on the basis of its strategic importance (domestically and internationally), the availability of critical competitive factors, and the level of commitment from the private sector.

Based on this deep-dive, ten sub-sectors were identified as high-potential priority areas; brandy, wine, pork, beef, yoghurt and dairy, fruit juices, olives, essential oils, breakfast cereals, and cosmetics. In addition to these, three key themes were identified as having potential to grow the Western Cape agri processing sector; the Western Cape as a producer of "quality" agri processing products, Halal products as a significant international global market opportunity, and, the rise in demand for "natural" and "healthy" products (WC Dept of Agriculture; WC Department of Economic Development and Tourism, 2016). Following further stakeholder engagement and design at two workshops, and internal review, three strategic intents were finally selected as shown in Figure 5 below. The 3 strategic intents are the strategic focus of Project Khulisa Agri Processing, and the WCG defined objectives, identified key projects and initiatives, and developed implementation plans for each of them. The scoring system used in the identification of the 10 sub-sectors was based on clear criteria, whilst the stakeholder engagement within the subsectors tested the identification of the key problems constraining the respective sub-sector. Here, the analysis was presented individually to the relevant industry/sub-sector and adjusted based on this validation process.

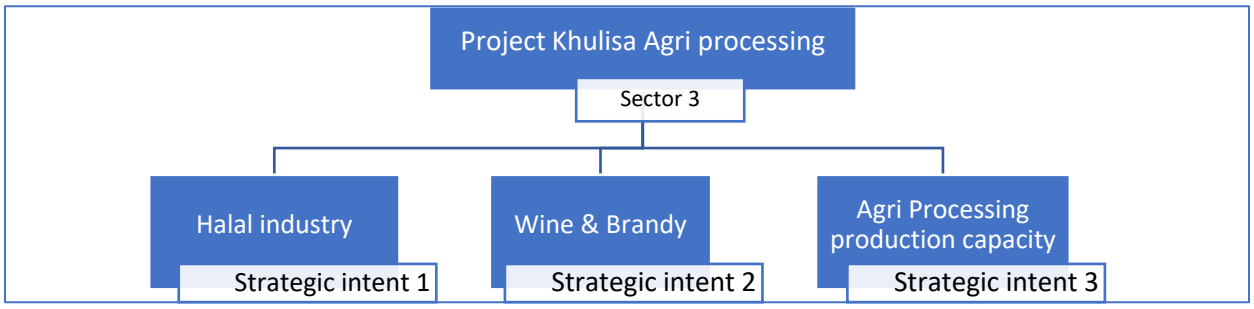


Figure 5 Structure of Project Khulisa Agri processing

Source: (WC Dept of Agriculture; WC Department of Economic Development and Tourism, 2016)

3.2.3. Design of SI1: Capture a larger share of the global halal market

Identification of challenges and opportunities

The halal opportunity was chosen primarily due to an identified global opportunity for economic growth, and the WC's positioning to tap into the opportunity. The assumption was that by lifting constraints facing the halal industry, the WC market share could grow to 2% by 2025, thus creating jobs and economic growth. Importantly, halal did not feature in the sub-sectoral deep dive analysis in the design phase, entailing that the halal opportunity was not analytically explored as other sub-sectors were in the deep dive. In spite of this, the halal presentations from the design workshops, compiled by WCFFI, indicate that the general halal opportunity was clear and understood, although due to the lack of documentation, it is not clear what WCFFI's analysis of challenges and opportunities was based upon. The halal constraints faced in WC, also identified in the design phase as presented by the WCFFI during the design workshops, included the lack of a generally accepted certification standard, lack of data, knowledge, strategic government support lacking, promotion (domestic and internationally) and lack of facilitation of halal related investments (e.g. halal park).

Interventions and targets

The aim of the halal strategic intent was to increase the Western Cape share of the global Halal market from <1% to 2% by 2025 (DoA, 2015b). Secondary objectives defined included: establishment of a single, globally recognised, halal certifying entity; increasing the Western Cape Halal exports value to US$31bn by 2020; helping the Western Cape capture a 20% share of the Middle-East and North African (MENA) Halal market by 2020; and establishing 5000 new jobs by 2020 (DoA, 2015b). Key initiatives in the strategic intent, activities and budget are outlined in Table 4, whilst the theory of change for the halal strategic intent is presented in Annex 1.

It emerged from our interviews that the halal industrial park (HIP) started as the centre piece of the SI design, around which other components of a halal strategy were iteratively developed and added, based on the premise that a park without value chains made no sense. Hence, the halal strategy was initially developed around the idea of the HIP, focusing on the halal opportunity more broadly. Importantly, the assumption driving the inclusion of the HIP was that there was a strong demand for a park of this type in the industry. The sector body purportedly representing business in the sector indicated to the Khulisa design team that the HIP was desired and a need. However, the demand for the HIP was not adequately documented, nor clear, in the design phase, and the first activities of the HIP initiative thus focussed on undertaking a feasibility study for the HIP with a stop-go decision built into the design of the initiative. The sector body purportedly representing business told us that this was desired and a need. The feasibility was to clarify this need The HIP idea predated Khulisa, where WCFFI had been in discussions with the Malaysian government about the construction of a halal industrial park. The HIP idea was hence seemingly based on the broad global halal opportunity, coupled with the linkage to Malaysia, rather than an identified constraint in the sector in the Western Cape.

Besides the HIP, the design of the strategic intent addressed central halal constraints, including certification, skills, SMME access, information, and SMME access approach. Although undertaken after implementation has started, the Halal Value Chain study (undertaken in 2016) corroborated the identification of the challenges and opportunities in the WC (Kaiser EDP, 2016). However, the Halal Value Chain study did not identify the need for a halal industrial park.

Budget and timeline

The halal budget, based on the submission to Cabinet in 2015, was R58 million (DEDAT R11.9 million; DOA R41.9 million, to be found R4.9 mill). More than 70% of the budget was for the commodity approach (CASP funding), whilst the HIP initiative had the second largest budget. Export promotion and governance had low budgets. Figure 6 presents an indication of the timeline for each initiative in the halal SI, as envisaged at the design stage. Note that we have plotted the primary output for each initiative to give a sense of the planned timeline, which is based on the timeline as proposed at the design phase (WC DOA, 2015). The timeline was in general optimistic, particularly e.g. for governance, data and certification standard development.

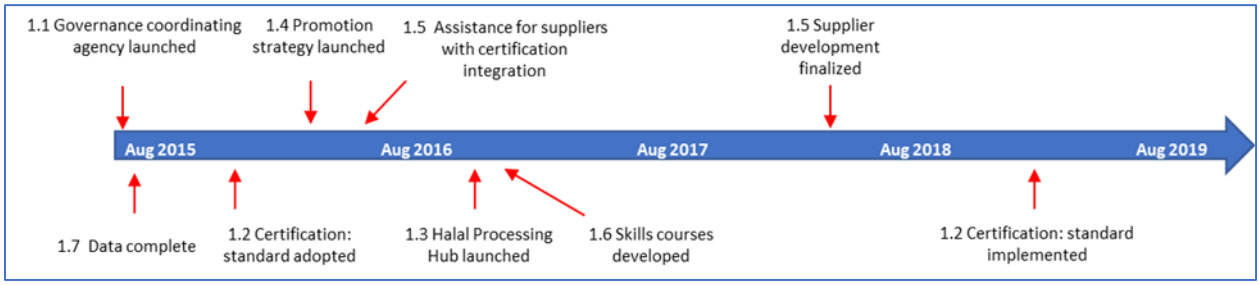


Figure 6 *Timeline for SI1 at the design phase*

Table 4 *Strategic Intent 1: Initiatives, key activities and budget*

No.	Initiatives	Detail	Total budget
1	Establish appropriate governance structures in the halal industry	- Establish 2 halal governance structures; the WC Halal Industry Inter-Governmental Task Team and the WC Halal Consultative Forum	R 214 000
2	Establish a halal certification standard	- Analyse the current halal certification standards in SA, & identify the halal standards from international accreditation bodies and in-country accreditation bodies of export markets - Devise and roll out a set of revised, universally accepted standards for halal certification	R 2 690 000
3	Establish a halal processing hub	- Commissioned a 2-phase feasibility study to explore the establishment of a HIP - Generating investment from local developer and development finance institutions - Source foreign direct investment (FDI) from selected markets - Complete the preparatory work on the identified sites	R 8 494 000
4	Promote SA halal products in key markets	- Market intelligence to gain deeper understanding of halal industries of foreign markets - Developing a measured & focused market strategy for each potential destination country - Undertaking halal-focused trade missions to markets where Wesgro or the SA government already has activities underway - Undertaking activities to brand SA as a halal destination abroad - Using the market readiness support programmes such as Wesgro's Export Advance Programme to help Western Cape halal producers	R 500 000
5	Provide SMME and PDI access to the value chain	- Develop and implement a Supplier Development Strategy to assist producers (through supplier development efforts) to access the value chain	R 43 476 000
6	Ensure skills supply meets skills demand	- Investigate the feasibility of developing halal specific qualification, including content and curricula - Approached public and private institutions and the SETAs to discuss the implementation of training programmes specifically related to halal requirements and/ or the inclusion of a Halal module/ induction in their qualifications and skills programmes	R 2 575 000
7	Improve halal data	- Establish the Western Cape Halal Data working group - Develop an IT database in which information on certifiers, certified products and services, certified producers, customers, and freighters will be captured	R 712 500
			R 58 661 500

Source: (WC DOA, 2015)

3.2.4. Design of SI 2: Increase exports of wine and brandy to China and Angola

Identification of challenges and opportunities

Constraints facing the wine industry identified in the design phase included: water, information and domestic promotion, the regulatory environment, and limited trade agreements internationally. The wine and brandy deep dive opportunities identified included: domestic marketing (increase consumption domestically) and foreign expansion, the reduction of bulk exports, wine tourism, transformation, non-tariff barriers, as well as more international trade agreements. For brandy, the major constraints, driving the decline in sales, were latent infrastructure, poor image/negative consumer views, expensive and time-consuming production, no iconic brands, and excise above inflation.

The wine export opportunities in China and Angola, the focus of this strategic intent, as assessed in 2015, were very clear for the WC wine industry and were adequately informed by the WISE strategy developed by the wine industry itself. The brandy opportunity was, however, less clear, and rather represented a challenge, or an opportunity to protect jobs. For example, sales volumes declined 37% from 2006-2014, and without some level of intervention, the brandy industry could face further losses of 35% over the next six years.

Interventions and targets

The aim of the wine strategic intent was to double the value of SA wine exports to China and Angola by 2025. Key initiatives in the strategic intent, activities and budget are outlined in, whilst the theory of change for the wine strategic intent is presented in Annex 3.

To achieve this, over and above accessing new markets in China and Angola, there was recognition of a need for water and land to increase wine grape production. Water was included in the wine strategic intent (instead of the capacity intent) as the water initiative was already part of the WISE strategy, recognizing that if the industry wants to export more, they need to produce more, and that requires more water. The Brandvlei project, an initiative pre-dating Khulisa, sought to directly address the constraint of water. The Brandvlei project was a seemingly appropriate response to this need – envisaged to enable the cultivation of 4400 hectares and create 8000 jobs. A central assumption made here was that the increased sales to China and Angola would result in new jobs (through new wine farms or land cultivated). This may occur, although increased demand for wine doesn't necessarily imply new land cultivated – for example there could be export diversion, furthermore, the commodities to be grown with increased water availability would ultimately be decided by market forces.

The design of SI2, in selecting to address a limited selection of the constraints identified in the analytical process recognised the need to prioritize its choice of intervention– the focus being primarily on export promotion, lifting the water constraint and transformation. Not all identified

constraints (e.g. regulatory challenges and trade agreements) were sought to be directly addressed.

Budget and timelines

The commodity approach, building on an existing program, comprised the bulk of the budget of the wine SI (R46 million). The budget for wine export promotion was realistically set at approx. R17 and R11 million for China and Angola, respectively, whilst for brandy the budget allocation from Khulisa to the initiative led by the industry was just R250 000 (for workshop participation). The Brandvlei budget was limited to R240 000 in an effort to ensure, from an institutional effort, that the project would go ahead (the levers for change were at a national level).

The timeline for the SI (Figure 7) was ambitious. The logic in the export promotion timeline was difficult to follow, with the timeline ending in 2016 – but budget allocated for the project remainder. The commodity approach is presented essentially as a black box (the activity being "To implement the commodity approach") over 4 years, hence difficult to monitor and most likely manage, particularly given the scale of the budget.

Figure 7 *Timeline for SI2 at the design phase*

Table 5 *Strategic Intent 2: Initiatives, key activities and budget*

No.	Initiatives	Detail	Total budget
1	Develop and implement a campaign to promote SA wine and brandy in China	Marketing and promotion activities for China: - Website linkages to promote the wine industry, - Business to China workshops with SA exporters - Launching the "How to do Business E-Brochure / Guide: China", - Hosting media inward missions to SA Winelands and inward buying missions, - Hosting networking event, and - Funding of BEE wine companies to participate in the Prowine China exhibition.	R 16 797 459
2	Develop and implement a campaign to promote SA wine and brandy in Angola	Marketing and promotion activities for Angola: - Twinning agreements with Luanda province, - Hosting of promotional wine festival, - In-store promotions, - Wine and food pairing dinners, - Participation in Angola restaurant week	R 11 265 504
3	Domestic promotion of high-end brandy	- Support the brandy turnaround strategy centred around the Geographical Identity (GI) naming and categorization of South African brandy, - Use of a disruptive go-to-market strategy to capture new markets while maintaining traditional markets. - Supporting craft brandy projects - Advocating for a reduction in excise taxes	R 250 000
4	Develop appropriate irrigation infrastructure (e.g. Brandvlei)	- Feasibility study to design and implement the Greater Brandvlei Dam initiative. Two components: - First, to increase the capacity of the Brandvlei Dam Feeder Canal to accommodate a larger volume of water in the dam - Second, to improve water flow by increasing pumping station capacity to cater for the distribution of the additional water stored	R 240 000
5	Facilitate transformation in the wine and brandy industries	Implement the commodity approach	R 46 000 000
			R 74 552 963

Source: (WC DOA, 2015)

3.2.5. Design of SI 3: Improve local production capacity for domestic and key strategic markets

Identification of challenges and opportunities

As SI3 does not specifically relate to a sub-sector, the constraints limiting agri processing capacity, in general, in the Western Cape, are ultimately reflected in the 14 levers as well as the non-sector specific constraints identified in the sub-sectoral deep-dive. The McKinsey process identified six major constraints facing the agri processing industry in the WC and based on this formulated 5 key areas for action, three of which are addressed in SI3 (AP2 specialized agri parks, AP3: consolidating platforms for exports; and parts of AP4: regulatory environment (residue testing). The barriers identified from the design workshops, specific to this SI, included: lack of knowledge (which imports can be replaced, where can it be grown and what is the recommended farming systems?), laboratory facilities, challenges regarding infrastructure, availability of land, water and other facilities limits investment in agri processing facilities, some basic skills are in short supply (e.g. meat cutters, artisans, etc.), smallholder farmers often struggle to access opportunities and perception that imported products is better than local.

Interventions and targets

The aim of the strategic intent was to increase the value-add in the Western Cape agri processing sector by R7 billion by 2020. Activities and budget are outlined in Table 6, whilst the theory of change for the wine strategic intent is presented in Annex 3.

The design of SI3 is based on an inclusion of a variety of levers, identified during the design phase, constraining the sector in general. To achieve the goal of the SI (value add of R7 billion), the SI consisted of a diversity of initiatives that could contribute to addressing the constraints identified above, which included:

1. Knowledge and skills (3.1 (product database); 3.4 (innovation & efficiency) and 3.6 (skills)): Addressing a skills and knowledge constraint in South Africa is a massive undertaking, hence the initiatives should be adjudged in this perspective: the product database initiative is an appropriate response to the need for knowledge of new crops and marketing avenue. The inclusion of skills is well intended, but the initiative at design stage lacked clarity (implement the skills game changer[4]) hence whilst it may have been appropriate, the plan is unclear and difficult to ensure alignment to what is needed. The activities for the skills initiative were not formulated in detail at the design phase as it was not clear at that stage what the skills needs were. The

[4] The skills lever was taken by the DSU in the Premier's Dept, and meant to be conceptualised and driven there.

innovation and efficiency initiative were similarly well intended, but the plan for how the activities would contribute to the initiative's object was not clear.

2. Logistics and infrastructure (3.2 (residue testing); 3.3 (agri park); 3.5 (product consolidation): The residue testing and product consolidation initiatives in SI3 were responses to the identified constraints of lifting barriers to market access. The inland terminal (cold sterilization project) predated Khulisa as part of a national investment program (SIP) – this need came from industry stakeholder consultation and at the design stage was expressed as a need by the industry. Agri-Parks were included because the national government had decided to roll them out. The initial reason for including them in Khulisa was to ensure that the WCG could give direction and leadership to them, based on the knowledge of the sub-sectors, the idea being to maximise the opportunity presented. However, it is unclear which constraint the agri park was addressing, as well as how the initiative might contribute to the strategic intent's goal.

3. Provide access for emerging farmers: In a South African context, the inclusion of emerging farmers in value chains is of extreme importance, and initiatives towards this are extremely relevant nationally. However, the linkage of this initiative with the identified constraints in this specific SI is unclear - it is addressing a different challenge - how will providing access to emerging farmers contribute to value add within this SI? The initiative lacked a clearly formulated plan outlining how access would be provided to emerging farmers, and furthermore linking how this initiative would contribute to the goal of the SI.

Budget and timelines

The main budget post in SI3 was the commodity approach (R39 million). The innovation initiative had just over R16 million allocated, whilst the residue testing had R10 million. The skills had no specific budget allocated (budget would lie in Premiers Dept in DSU) which programmatically is a challenge. The inland terminal had a limited budget towards the funding of the feasibility study. The logic was that the private sector should run with the idea. The timeline for some initiatives was very detailed and realistic, whilst for others, the plan lacked detail (e.g. skills & commodity approach). The heterogeneous nature of the SI meant that there was little interdependence between the initiatives.

Figure 8 *Time line for SI3 at the design phase*

Table 6 *Strategic Intent 3: Initiatives, key activities and budget*

No.	Initiatives		Total budget
1	Develop a database of products which can be produced in the Western Cape	- Commission an Alternative Products Study researching the food products consumed by African foreign nationals to understand the demand for traditional foods and explore opportunities for local production and processing - Undertake a production analysis to understand the production requirements for each, including: temp, frost sensitivity, water, altitude & latitude, soil type pH etc	R 900 000
2	Build residue and quality testing facilities	- Establish a Chemical Residue Testing Facility (CRTF) which will produce quality measurements on chemical residues	R 10 640 000
3	Develop an incentive package (agri parks)	- Established a Provincial Multi-Disciplinary Special Task Team (PMDSTT) - Commission comprehensive farm research to develop a status quo of the proposed sites - Develop a business case for each site, detailing the design of the agri-park, services to be provided, linkages to surrounding farmland, and support to be provided to the farmers - Construct and operationalise the agri parks	R 4 600 000
4	Innovate and gain efficiency in agri processing	- Identify and fund new post-graduate bursaries in the field of agri processing - Establish a Research Chair in Food Innovation - Compile an index of all research institutions with pilot plants for agri processing and value-add opportunities within agri-value chains - Organise annual innovation fair in agri processing to exhibit new and products/processes - Establish a pool of retired experts in agri processing to support the industry - Provide support in the form of courses in business plan writing and a helpdesk; and - Fund innovation fair winners to attend international tradeshows	R 16 350 000
5	Construct sterilisation / product consolidation facility	- Construct a fruit terminal with cold sterilisation and irradiation facilities. Two components: - 1. Expand existing cold sterilisation infrastructure to add capacity for additional pallets cold sterilisation and increase the capacity of racked holding cold rooms - 2. Activate the existing rail infrastructure at Cold Harvest in Paarl	R 280 000
6	Build skills required by AP sector	- Part of the Apprenticeship Game Changer	R 0
7	Provide access for emerging farmers	- Implement a "commodities approach" to help facilitate access to mentorship and extension services and access to markets for smallholder farmers	R 39 300 000
			R 72 070 000

Source: (WC DOA, 2015)

3.3. Key findings: on relevance and appropriateness

This section presents our key findings and considerations regarding the process of selecting agri processing as key sector, and the selection of the three strategic intents in the design phase of Khulisa Agri Processing.

3.3.1. Relevance and Alignment to national and provincial priorities

We find the rationale for the establishment of Khulisa Agri Processing to be clear, aiming to address the challenges outlined in sections 3.1 and 3.2 by identifying and focusing on providing support to sectors that would both contribute to economic growth and that was relatively more labour-intensive. Khulisa Agri Processing was thus developed as a response to clearly defined challenges of inadequate economic growth and rapidly increasing levels of unemployment. The overall rationale for Project Khulisa (including oil and gas and tourism) manifested in the selection of the three strategic intents making up Khulisa Agri Processing. These were selected with the clear intention of spurring economic activity and employment growth and the targets defined for each strategic intent set specific economic growth targets.

The objectives of Khulisa Agri Processing furthermore align well with national and provincial government's policy aspirations and priorities: job creation is central to the National Development Pan (NDP). The Medium-Term Strategic Framework (MTSF) for 2014 to 2019, the national implementation framework for the NDP, identified the following relevant targets for 2019: to ensure inclusive growth and job creation; GDP to grow from the current 1.8% to 5%, reduce the unemployment rate from the current 25% to 14%. Government formulated 14 individual outcomes in the MTSF, three of which are directly addressed in Khulisa Agri Processing. Khulisa Agri Processing is furthermore strongly aligned to the New Growth Plan Framework (NGP), the Industry Policy Action Plan (IPAP), and at a provincial level, the Western Cape Provincial Strategic Plan (PSP) and the WC Department of Agriculture's Strategic Goals.

3.3.2. The selection of Agri Processing as a priority sector

Our stakeholder interrogation of the process towards the selection of agri processing as a priority sector was limited by the low number of informants that were directly involved in the process at that early stage. In general, we found a strong appreciation that the McKinsey process had selected agri processing, particularly given many economic development programs tend to shift focus away from agriculture and agri processing.

We did not evaluate the quality and validity of the analytics done by McKinsey to assess growth potential across the sectors analysed, and which formed the basis of the selection of agri processing. Our assessment is hence primarily based on interviews. One informant was of the opinion that the selection of sectors (and the ensuing development of targets and indicators for Khulisa) may have been based on an overestimation of the economic growth and job creation potential in the agri processing sector. Whilst difficult for us to validate such a view, an example of

this may be reflected in the target set in the halal strategic intent. It has since been revealed (through analysis by the halal data initiative) that the method for estimating the size of the halal sector and its economic contribution in SA may have been flawed, bringing the benchmark value into question. At the design stage, the halal target in Khulisa was to increase the Western Cape's share of the global Halal market from <1% to 2% by 2025. The baseline value has since been adjusted to 0.3% following the work of the halal data initiative and the Halal value chain analysis (Kaiser EDP, 2016).

We must acknowledge that the report by McKinsey does present a *range* of high and low potential scenarios of job creation and economic growth. There was, however, a generally strong sentiment, and concern, expressed in our interviews that from the outset of the project, the targets set were particularly ambitious. The concern was that these targets became concrete targets in the project which they were bound by. However, the political principles were aware of this and understood the domain, but favoured stretch targets to aspire to.

3.3.3. Assessment of the selection of the three strategic intents

The decision-making process and logic used during the second and third workshops in 2015 to select the three strategic intents from the 10 sub-sectors, 14 levers and three themes, has been difficult to assess in detail. Suffice to say, it is clear that the findings from the analytical deep dive and stakeholder engagement informed the decision-making process at the workshops. It is also clear, from our interviews that challenging decisions needed to be made regarding prioritization of key areas for intervention. It is evident that the process employed in the design phase attempted to be true to theory in its application of the game-changer discourse, with the point of the process being to prioritize, select and deselect. It is evident from our interviews that the workshop process was challenging, and deciding upon the correct approach regarding the desired combination of the 14 levers and ten sub-sectors was not easy. In the end, the message was that three initiatives should be chosen, and the participants were thereby 'forced' to prioritize.

However, the final decisions made during the workshops were, according to our interviews, also influenced by other factors, including: preference for certain ongoing/existing projects and activities within the two Departments, what other game changers were covering (e.g. skills and energy), and Departmental priorities such as the transformation agenda. Therefore, the complete execution of the 'game-changer' discourse, in our view, became somewhat diluted by the differing priorities of stakeholders in the design workshops.

The resultant overarching selection and combination of the three strategic intents reflect a middle ground between focussing on certain sub-sectors versus focusing solely on priority levers (system constraints). The blend of addressing an identified lever (constraint) with a sub-sector was in recognition of the need to address potential system constraints using growth points (sub-sectors: halal and wine). It is evident from our interviews that the adopted 'mixed' approach was discussed at length in the design phase, and for some stakeholders, doubt remains about whether

the combined approach was the best design. This is further highlighted by the fact that after the first workshop, the strategy had been to focus solely on levers.

The application of the 'game-changer' mentality in the design process is also reported to have been employed in order to focus and prioritize efforts by the WC Government, acknowledging its limitations in terms of resources and influence. The formulation of the Khulisa Agri Processing plan provided an overarching framework with clear targets and objectives, towards which existing and new initiatives and project efforts could be aligned, focussed and targeted – across departments.

We found from our interviews that the process of Government prioritizing and de-selecting certain sub-sectors is something that was novel and unchartered territory for some officials involved in the process. However, our interaction with private sector partners reveals that, in general, 'de-selection' of sub-sectors was not something that has affected the sentiment of private sector in a negative manner. Rather, our findings indicate a strong appreciation for the consultative approach employed by government throughout the design phase. This sentiment was also evident from the 'non-selected' sectors we consulted, who appreciated the interaction with Government about constraints in their respective sectors. However, the private sector partners were also realistic about how much Provincial Government could actually do to alleviate their respective constraints – particularly in that many of the constraints they continually face originate and are controlled at National Government level.

Transformation was clearly an important issue influencing the design, however the transversal inclusion of the commodity approach – a program in its own right – in Khulisa Agri Processing does require reflection in the design. The commodity approach seeks to address constraints and challenges in the primary production sector; hence it falls under FSD at the DOA. It is hence not strongly linked, programmatically, to the other initiatives in the project. This is highlighted by the budget of the commodity approach, which constitutes more than 75% of the total project budget at the design phase.

In summary, at the design stage, it is apparent that the halal and wine strategic intents held potential for economic growth and thus opportunity for economic development in the Western Cape. The third strategic intent to improve local production capacity consisted of a variety of initiatives directed at addressing enablers to enhance value add within the agri processing sector. From a design perspective, wine and halal essentially focussed directly on growing specific sectors, whilst the third was more an approach to support the sector in general, to protect existing jobs and ensure continued market access.

3.3.4. Assessment of the design process for SI1: Halal

Halal did not feature in the 'deep-dive' analysis, nor in the analytical process regarding priority levers. Despite this, the primary overarching barriers constraining growth as well as the opportunities in the halal sector in the WC were correctly identified during design, although the

extent of demand for the HIP was not clear in the design phase. To account for this the design included HIP feasibility studies.

A key oversight made in the design phase which had relevance for project execution was the assumption that the halal community and sector in the WC was aligned to Government's intentions. We appreciate that the Khulisa team had assumed that due to the involvement of WCFFI in the design process, this issue was explicitly addressed; however this was unfortunately not the case, and it had implications for the initial implementation of the strategic intent.

It is important to align the expectation of how much halal initiatives could contribute at a provincial level, within the budget allocation at design. For example, one can question how much export promotion R500 000 over five years would provide. In addition, just under R5 million was 'to be found', as presented in the Cabinet Submission – which programmatically is a challenge (it was meant to be allocated in the three year medium term expenditure framework (MTEF)). Noteworthy too, was the large proportion of the budget allocated to the commodity approach in this SI (approximately 70%) – an initiative not completely aligned to the strategic intents goal. In this regard, some initiatives were very deliberate and clear about the course of action required to achieve the desired output/outcome (expressed in the activity plan), whilst some activities were much less detailed (for example the commodity approach: "Support smallholder agricultural producers through the commodity approach"). This raises a challenge in terms of implementation.

3.3.5. Assessment of the design process for SI: Wine

The wine and brandy sub-sectors were included for two main reasons: (i) they featured strongly in the deep-dive as an opportunity (particularly wine); and (ii) the Khulisa strategy could dovetail with that of the wine industry. The alignment with the WISE process for identification of constraints and opportunities, coupled with the deep dive analysis meant that the problems in the wine sector were very clearly defined. The strategic intent focused on China and Angola, which was well justified and documented (for wine primarily). The brandy challenge was clear, although the feasibility of the opportunity was less so, and the opportunities in regard to the development and promotion of GI brandy were perhaps overestimated.

As alluded to, the wine SI is very similar to the WISE strategy of the wine industry. From our interviews, this was a deliberate priority, aligning to the game changer ideology of looking for "easy wins". Here, Government could get most benefit from limited resource by working with an industry that had its own strategy and clearly articulated needs. However, there may be an inherent risk of duplication when doing this, and we will elaborate upon this in Section 4.3. Similarly, the SA Brandy Foundation already had a well-developed strategy in place to disrupt the industry, developed prior to Project Khulisa.

The inclusion of brandy in the target of increased exports was not based on a clear opportunity/demand in Angola and China. Its inclusion in the target of this strategic intent thus

creates ambiguity as according to our interviews, the overseas promotion of brandy is not one of SABF objectives – raising the question of why it was included as part of an export promotion. Whether the GI route was the most appropriate response, versus rebranding of SA Brandy in other ways, may be discussed, although it is apparent that the Brandy Industry undertook a comprehensive analytical process (independent of Khulisa) to come up with basic growth strategies to reignite the brandy industry, one of which was GI. The wine targets were closely aligned to the formulated targets in the WISE strategy. The sentiment here is that the targets were not particularly clear, but rather broad estimates.

Transformation was linked to the growing demand for wine instigated by increased wine exports through promotional activities. More directly, there is a linkage to new land being opened up through increased water access facilitated by the Brandvlei project, although there is no certainty whether wine grapes will be produced on this new land. The commodity approach is the initiative selected for this – whilst it may be relevant, the lack of detail in the design plan makes it difficult to assess how this was envisaged to address a constraint of the wine and brandy sector directly. As with the halal design, the commodity approach, building on an existing program, comprises the bulk of the budget of the SI (R46 million).

3.3.6. Assessment of the design process for SI3: Local capacity

The third strategic intent is directed at increasing the local production capacity to process and add value to the province's agricultural products. Our analysis finds that the identified barriers limiting local production capacity consisted of an array of broad challenges (e.g. skills, agri parks). However, some initiatives lacked detailed plans, and lacked a clear indication of the scale or prioritization of the problems faced, and how the specific initiative would contribute to the objectives of the strategic intent. It is not relevant to perceive this SI in terms of clearly defined opportunity, but rather as addressing constraints and thereby ensuring continued opportunity in related sub-sectors and thus protecting jobs. In this regard, the SI is heterogeneous, and essentially a 'catch-all' SI with no clear golden thread – an opinion resonated in interviews with key project stakeholders. The specific opportunities are most readily assessed at the initiative level, e.g. residue testing, alternative crops. It is therefore difficult to clearly identify the direct opportunity for economic growth within this SI. The target in the design phase of a R7 billion in value add by 2020 is attractive, however it is not clear where this value came from – perhaps the McKinsey work which had a low and high scenario – but not specifically R7 billion. As with the other to strategic intents, the main budget post in SI3 was the commodity approach (R39 million). Some initiatives in this strategic intent were adequately budgeted (e.g. innovation and residue testing), whilst the skills initiative had no budget.

4. Efficiency of Khulisa Agri Processing implementation

Typical approaches to efficiency analysis examine how an intervention is organised and delivered and compares this information with what was achieved. The efficiency criterion also considers the relationship between the resources used in an intervention and the outputs generated. The intention behind this analysis is to assess how efficiencies in the execution of a programme can be improved and where appropriate how the interventions can be simplified. To achieve this, we provide an analysis of the institutional design, a status and analysis of implementation at the initiative level within each strategic intent and an assessment of project budget versus expenditure. The section that follows answers the following evaluation question from the Terms of Reference.

EQ2: To what extent has the implementation of Project Khulisa Agri-processing been efficient?

4.1. Institutional arrangements and project governance

The institutional framework governing the design, implementing and oversight of Project Khulisa is presented in Figure 9. Oversight of Khulisa Agri Processing occurs at various levels: at the highest level to the Steering Committee for PSG 1 in the Western Cape (PSG 1 Exco), within Project Khulisa itself, the highest governance body within the governance structure is the Project Khulisa Steering Committee (Steercom), whilst the Agri processing Management Committee (Agri-Mancom), is headed by the project lead for agri processing and includes key stakeholders from both the DEDAT and the DOA. At the strategic intent level, oversight of Khulisa Agri Processing project activities is undertaken by a number of different task teams and working groups.

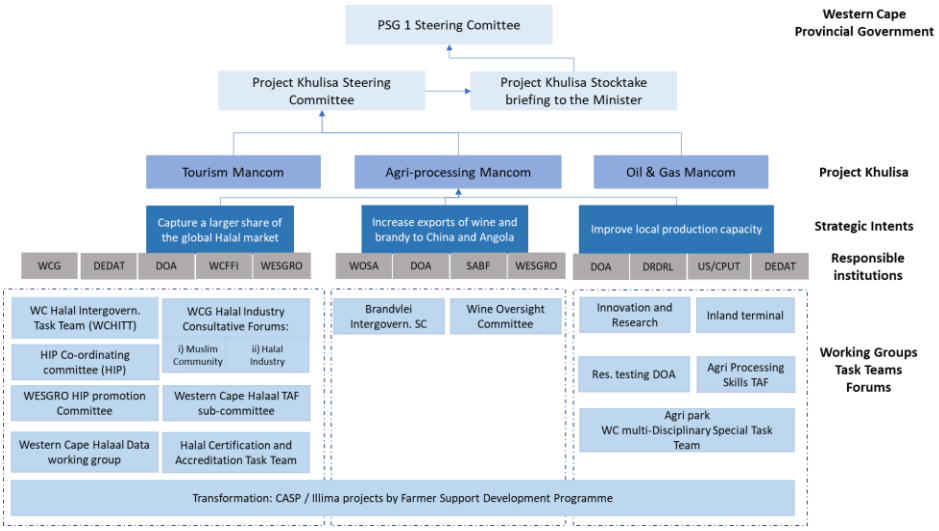


Figure 9 *The institutional framework governing project Khulisa Agri Processing*

At design, the envisaged coordination of Khulisa was that each initiative would be implemented by the responsible person and institutions outlined in the plan, and according to the deadlines set (Western Cape Government, 2015). The design of Khulisa was based on the assumption that the majority of planned activities could be achieved using existing capacity in the institutions involved. The design, however, identified the need for a Director of Agri Processing (at DOA), who would work closely with the Ministry of Economic Opportunities to drive and coordinate Khulisa agri processing initiatives in the WC Government. The new role included the creation of four agricultural economist positions, housed at DOA, who would support project delivery and report to the Director. Two of the agricultural economists were to be responsible for general business support, whilst two were to coordinate activities in China and Angola, respectively.

The institutional framework of Project Khulisa provided a comprehensive oversight function for monitoring and reporting of project activities as well as for feedback on initiatives. It is evident that the game changing *philosophy*, involving multiple actors across Government as well as sectoral partners, represents a move away from a traditional programmatic approach, and thus demands a more agile and adaptive governance structure than traditional programs. The WC Government has developed a transversal management system to accommodate such an approach that focusses strongly on delivery, for example utilizing delivery units. Although Khulisa did not utilize the transversal management system, the design had envisaged establishing a specific Khulisa team housed at the Ministry of Economic Opportunity, although this was not realized due to limited Departmental support.

4.1.1. Khulisa Agri Processing project monitoring and evaluation

Discussions with stakeholders indicate that, at the outset, a conscious decision was taken to implement a "light" approach to monitoring and evaluation, given limited human resource and financial capacity. As a result, rather than undertaking a comprehensive approach to collecting data across activities, outputs and outcomes, Khulisa Agri Processing has focused on the use of a high level periodic stocktake. The Khulisa stocktake document has been routinely used as the project dashboard to monitor progress. The stocktake monitors the following:

- Jobs in the Western Cape agri processing and agri processing support sector
- GVA in agri processing
- Wine exports to China and Angola (in terms of volume, not value)
- Progress and status towards achievement of outputs at the activity level using a traffic light system.

While, at an aggregate level, this provides a broad overview of the sector's progress, it severely limits the ability to quantitatively assess the effectiveness of Khulisa Agri Processing. In particular:

- There is an absence of specific indicators that monitor progress against targets for projects, activities and outputs within Khulisa Agri Processing, beyond the traffic light system. The

traffic light system focussed on achievement of outputs, but did not report beyond this, for example in terms of contribution to the respective targets (value or jobs created) – hence the ability to measure project success at the outcome level was compromised.[5]

- No baseline data for activities, outputs or outcomes was collected during the initial stages of Khulisa Agri Processing's implementation.

Hence, at *the design stage,* the project's monitoring and evaluation strategy was incomplete, especially where the aim was to ensure that the broader macroeconomic outcomes could be attributed to Khulisa Agri Processing activities and outputs. The data challenges in Project Khulisa, and the implications of this, are elaborated on in Section 2.3.

4.2. Strategic intent 1: Capture a larger share of the global halal market

4.2.1. Establish appropriate governance structures in the Halal industry

The aim of the first initiative was to build a platform for engagement and encourage coordination and collaboration in the halal space in the halal industry. Given the central role in the halal strategic intent, the governance structures were initially planned to be established and operational within the first six months of project implementation. These structures would in turn help drive the implementation of the remaining initiatives identified in the Halal Industry in the Western Cape. The first governance structure developed was the Western Cape Halal Industry Inter-Governmental Task Team (WCHIITT). This task team would "provide a platform through which the coordination of key stakeholders' efforts intended to develop the Western Cape's Halal Industry could be channelled" (WC DOA, 2016b). This task team is fully operational, meeting on a quarterly basis to discuss the implementation of initiatives in the halal industry.

The second planned governance structure was the Western Cape Halal Consultative Forum, a coordinating agency which was envisaged to provide a platform for industry stakeholders to openly engage on challenges, and opportunities, and share information in an effort to identify and implement sustainable solutions to develop the Western Cape halal industry (WC DOA, 2017). The forum would allow for coordination, integration and alignment between all the programmes, projects, activities and efforts meant to support and promote the development, growth and competitiveness of the Halal sector. The duties of the Forum would be to provide advice and support to the Western Cape in the implementation of initiatives. Although the original intent was to create a single forum to coordinate engagement on the halal industry, the implementation of the initiative revealed the need to establish two consultative forums. Whilst the WCHIITT could

[5] In some cases, issues of confidentiality have hindered the ability to access and report on relevant Khulisa Agri Processing outcomes. For example, our interviews revealed that the reporting of values of trade agreements was confidential, thus, although these values were reported and included as achievements, the lack of transparency limits monitoring.

function without the engagement of the halal industry and the Muslim community, it rapidly emerged following inception that the degree of engagement of the Muslim community in the design phase was insufficient. It was apparent that progression with other initiatives in the Halal strategic intent demanded immediate engagement of key stakeholders in the halal industry and Muslim communities in the Western Cape.

The importance of this engagement was seemingly apparent during the design phase, however to our knowledge no stakeholder engagement was done in the design phase as it was assumed that the WCFFI spoke on behalf of/consulted the sector, which was its role as a sector body. The implication of this was that there was a strong response from the Muslim community about the Government's intentions, which had not been communicated to them. Our interviews reveal that although there was an understanding and support for the recognition of the economic opportunity amongst Muslim stakeholders of the halal opportunity, there was also a sense that decisions were made by people without understanding or respecting their ideology and religion. To the credit of the project, this issue was rapidly identified, and structures and processes were initiated, for example through the appointment of Halal Resource persons within the DOA and at DEDAT to undertake this liaison and the establishment of the two stakeholder forums. However, the extent of consultation, with a heterogeneous grouping, and the ensuing difficulty of this process had implications for the timely execution of planned initiatives.

According to our data, the task of establishing working forums was not straightforward, and the process towards convening discussions was cumbersome given the heterogeneity of the stakeholders (including certifying bodies, theological leaders, business leaders, and intellectuals), often with different agendas. The time taken to establish these forums is understandable as it entailed a lengthy process of engaging each stakeholder grouping individually, then discussing the purpose of the fora and then convening the groups. With each forum consisting of more than 50 members/representatives, discussions take time and progress is inevitably slow, and according to our interview the two forums have started to make significant progress within the past 12 months. Whilst our engagement with the halal sector was not extensive, there is appreciation of these forums and the importance of Government recognition of the sector.

4.2.2. Establish a Halal certification standard

The initiative set out to establish a single halal certification standard in South Africa. The objective of this initiative is to ease market access for halal producers. Research was commissioned to understand and analyse the current halal certification standards in South Africa (for all five certification bodies) and to identify best practice halal standards from international accreditation

bodies and the in-country accreditation bodies of export markets (AFMAS, 2018a, 2018b, 2018c)[6]. The aim is for this research to be used by the Western Cape Government (the Certification and Accreditation Task Team), in collaboration with the Western Cape Halal Consultative Forum and halal certifying bodies (HCBs), to devise a set of revised, universally accepted standards for halal certification.

Work towards clarifying the certification needs in the sector, sparked by this initiative, has led to constructive discussions about halal certification in the certification task team. A key achievement has been to bring together the five halal certifying bodies (which has previously never occurred). The task team is furthermore developing input on the Agricultural Products Standard Act and APS Amendment Bill in terms of Halal regulation.

The certification initiative has encountered delays, with the draft version of the research component being completed in March 2018. The certification study is currently under review by the Project Khulisa Agri Processing team, as the study has raised both opportunities and concerns in relation to the process of establishing and strengthening halal certification in South Africa. Concerns raised in the study include the identification of gaps in the current standards being used, and the report highlighted the need for a single world-class standard in line with best practice. The recommendations in the study are extensive, outlining a suite of six tracks, including proposing national South African halal standards for commentary towards developing SABS approved National Standards of South Africa; support for halal certifying bodies towards improving current standards (based on identified gaps); the development of general halal support institutions; halal skills development and capacity building and training; protocol development for import of halal food; and the development of a halal platform and ecosystem (including a halal regulatory authority, an accreditation authority, a South African Halal Standard, and a halal consumer council) (AFMAS, 2018c).

4.2.3. Establish a Halal processing hub

A 2-phase feasibility study to explore the establishment of such a Halal Industrial Park was commissioned. In the first phase, possible sites were identified, and pre-feasibility studies completed. The design of the initiative had a stop-go decision in place at this stage to assess whether the full feasibility study would be warranted. The second phase entailed the completion of comprehensive feasibility studies for the top 3 sites, together with the development of investor prospectuses, the general investment case for the HIP, and the marketing and promotion plan for the HIP. The dedicated Halal Industrial Park (HIP), if designed correctly, was originally considered one of the ways in which growth in the halal industry could be fast-tracked to not only drive

[6] Note that the research is currently under review and hence the reviewed reports are currently in draft format.

sustained industrial growth and job creation, but to also position the Western Cape as a Global Halal Hub.

The assumption was that the HIP would drive the sector and our analysis and interview findings indicate that it is clear that the HIP was perhaps not as important as first envisaged. The phase 1 pre-feasibility study was warranted, to explore feasibility of a park. A key finding in the study, and raised in an interview with a service provider undertaking a parallel study with similar findings, was that there was no clear halal-sensitive value chain that can readily be developed and exploited with immediate effect.

The feasibility study for the HIP was conducted by a service provider appointed that had been part of the Khulisa project (WCFFI) and involved in actions toward the development of the halal industry in South Africa pre Khulisa, and were the signatories of an MoU with Malaysia. The pre-feasibility study concludes that although there were no clear halal sensitive value chains, that "this does not imply that there is no business opportunity in developing a HIP, but only that it is not readily self-evident at this stage" (WCFFI, 2016).

We understand from our review of the project documentation that the decision-making process to go ahead with Phase 2 was not straightforward. A 'stop-go' decision was to be made based on the question: Is there an economic case for a HIP? If yes, then two different models were under consideration (government led or investor led (with incentives). The debate also centred upon whether a single site should be selected for full feasibility, or if investor prospectus should be developed. A decision was made to go ahead under a revised ToR and for a service provider to develop investor prospectuses.

The logic behind the decision to go ahead with the full feasibility study (Phase 2) was expressed as unclear in the interviews undertaken for this evaluation. Informant responses revealed an extent of frustration that Phase 2 went ahead, based on the opinion that there was not a clear and compelling business case for a HIP in the WC. Concerns voiced in our interviews about the decision to go ahead with a full study include: there was no evident demand from the halal industry, no anchor tenant identified in the pre-feasibility, the land zoning of two of the three identified sites would entail a lengthy rezoning process from agriculturally zoned land for an investor, two of the sites are located in a wine region making them halal insensitive, challenges regarding how Provincial government could act to incentivize the park, a concern that established industry would not need to move to a park of this nature from existing facilities ("all halal businesses, the big ones and the small ones are currently operating from their own premises wherever they may be"). Furthermore, the halal value chain study, which was being undertaken concurrently, did not identify a need for a HIP in their analysis, and identified other central constraints limiting growth. Our interviews verify that there was a cross communication at this stage about these findings. We also found opinion in our interviews that, although some people aren't in favour of the HIP, the work must continue, and it must be reported upon.

According to the activity plan, the HIP should have been completed by the end of 2016. Based on the activity plan, the initiative is currently delayed. However, it is important to acknowledge that the HIP implementation process has been subject to changes given a stop-go decision needed to be made. In retrospect, the plan for completion of the HIP construction was certainly optimistic. The investor prospectuses for the three sites are currently being used to promote the HIP internationally to attract potential investors, the activity being undertaken by WESGRO. Promotional activities were not originally part of the project plan, but were deemed necessary to find investors.

According to our interviews, the promotion of the HIP to prospective investors is challenging. The challenges are that: i) no clear government support or incentives for investors have been formulated (for example, other IDCs already offer reduced corporate tax for companies – why not move to Epping instead?), ii) no clear value proposition for potential anchor tenants (the feasibility study did not include a market demand assessment, but an engineering style feasibility study, which means that demand was not demonstrated), iii) there was no identified anchor tenant or other tenants for any of the three sites thus demonstrating a revenue stream to an investor is challenging, iv) sites not owned by provincial government (two by municipalities) which would entail a municipal asset disposal process, and v) the potential requirement for agricultural rezoning. It was thus viewed as challenging for WESGRO to present this to a potential investor.

4.2.4. Promote SA Halal products in key markets

The activity plan lacked clarity on the first two initiatives ("Domestic part of normal commercial action") and "Export critical part of the business case for the halal park"), whilst the third and fourth initiatives focussed on the devising of a strategy to develop the WC as a supplier of choice, and the implementation of this. The export promotion of halal products initiative has been executed according to these two initiatives: "Devise strategy to develop the Western Cape as a preferred supplier of choice" and "Implement the strategy to position the Western Cape as a preferred Halal supplier of choice".

Implementation has been based on a comprehensive business strategy formulated by WESGRO in the 2016/7 financial year, followed up by an implementation plan for year two (2017/8). The plans build on and incorporated the findings from the halal VC analysis as well as market intelligence and focus on selected target countries and initiatives for each year, and inward and outward trade/buying missions have been executed to Senegal, Singapore, China, Malaysia, UAE, Cameroun, Nigeria, and the United Kingdom. The promotion activities have resulting in trade declarations being signed – to a reported value of more than R2.6 billion between South African companies and companies in the respective countries.

Whilst the export promotion process is being executed according to plan, feedback from more than one informant revealed a few important considerations regarding the trade declarations: i) the declarations are signed between the companies and hence the full extent or impact of the

deals is not made available to WESGRO, making it difficult to verify and validate what actually happens down the line (i.e. does the trade *actually* take place). Further, given this is a government subsidised promotional activity, it should be compulsory for the companies to, down the line declare this information for monitoring purposes.

4.2.5. Provide SMME and PDI access to the value chain

This initiative focussed on developing and the provision of support for agri processing businesses (PDIs and SMMEs), as well as to producers (through the commodity approach). The major component of the budget for this initiative (R39 million) was to support smallholder agricultural producers through the commodity approach (akin to the wine SI).

The initiative, focussing on the two different groupings (emerging farmers and SMMEs), was to be informed by three studies: the HIP feasibility study, the certification study and the review of the value chain. The halal value chain study was commissioned as one of the first activities in the halal SI. The initiative was also meant to be informed by an assessment of the implications of the certification standard on agricultural production – this process has not been done yet, as the standard is not finalized, although efforts are underway to promote halal awareness thorough extension programs in the primary agriculture sector. It is not clear how the HIP feasibility study has been used in this initiative. It is furthermore not clear how the commodity approach has been linked to this initiative, with reporting of this initiative focussing only on the SMME aspect.

The other central focus in this initiative has been the development of a supplier development strategy for PDIs and SMMEs (businesses), given that the Western Cape recognised that SMMEs must be provided with the necessary business development support (BDS) of both financial and non-financial kind if they are to successfully enter the Western Cape halal market. A service provider was hired to develop the strategy for supplier development (this was not in the original plan), after which the strategy was implemented for two years – with 21 businesses participated in the 2016/17 programme, and 23 in the 2017/18 programme. A three-phased programmatic approach was implemented: (1) A business analysis and diagnostic; (2) an intervention phase, and (3) an optimisation of the business. Our findings indicate that it was challenging to find relevant Muslim owned SMME's for the initiative (e.g less than a quarter of applications were from Halal certified companies), although it is clear from our interviews that this was not due to a lack of effort to find relevant businesses. A prerequisite for this initiative was that there was a sectoral demand for business support, however the initiative revealed the demand is not great. Our interviews indicated that the recruitment of SMME's that the matchmaking process, finding business that fulfilled the criteria (SMME, halal, agri processing), as well as having the identified potential for growth to warrant government support and an expressed need for support, was extremely challenging. Interviewees also raised a capacity challenge in terms of man power to undertake this type of support. Although there was a limit in numbers of businesses involved, the interaction with the companies was reported to have contributed to improved their performance, although the linkage to the support offered to overall business performance is difficult to establish

(WCG, 2018). Interviewees also reflected on whether this model is the best way to support the sector in general (by focussing on 20 businesses). The SMME initiative will not run next year, due to budgetary reprioritization.

4.2.6. Ensure skills supply meets demand

The first activity in this initiative was to link with the Malaysian training – it is unclear what this initiative actually referred to, and it seems like it did not take place. The initiative further aimed to conduct a skills audit and develop and implement an appropriate set of courses/qualification to address specific halal skills. Towards this, the DoA approached the University of Stellenbosch to investigate the option of funding a PhD/Masters student to do research in developing a Halal curriculum/ courses/programmes for possible incorporation in training programmes at Higher Education institutions. It has been difficult to find the right candidate for this position and the process is currently at this stage.

The initiative was to be implemented by the skills game changer. It is behind schedule and has experienced challenges, although the initiative has achieved the training of 37 learners that have successfully completed a work place block men training. Since inception, the skills game changer became an apprenticeship game changer, and our data reveals that experienced challenges in the realignment of the skills game changer have had a knock on effect on Khulisa – compounded by the fact that Khulisa has had limited control over the SKILLS activities, programmatically, as they are two separate initiatives. Our interviews also revealed a misalignment in the understanding of the system boundary of agri and agri processing – as alluded to above, DEDAT skills look at the farm as a 'skills' boundary – misaligning with Khulisa's perception of the distinction between processing and primary production. This has implications for the assessment of skills needed.

As an example of challenges experienced, the originally planned skills audit tender was advertised three times. The Skills initiative has since shifted focus to establishing technical advisory forums (TAF) that could identify skills needed and what the demands are. Our interviews regarding skills reveal frustration that the control over skills was removed from Khulisa, and has led to little activity; expressing further frustration about the challenges experienced in getting the TAFs to function as desired (difficult to schedule). Our data also suggests there is doubt as to whether a targeted focus, for example on a specific sector such as halal, makes sense from a skills perspective – or if the approach should be to address broad, generic skills that may also have application in halal.

A halal focussed TAF has now been established, and the skills program will be informed by this structure of the skills needed and to work towards the inclusion of halal in scarce skills in the relevant SETA's.

4.2.7. Address the paucity in Halal data

One of the biggest expressed challenges within the halal industry is the lack of quality data to monitor progress towards making informed decisions. The aspirational target for the halal industry was to increase the WC's global market share of halal exports from 1% to 2%, the 1% being the estimated proportion of global halal exports. Recent work undertaken by Kaiser EDP (for DEDAT) has shown that WC exports of halal relevant products equates to only 0.3% of total global exports. The Kaiser EDP methodology has since been used by Khulisa to track halal data, calculate baselines and inform the export promotion strategies. The baseline for WC Halal relevant products has since been estimated to R9.3 billion in 2015 and R10.2 billion in 2017.At this stage, it seems that the developed halal data calculation is primarily used to track the GVA contribution of halal growth at a macro level (using SARS data). Our interviews reflect that, in spite of the data challenges, considerable progress has been made in understanding halal data availability and limitations. The interviews also reflect upon the evident severe limitations in ability to collect local industry-level data, due to absence of markers for halal products across value chains, and therefore knowledge of domestic halal markets may therefore still be somewhat limited, although the key area of progress has been in gaining an understanding on halal export / global market side. The data is used for market intelligence purposes and to monitor aggregate performance of WC halal industry exports.

4.3. Strategic intent 2: Increase exports of wine and brandy to China and Angola

4.3.1. Develop and implement a campaign to promote SA wine and brandy in China and Angola

The two first initiatives in the SI focus on export promotion of SA wine and brandy in China and Angola through a number of mechanisms (workshops, events, web promotion, instore promotion etc). The SI design identified WOSA (private sector funded SA Wine promotion specialist entity) as the implementing agent for wine promotion in China and Angola. WOSA had contributed to the design phase of this strategic intent and were furthermore responsible for the implementation of the closely aligned WISE strategy (developed by the wine industry itself) and has been working in the wine promotion space pre Khulisa. However, early in the project implementation phase, it emerged that the promotional activities were to be undertaken by WOSA in collaboration with WESGRO. WESGRO are a public sector-funded export promotion agency for the Western Cape government. Our interviews reveal divergence in sentiment regarding the effectiveness of the collaboration, some indicating the collaboration is working really well now after the initial challenges, whilst others reflecting continued frustration about what they perceive as continued duplication. The opinion from WOSA's side remains particularly strong regarding the continued duplication being perceived as a waste of money, demanding continued coordination of efforts, and questioning the structure of the arrangement in terms of time and cost-efficiency. We do not see a clear argument as to why WESGRO should have been involved in this.

In spite of the collaborative challenges experienced at the outset, a range of activities towards the initiatives for Angola and China export promotion, initiated in 2016 have been conducted in China[7] and Angola[8]. The wine promotion initiatives have been, by in large, executed according to plan. Although there was a discrepancy in the timeline for the initiatives – both set to end in 2016, the activities have continued in both countries. Angola experienced an economic downturn, but a decision was made to continue promotional efforts there. This was a strategic decision made to protect the future position of South African wines in Angola when the economy turned again.

4.3.2. Domestic promotion of high-end brandy

The domestic promotion of high-end brandy initiative focussed on two core activities, one towards supporting the brandy turnaround strategy centred around the Geographical Identity (GI) naming and the second regarding the advocacy process for a reduction in excise taxes. The strategy dovetails with a disruption strategy developed by the SA Brandy Foundation in collaboration with the brandy industry. At this stage, the GI name has not yet been found (as the proposed names have not been agreed upon). According to our interviews, the GI name Cape Brandy has been put forward, however opinions on whether this is the best strategic fit is divided – some argue that the Cape name may mean consumers in other parts of SA could not be enticed to buy it. The lack of the GI has hence delayed the sequential process of registering the name, and the application for excise relief – as the excise relief is for the GI brandy.

According to our interviews, the SABF indicated that the potstill brandy was given excise relief in a process undertaken prior to Khulisa. Furthermore, as outlined above, SABF does not have export promotion on their radar, and industry promotion is done for example by Distell. It is not clear why brandy is then included as it is in the title of this SI. The only activity budgeted for in Khulisa is a workshop run by DOA with the expressed objective to brainstorm activities and potential support actions for achieving specific objectives (GI, a new Brandy Association, a disruption market strategy) and whether or not to include a craft brandy project (WC DOA, 2018).

[7] Marketing and promotion activities in China include website linkages to promote the wine industry, business to China workshops with SA exporters and launching the "How to do Business E-Brochure / Guide: China", hosting media inward missions to SA Winelands and inward buying missions, hosting networking event, and the funding of BEE wine companies will be funded to participate in the Prowine China exhibition.

[8] Twinning agreements with Luanda province, hosting of promotional wine festival, in-store promotions, wine and food pairing dinners, participation in Angola restaurant week, and the filming and airing of a TV series

4.3.3. Develop appropriate irrigation infrastructure (e.g. Brandvlei)

This initiative focussed on enabling the development of irrigation infrastructure for the Brandvlei dam. The Brandvlei project consisted of two components: to increase the capacity of the Brandvlei Dam Feeder Canal to accommodate a larger volume of water in the dam, and second, to improve water flow by increasing pumping station capacity to cater for the distribution of the additional water stored. An intergovernmental task team was established (led by the DoA) to oversee the project and the undertaking of studies to determine the feasibility of the initiative. At this stage, the project has satisfied all environmental impact assessment requirements, budget approval processes and other regulatory requirements and has recently been signed-off by the Minister of Water Affairs. Although the timeline indicates the process has been delayed (due to a lack of sign-off from DWS), the sign-off means that the building project can now be implemented. The Brandvlei project was commented in our interviews as a project that, although small in budget, represents an example of a successful cross governmental project (with 16 government bodies) working towards addressing a constraint.

4.3.4. Facilitate transformation in the wine and brandy industries

This activity and that in Strategic Intent 3, (and the activity towards PDI access in halal) in the activity plan simply states: "Implement the commodity approach". The budget for this approach is the largest for all activities in Khulisa Agri Processing, although the level of detail in planning is scanty. The commodity approach is the primary program under Farmer Support Development at the DOA and is funded by the Comprehensive Agricultural Support Program. It is a program central to the Department's core activities. The issue of transformation of the sector was a central point of discussion during the conceptualization of project Khulisa Agri Processing. From a programmatic perspective, the inclusion of such an existing and ongoing, heavy weight program within Khulisa Agri Processing does not seem logical – the degree of control of the Khulisa Agri Processing project is evident in the lack of detail in the tasks. Our interviews also reflect, from some stakeholders, a lack of understanding of the logic of the commodity approach's inclusion in Khulisa.

The design of the commodity approach of SI2 is sequential, from a project management perspective, where the transformation approach is contingent upon the completion of the Brandvlei project. In reality, this is not how it has worked given the above. The water allocation rights from Brandvlei, recently approved, require careful allocation. The planning of this is not final, however what is clear is that the commodity approach, akin to Khulisa Agri Processing, allows the private sector to decide. We may therefore see that the water rights will enable a further 6000 ha of irrigated land to be cultivated for wine production (notably from existing land), but this could just as well end with a completely different commodity, determined by market conditions. Seen like this, the inclusion of transformation under the wine SI is contradictory.

Another central theme emerging in relation to the transformation activity/commodity approach is that the commodity approach is focussed on primary production and not agri processing (although the inclusion in Khulisa AP has increased the focus on agri processing). This issue brings to the fore, as with many other activities in the project, the issue of delineation of the 'agri-processing boundary'. The outcomes of the commodity approach are tracked within Project Khulisa – however as an example of the misalignment, progress in the stocktake is only tracked in SI3 – for the full commodity approach, ie not specific to wine.

4.4. Strategic intent 3: Increase Local Production Capacity

The section below is considerably shorter than sections 4.2 and 4.3. The third strategic intent, in our view, has not featured as prominently in Khulisa Agri Processing as the other two SI's, for example this is evident in the Khulisa Agri Mancom minutes, and was also reflected in our interviews, where much of the focus was upon the halal and wine strategic intents.

4.4.1. Develop a database of products which can be produced in the Western Cape

The initiative set out to build on existing research commissioned by the Department of Agriculture in May 2015 (Food products consumed by African foreign nationals), and identify products which could be produced locally. An additional study was done, focussing on Asian products in South Africa. The initiative initially set out to undertake research to assess the production areas and farming systems of identified products (until 2019) – this action has seemingly been removed from the project. The final action, to communicate the findings has been done sequentially, the outcomes of the two reports have been posted on DOA's website, whilst the studies indicate potential for local cultivation of products. Our interviews about the use of these two studies reflect that the initial dissemination ignited strong interest from stakeholders, although it is not clear whether momentum has been maintained.

4.4.2. Build residue and quality testing facilities

The establishment of the Chemical Residue Testing Facility (CRTF) initiative set out to set up the facility at the Vet's Laboratory and entailed scoping laboratory services offered, developing the business plan and procuring and setting up the equipment. The infrastructure was procured and installed by 2016. The initiative, however, is currently delayed due to a lack of three key staff to run the facility. This delay has been managed by exploring other options: 1. To get seconded personnel from DAFF, however this was stopped at the 11th hour by DAFF, although there is still the agreement with DAFF to provide personnel for 3 years until up on its feet; 2. DOA to employ own personnel however the funding is outside the current budget. It is unfortunate that the facility has been delayed by this. In hindsight, one could question why the acquisition of staff to run the laboratory was not planned for – however the plan was that DAFF were to supply staff to the facility, and this was ultimately beyond the control of WCG

When the CRTF is operational it is expected to contribute to: Improved food safety in the domestic market; the maintenance and protection of existing market access; developing new export markets; and a reduction in transaction costs for exporters (tests can be performed substantially cheaper if performed in the Western Cape compared to having to do the test in other provinces or even overseas) (OABS Development, 2015).

4.4.3. Develop an incentive package (Agri parks)

The establishment of agri-parks was identified as one of the key initiatives implemented by the national government as part of its land reform policy. Agri parks are designed to create networks between producers, markets, and processors, while providing the physical infrastructure needed by small holder farmers and new entrants. The focus of agri parks is thus on the processing of 'agricultural products' into end products. The agri park initiative thus entailed activities to firstly undertake comprehensive farm assessments, focusing on state land, communal land, land reform farms and other farmers; assessing farmers in terms of capacity, extension support and level of organisation; develop production plans on chosen commodities: and developing capacity building plans for farmers.

The Western Cape Provincial Government established a Provincial Multi-Disciplinary Special Task Team (PMDSTT) and commissioned comprehensive farm research to develop a status quo of the proposed sites for an agri park. This included the level of market demand, any environmental considerations, and the infrastructure needs of the sites. The selection of the sites was based on the guiding principles developed by the Department of Rural Development and Land Reform (DRDLR). During 2015/16 the estimated number of assessments completed was 115 whilst the estimated number of farm plans completed was 114. Sites were identified for agri-parks in Ceres, Beaufort West, Oudtshoorn, Vredendal, Bredasdorp, and master business plans, commissioned by the DRDLR, were completed by April 2016.

Our interviews elaborated upon the logic of including this in Khulisa, stating that DRDLR suggested that there would be R2 billion rand available for the agri parks in the WC, which was a strong incentive to include it as an initiative. However, the agri park initiative was removed from Project Khulisa in 2017 for "reasons of practicality of management" –funding support from national was not expected to happen. The decision to remove the agri park initiative from Khulisa was also made because of the limited control that the provincial department would have over it – it became apparent that the agri park would be run from a national perspective and provincial government would have little involvement, or control, over it. The funds were subsequently reallocated to a project not under Khulisa at the FSD at the DOA.

4.4.4. Innovate and gain efficiency in agri processing

The Western Cape Provincial Government has identified a need to help drive innovation in agri processing and coordinating and funding research and development efforts. In doing so, the

Western Cape Government aims to unlock opportunities in agri processing and develop new or upscale existing agri processing plants to focus on research and development efforts. This initiative, at the design stage, consisted of a broad variety of activities and initiatives that were envisaged to provide a boost to innovation and hence agri processing, including printing of a booklet, establishing research chairs and expert panels, guidelines for halal processing, communicating research and case studies.

The initiative consists of a plethora of different activity types, 16 in all at the design stage – most of which are not interdependent. Achievements include: the printing of the start your own business booklet; annual dissemination of the WISP programme and call for alternative crops research fund, and a compiled index of all research institutions with pilot plants for agri-processing. The latest Stocktake reports on 4 of the initially designed 16 activities in the initiative. The initiatives involving CPUT (retired experts, research chair in food innovation, post graduate bursaries, helpdesk), whilst on the activity plan, have not been undertaken. However the following activities have been added to this initiative over the course of the project, which were not in the original plan:

- Import replacement opportunities with retailers and manufacturers (a debated topic within the Khulisa Management Committee with divergent views regarding the utility of the import replacement approach).
- Competitive analysis of Western Cape Products (a study to assess the competitive performance of selected agricultural commodity value chains in the Western Cape).
- Pre-feasibility study: New technologies pilot plant (a desktop study to analyse the viability of establishing a "new technologies pilot plant" at Stellenbosch).

These studies can offer valuable insights to the overall strategy of Khulisa Agri Processing, particularly the work on the competitiveness study, which focussed on processed and fresh produce at the commodity level.

4.4.5. Construct sterilisation / product consolidation facility

The idea with the initiative was to address three constraints related to consolidation of fruit for dispatch to harbour by road and rail: limited cold sterilization in WC, limited irradiation facility, and traffic congestion to CT harbour. The idea was to construct a fruit terminal with cold sterilisation and irradiation facilities.

The phase one and phase three feasibility outlined the investment required for the cold sterilization and irradiation infrastructure, respectively, however the opinion was that the market demand at that stage did not justify the investment and construction of the facilities. For the full project to become of interest, the following would justify the inland terminal, which would impact the economies of the fruit industry and hence make it worthwhile:

a) The introduction of an EU cold sterilisation protocol;

b) An increase in traffic congestion in the city to the extent that decentralisation with rail access becomes an operational imperative; or

c) If the inland terminal can provide a cost benefit for consolidated fruit handling

The initiative was implemented mostly as planned (the plan was to construct the facility). Importantly, the findings of the feasibility study were used to inform the 'pause' decision. In this regard, it is important to note that the Khulisa involvement in the construction of this facility was seen as a catalyser, hence the budget was very low. Our interviews with industry stakeholders suggest that the idea of a cold sterilization plant is still relevant, with at least two respondents indicating that they see it happening through the private sector based on the premise that the requirements from global markets are not going to decrease. An additional perspective that emerged is that there are dynamics evolving rapidly in the private sector regarding discussions about an inland terminal and cold sterilization facilities.

Our interviews reflect that it came as a surprise when the study revealed there was no private sector demand for the facility. The inclusion of this initiative was based on the stakeholder feedback from the engagements undertaken in the design phase, and it is clear that the inland terminal featured prominently in the design phase. It is not clear where the discrepancy occurred, although we can speculate that perhaps the inland terminal was in the design prior to the stakeholder consultation, for example it featured in documents prior to the consultation.

4.4.6. Build skills required by agri processing sector

This initiative had one activity: to implement the skills game changer. The challenges and linkages are very similar to what is outlined in Section 4.2.6. There was no budget allocation in Khulisa Agri Processing for this intervention, nor was a timeline put in place. Planned activities, developed after initial project design as outlined in the Khulisa reporting documents and from interviews have included: placement of 250 apprentices and the development of a guiding document by the TAF toward developing coalitions with industry. Guiding Coalitions will obtain guidance and support from key industry employers on the skills required in the sector.

4.4.7. Provide access for emerging farmers

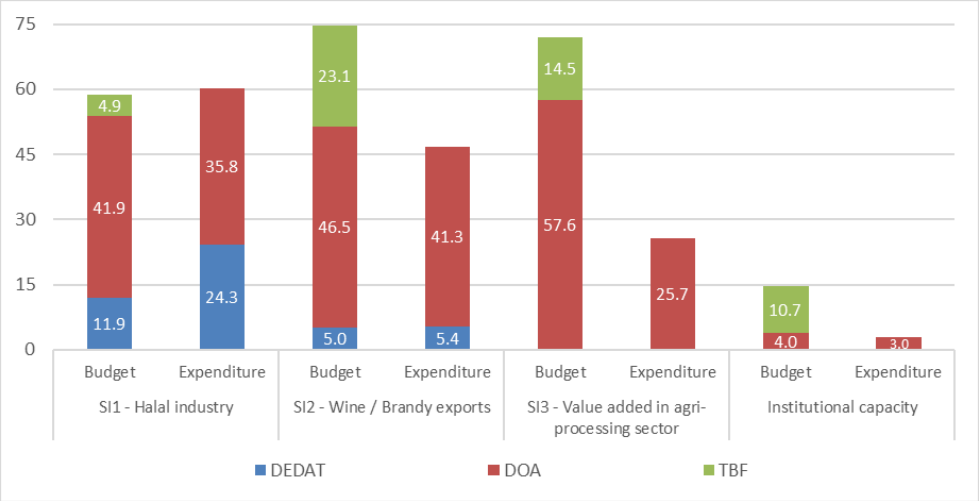
As with the transformation initiative in the wine strategic intent, the one activity in this initiative was to implement the commodity approach. We refer to section 4.3.4. for an elaboration of our assessment of the inclusion of the commodity approach as an initiative – it is related to primary production and a programme in itself. The Khulisa stocktake continues to monitor the performance of the commodity approach programme, looking at number of projects supported since inception: "the number of projects supported since inception have grown from 60 in 2014/15 to 97 in 2016/17, and the jobs created from 1437 (2014/15) to 2 537 (2016/17)."

4.5. Khulisa Agri Processing budget versus expenditure

4.5.1. Overall project

A summary of the overall expenditure (to date)[9] for Project Khulisa Agri Processing, against the initial budget is provided in Figure 10,. Overall expenditure up to the 2018/19 financial year remains below the budgeted amount for the total project. However, as can been seen in actual expenditure varies significantly across the strategic intents, in comparison to the budgeted amount for each intent. For the halal industry strategic intent, expenditure to date has exceeded the budgeted amount (including the additional budget that was "to be found"). For the strategic intent focusing on improving local production capacity (SI3), however, actual expenditure to date is below the budgeted amount. For SI2 (focusing on wine and brandy exports), actual expenditure by DEDAT has marginally exceeded the initial budget, while the DOA has incurred expenditure of close to 90% of the initial budget.

Figure 10 *Budgeted vs. actual expenditure on Project Khulisa (in R million)*



TBF = the amount that was budgeted as "To Be Found" in the project's planning documentation. Expenditure data provided by DOA, expenditure lines collated by the project team. Expenditure data reflects expenditure between 2015/16 and 2018/19 (partial for 2018/19 to date).

4.5.2. Expenditure by strategic intent

For SI1 (Table 7), key areas of over-expenditure have included halal export promotion activities. This over-expenditure (when compared to the initial budget) appears to have been undertaken

[9] Expenditure is for the financial years 2015/16 up to 2018/19. Expenditure for the 2018/19 financial year is partial, and does not reflect full-year expenditure.

by DEDAT, with expenditure more than R5 million above the initial budget – this may be due to the reprioritization of funds internally. Similarly, DEDAT has spent close to R2 million more than the initial budget on initiatives related to improving data on the halal industry, even when including the additional budget that was "to be found". As a result, DEDAT's overall expenditure to date on SI1 has exceeded the initial budget by some R13 million, while the DOA's expenditure to date on this strategic intent remains below the initial budget.

Table 7 *Expenditure on SI1 - Capture a larger share of the global halal market (in R million)*

Key initiatives		DEDAT	DOA	TBF	Total
1.1 Governance	Budget	0.21	0.00	0.00	0.21
	Expenditure	0.00	0.00	0.00	0.00
1.2 Certification	Budget	2.69	0.00	0.00	2.69
	Expenditure	0.75	0.00	0.00	0.75
1.3 Halal Processing Hub	Budget	8.49	0.00	0.00	8.49
	Expenditure	7.38	0.00	0.00	7.38
1.4 Promotion	Budget	0.50	0.00	0.00	0.50
	Expenditure	5.97	0.00	0.00	5.97
1.5 SMME and PDI access	Budget	0.00	41.90	1.58	43.48
	Expenditure	7.00	35.80	0.00	42.80
1.6 Skills	Budget	0.00	0.00	2.58	2.58
	Expenditure	0.64	0.00	0.00	0.64
1.7 Data	Budget	0.00	0.00	0.71	0.71
	Expenditure	2.58	0.00	0.00	2.58
Total	Budget	11.90	41.90	4.86	58.66
	Expenditure	24.32	35.80	0.00	60.11

TBF = the amount that was budgeted as "To Be Found" in the project's planning documentation.
Expenditure data provided by DOA, expenditure lines collated by the project team.
Expenditure data reflects expenditure between 2015/16 and 2018/19 (partial for 2018/19 to date).
Red reflects areas of over-expenditure (against the budgeted amount), green reflects under-expenditure.

For SI2 (Table 8), DOA has spent more than originally budgeted on wine and brandy promotion activities, though the overall expenditure for this activity remains below the total initial budget, primarily due to an additional R23 million that was "to be found". The DOA has also spent R1 million more than initially budgeted on activities related to Brandvlei infrastructure. Overall, expenditure by DEDAT is marginally above the initial budget, while expenditure by the DOA remains well below the initial budget.

Table 8 *Expenditure on SI2 - Wine and brandy to China and Angola (R million)*

Key initiatives		DEDAT	DOA	TBF	Total
2.1 / 2.2 Promote SA wine in China / Angola	Budget	5.00	0.00	23.06	28.06
	Expenditure	5.37	5.48	0.00	10.85
2.3 Domestic Brandy	Budget	0.00	0.25	0.00	0.25
	Expenditure	0.00	0.10	0.00	0.10
2.4 Brandvlei	Budget	0.00	0.24	0.00	0.24
	Expenditure	0.00	1.27	0.00	1.27
2.5 Transformation	Budget	0.00	46.00	0.00	46.00
	Expenditure	0.00	34.50	0.00	34.50
Total	Budget	5.00	46.49	23.06	74.55
	Expenditure	5.37	41.35	0.00	46.72

TBF = the amount that was budgeted as "To Be Found" in the project's planning documentation.
Expenditure data provided by DOA, expenditure lines collated by the project team.
Expenditure data reflects expenditure between 2015/16 and 2018/19 (partial for 2018/19 to date).
Red reflects areas of over-expenditure (against the budgeted amount), green reflects under-expenditure.

Table 9 *Expenditure on SI3 - Improve local production capacity (R million)*

Key initiatives		DEDAT	DOA	TBF	Total
3.1 Develop a database of products	Budget	0.00	0.00	0.90	0.90
	Expenditure	0.00	0.79	0.00	0.79
3.2 Build residue and quality testing facilities	Budget	0.00	0.6	10.0	10.6
	Expenditure	0.00	15.00	0.00	15.00
3.3 Develop an incentive package (agri parks)	Budget	0.00	4.60	0.00	4.60
	Expenditure	0.00	0.00	0.00	0.00
3.4 Innovate and gain efficiency in agri processing	Budget	0.00	12.80	3.55	16.35
	Expenditure	0.00	0.67	0.00	0.67
3.5 Construct sterilisation / product consolidation facility	Budget	0.00	0.28	0.00	0.28
	Expenditure	0.00	0.26	0.00	0.26
3.6 Build skills required by agri processing sector	Budget	0.00	0.00	0.00	0.00
	Expenditure	0.00	0.00	0.00	0.00
3.7 Provide access for emerging farmers	Budget	0.00	39.30	0.00	39.30
	Expenditure	0.00	9.00	0.00	9.00
Total	Budget	0.00	57.6	14.5	72.7
	Expenditure	0.00	25.7	0.00	25.7

TBF = the amount that was budgeted as "To Be Found" in the project's planning documentation. Expenditure data provided by DOA, expenditure lines collated by the project team. Expenditure data reflects expenditure between 2015/16 and 2018/19 (partial for 2018/19 to date). Red reflects areas of over-expenditure (against the budgeted amount), green reflects under-expenditure.

For SI3 (Table 9), budgeted spending was to be provided primarily by the DOA, with an additional amount of R14 million to be found from other sources. To date, expenditure in this area is well below the overall budget, with R25.7 million having been spent on SI3, against a budget of R72 million

4.6. Key findings on efficiency

4.6.1. Project structure and processes

Project Khulisa Agri Processing

The institutional framework governing the implementation and oversight of Project Khulisa was extensive and included a broad range of stakeholders. Implementation responsibility of activities during the project was divided between primarily DOA and DEDAT (as apparent in the activity plan), but also included entities such as WCFFI, Wesgro, WOSA, and SA Brandy Foundation. In the activity plan, the roles of the respective institutions were clearly defined. At the strategic intent level, although not explicitly formulated, the Halal SI was primarily the responsibility of DEDAT, whilst DOA was responsible for the wine SI. Interestingly, given the heterogeneous nature of the third strategic intent, it was convened by DOA, but led by the respective officials at the initiative level.

The coordination function was undertaken by DOA. The appointment of the new Director has been severely delayed, and is currently still outstanding, as is the appointment of the four agricultural economists. This meant that the implementation responsibility has fallen on other staff at DOA, potentially straining the capacity of the Department and affecting the involved personnel's typical function.

One issue that emerged on a number of occasions in interviews with officials, was a clear misalignment in the interpretation of the agri processing system boundary. DEDAT has an agri processing unit, and DOA is currently planning for an agri processing director. It is evident from our interviews that, in spite of developing a joint definition of agri processing, there appears to be a misalignment in opinion between DEDAT and DOA of where the system boundary, and thus mandate, between primary agriculture and agri processing is (farm gate versus on farm value adding activities). Given that both DOA and DEDAT will be operating increasingly in the agri processing space, or transition zone, it is important to revisit the common understanding of what agri processing refers to in order to ensure alignment of support areas, identify synergies and avoid duplication of efforts.

Project Khulisa Agri Processing had an extensive number of fora, working groups, and management committees at different levels. As an example, one official we interviewed was on ten different oversight structures and task teams, all requiring attendance of meetings over time. Whilst oversight is important, the project should reflect on the number of meetings and structures in place, given the limited capacity on hand for implementation.

Strategic intent 1

For halal, coordination of activities was the responsibility of DEDAT, although DOA became increasingly involved as the project progressed. The strategic intent had a large number of forums and working groups to coordinate activities, as evident in Figure 9. The composition of these groups, particularly the governance structures and consultative forums were large groups, which limits the speed of execution as decision making is slow, meaning progress is slow. There was a particularly strong reliance on the WCFFI for implementation of core Khulisa halal activities – WCFFI retracted their role in Khulisa early in the project to instead become a service provider. WCFFI was listed as an 'institution' in this regard, although they actually were not an institution (which allows for accountability, amongst other things).

Therefore, although DEDAT was responsible for the SI, we find that the central implementation role given to WCFFI for the execution of key initiatives to be extremely problematic, and this most likely contributed to the delays experienced. Given this, coupled with the design flaw with regards to the lack of community engagement, the SI was under-capacitated for implementation, and this was sought remedied through the inclusion of a halal resource person (one at DEDAT and one at DOA), respectively.

Our interviews indicate that progress had been very slow with the halal SI, until the inclusion of these two key halal resource people, suggesting that the SI was under capacitated and affected by the initial backlash to the strategic intent from the Muslim community. The addition of the halal resource people to the project added impetus to the execution of activities, in particular the planning and execution of the multiple halal stakeholder engagements that had become necessary following project implementation. The extent of the engagements required to gain the backing of the Muslim community was thus considerable.

An important ongoing activity within this strategic intent is how the halal certification study will be used to inform next steps. According to the activity plan, the envisaged next stage of the initiative is the development of the uniform standard for certification. Given the nature and extent of the recommendations evident in the draft version of the study, the next steps of implementation still need to be determined by the project team. During our interviews, different perspectives and opinions were offered about where Government should go with this, some suggesting that there is a need for a national regulation to lend legitimacy to the halal sector, whilst others cautious about the time frame and challenges that this may bring about. What emerges is that Government is operating in a very difficult space, as there are strong interests in this sphere, and the future timeline for the certification initiative should reflect this complexity.

Part of the challenges related to implementation of this strategic initiative are also related to the design of this intervention. During phase 2 of the Khulisa design process, the halal strategic intent did not emerge directly as a sector, or lever, from the systematic deep dive undertaken by the DOA. Instead, halal came out of the negotiations process undertaken in the workshops in 2015.

The limited detailed analysis of this sector, prior to its inclusion in Khulisa Agri Processing, had strong reverberations on both the design as well as the execution of the specific initiatives within SI1. This is exemplified in the execution of the HIP initiative, which has experienced considerable delays and challenges in its implementation, as well as the apparent challenge in identifying SMMEs for assistance.

The fact that a 'deep-dive' was not undertaken prior to the design phase actually meant that the halal SI was a step behind some of the others in terms of knowing exactly what the needs were. We recognise that the halal idea was something that was not completely new, and had been an emerging market opportunity previously identified. What was an impediment, clear from our empirical material, is that the lack of a deep interrogation of the sector and its needs meant that some of the initiatives were more complex than envisaged, and this has made it very challenging for their execution.

Strategic intent 2

The wine SI is overseen by DOA, with WOSA and SABF all central partners in the SI, whilst WESGRO entered the SI after implementation. Our interviews reflect that the inclusion of WESGRO caused a lack of clarity regarding responsibilities and roles between WOSA and WESGRO. It is clear from our interviews that the entry of WESGRO was a considerable challenge from the outset and caused delay and frustration. WOSA's inclusion in Khulisa emanated from their deep involvement in the design phase, and the SI was aligned to their ongoing promotional work in China and Angola. WESGRO's inclusion, at a later stage, was considered by WOSA as sudden and surprising, and the ensuing re-delineation of roles entailed a lengthy process and was described in our interviews as circular and frustrating, essentially viewed as a duplication of efforts, as WOSA had understood that they were responsible for implementation – as is reflected in the SI design. The process was experienced similarly from a WESGRO perspective, as they had not entered the wine space before and their role in promotional activities, in collaboration with WOSA, was initially not clear.

WOSA were already undertaking promotional activities in China and Angola, thus the inclusion of WESGRO demanded clarification of what their contribution would be – one stakeholder terming the relationship a "forced collaboration". The institutional structuring of the arrangements were challenging – DEDAT were funding WESGRO (as WESGRO is mandated to implement for DEDAT), whilst DOA were funding WOSA – and this also cascaded to the reporting mechanisms, which were unclear from the outset in the arrangement. The collaboration was sought clarified through a joint marketing agreement (JMA), which sought to clarify roles in the collaboration. It is also important to note in terms of the collaboration between WOSA and WESGRO, that WESGRO effectively made a budgetary contribution to WOSA's overall promotional budget in the two countries.

Regarding brandy, it is not clear whether this initiative will be realised given the extensive delays and lack of consensus in the industry about the GI name. Furthermore, our findings indicate a contrasting view from SABF in terms of their strategy for export promotion. It is therefore not clear why brandy was included as part of the target of this strategic intent.

Brandvlei was overseen by a large intergovernmental working group, led by DOA – given the large number of different stakeholders in the working group, including national government, making progress was challenging, but steady, and the working group has recently acquired approval for the canal. Our interviews reflect that SABF has had limited involvement in the SI.

Our analysis suggests that the logic of the inclusion of the commodity approach is not clear - it is an independent program under FSD, and deals primarily with farmers. The program has a sizeable budget, which dominates, and given the linkage to agri processing, inflates Khulisa Agri Processing's budget.

Strategic intent 3

Coordination was undertaken at the project/initiative level – our interviews show that SI3 was not viewed as a coherent intent, respondents viewing it more as a suite of specific interventions, termed a 'catch all' strategic intent. The residue testing, agri park, inland terminal and research components were coordinated by DOA, and were independent of one another. Coordination, and the roles and responsibilities of the skills component have, based on our interviews, been challenging from the outset, as the skills game changer is programmatically outside of Khulisa. The activities for the skills initiative were not formulated at the design phase (implement the skills game changer) as it was not clear at that stage what the skills needs were. The responsibility of the skills game changer was at DEDAT, and it later shifted focus to the apprenticeship game changer. University of Stellenbosch and CPUT were responsible for innovation activities. A number of studies have been undertaken in the Strategic Intent which contain important information for strategic considerations for the next phase of Khulisa. It is important, in particular, that the findings of the competitiveness study are used going forward, and that the Khulisa Agri Processing teams continues a dialogue with US about their ongoing work in this field which is providing important feed back at the commodity level (sub-sector).

The residue testing facility is an initiative that we expect will be realized within the frame of Khulisa. It will be important for DOA, if not done yet, to ascertain the level of demand for these services and to ensure the facility is correctly 'marketed' so that it is utilised by the sector.

Although the inland terminal feasibility study indicated that the criteria to trigger a demand for this facility have not been fulfilled, our findings indicate that the facility is on the radar of the private sector.

The skills initiative in SI3 has experience delays and challenges that are effectively beyond the control of the Khulisa Agri Processing implementing team. The activities for the skills initiative were not formulated at the design phase (implement the skills game changer) as it was not clear at that stage what the skills needs were, and the identification of these needs has been challenging over the course of the project resulting in the lack of a clear plan.

4.6.2. Project expenditure

A review of expenditure to date against the original budget reflects both areas of under- and over-expenditure by DEDAT and the DOA. This may reflect unintended costs, re-allocation of spending as priorities have shifted and delays in the implementation of a range of activities linked to each strategic intent. Export promotion activities, in particular, appear to have been given greater spending priority between 2015/16 and 2018/19, when compared to the initial amount budgeted for these activities.

This is reflected both in the halal industry, where DEDAT has spent more than the initial budget, and in the wine and brandy industry, where DOA's spending on export promotion activities have been well above its initial budgeted amount. More broadly, while overall expenditure in SI1 and SI2 have either exceeded (or are close to) the initial budgeted amount, expenditure in SI3 remains well below the amounts budgeted by either the DOA. As seen in other sections of the report, this may reflect significant delays in the completion (and commencement) of some activities, as well as the fact that SI3 has become less of a spending priority than other areas under Project Khulisa.

5. Effectiveness and emerging impact of Khulisa Agri Processing

This section of the report examines the effectiveness of the Project Khulisa Agri-processing. In evaluations, the effectiveness criterion assesses whether the outputs were delivered as planned, and whether these results led to the achievement of the intended outcomes. Outcomes are divided into three categories: immediate, intermediate and long-term outcomes. Final outcomes are realised over a longer timeframe.

Section 5 assesses the project's output and achievements at the three outcome level for the three strategic intents utilizing the indicator framework developed for each Strategic Intent (presented in the Theory of Change). Khulisa Agri Processing is an ongoing project, and project achievements are therefore assessed based on current status at the time of the evaluation with an understanding that activities are ongoing. Given this, most achievements are expected either at the output or immediate outcome level, as intermediate and long-term outcomes are typically realized over longer time frames. The section therefore also includes an assessment and discussion of areas of emerging impact of Khulisa Agri Processing. Emerging impact is generally difficult to assess quantitatively, as many of the initiatives are still ongoing, and there is limited availability of baseline and project output data. However, given that the project is not yet complete, we identify, and discuss areas of *expected* longer term outcome achievement and emerging impacts and across the programme's three strategic intents, and identify which initiatives are expected to remain key in contributing to the aspirational targets of the three SI's and the objectives of Khulisa Agri Processing.

The section responds to the following evaluation question set out in the Terms of Reference.

EQ3: To what extent has the project been effective in achieving its intended objectives?

5.1. Strategic intent 1: Capture a larger share of the global halal market

5.1.1. Outputs and outcome achievements at the initiative level

Table 10 presents an overview of current achievements for Strategic Intent 1. For some of the outputs that have been achieved, there has been a demonstrable positive outcome, whilst other initiatives have yet to achieve the outputs. Discussions with stakeholders highlight that significant progress has been made in developing a better understanding of the global halal market, and the opportunities for South African halal exporters within different regional markets. Baselines for halal exports (and market share) have been calculated and the data can now be tracked on a quarterly basis.

Table 10 *Assessment of achievement of output and outcomes for Strategic Intent 1*

Initiative	Status	Output achieved?	If yes, current outcome contribution
1.1 Establish appropriate governance structures in the halal industry	- WCHIITT established and operationalised -Two Halal Consultative Forums established and operationalised	**Yes**: Governance structures established and operational	- Halal Governance Structures operational currently **contributing** towards **improved governance in the sector** laying the foundation for improved development outcomes in the halal sector
1.2 Establish a halal certification standard	- Halal certification standards reviewed - Draft certification studies with roadmap for Halal certification	**In process**: - Study at draft stage, provides deep analysis of halal certification in SA and proposal for way forward.	Output in process
1.3 Establish a halal processing hub	- Two feasibility studies completed - Three investor prospectuses developed - Promotion for investors activities underway	**In process**: - Private sector investors are currently being sought, hence output not yet achieved.	Output in process
1.4 Promote SA halal products in key markets	- Market intelligence informed strategy development - Implementation plan developed - Inward and outward trade and buying missions undertaken and ongoing	**Yes**: promotion strategy developed and implemented	- Promotional activities ongoing: trade declarations to the value of R2.65 billion signed (as of June 2018), **contributing** to WC being positioned as a key halal supplier
1.5 Provide SMME and PDI access to the value chain	- Halal value chain analysis completed - SMME supplier development strategy developed and implemented - 44 SMMEs supported in the SDP	**Yes:** SMME supplier development strategy developed and implemented. **In process:** PDI development strategy, which is contingent on halal certification initiative	<u>For SMME supplier development:</u> - **VC study** and engagements **contributed** to deeper understanding of challenges in Halal Sector - SMMEs received **business support**, indicative increase in turnover and employment for involved businesses
1.6 Ensure skills supply meets skills demand	- Research project formulated - Technical Advisory Forum established to identify skills gaps - 37 block men trained	**In process:** Skills demand and response contingent on the certification standard and the findings of the TAF	Output in process
1.7 Improve halal data	- Data working group established - Halal baseline calculated - WC global share of halal exports routinely monitored	**Yes:** Paucity in halal data addressed	- Halal data helps understand Halal exports / and global market development. - Halal data used for market intelligence & to monitor aggregate performance of WC Halal Industry exports.

The halal export promotion activities are ongoing, and it is evident that these activities have already led to positive outcomes with respect to signed trade declarations which, if or when realised, would translate into increased exports. In terms of the governance initiatives within the halal industry, the three forums that were to be created are now fully functional and can thus contribute to improved governance of the halal sector. The SMME supplier development strategy has also been developed and implemented.

The PDI development strategy related to the commodity approach is in principle contingent upon the certification standard. The certification outcomes are currently at a stage of clarification on what the most pertinent certification process going forward may be. Investors are currently being sought for the HIP, and it remains unclear whether the HIP will materialise. Outcomes for the skills program has been partially achieved (training of blockmen) although the development of the skills needs is also contingent on the certification standard and the findings of the TAF panel.

5.1.2. Halal Strategic Intent: Realized outcomes and what is working

The logical framework identified the following key final outcomes, the achievement of which will ultimately contribute to the achievement of the halal strategic intent objective:

- Increased halal exports/ trade to new and existing markets
- Increased contribution of the halal market to WC GVA
- Increased employment in the WC halal industry
- Effected transformation.

It is challenging to precisely link the achieved outcomes outlined in Table 10 to these final objectives, making it difficult at this stage of the implementation to directly attribute changes in export value, jobs and GVA at the provincial scale to Khulisa Agri Processing. However, our assessment identifies the following initiatives of Khulisa Agri Processing which either are contributing or expected to be important contributors to the achievement of the strategic intents' and project's objectives:

Export promotion of halal products: As of May 2018, the halal export promotion initiative has generated signed trade declarations to a reported value of R2.65 billion[10]. The export promotion activities are thus envisaged to contribute strongly towards the halal strategic intent goal.

Halal Governance and data: Notwithstanding the challenges related to establishing the Halal consultative forums, the sector now has the institutional structures in place to coordinate and drive the development of the halal industry and monitor progress through the data initiative. Halal

[10] Value is based on declarations, and not actual traded goods.

governance structures were identified as key enablers to drive the sector forward, and although the value of the establishment of these structures is currently difficult to accurately quantify, the structures are viewed as imperative for the aspirations and success of the Western Cape halal sector into the future.

Halal Certification: Although the way forward for this initiative is currently being clarified, addressing halal certification has been identified by the halal value chain analysis (Kaiser EDP, 2016) and the evaluation literature review as key to ensuring market access for producer and agri processing businesses. Should the halal certification initiative achieve its envisaged outcome, it is expected to have a valuable and lasting impact on the halal sector in South Africa. Given the complexity of the certification landscape in South Africa and Internationally, it is expected that this initiative will extend beyond the time line of Khulisa.

The following initiatives are expected to contribute to a lesser extent, but remain important for the halal industry over the longer term:

Skills: The Value Chain study also revealed a mismatch between the skills demanded in the halal industry and those supplied by the workforce (Kaiser EDP, 2016). The scale of achievement thus far is limited to training of block men. However, given the skills gap, programmatic efforts to address skills shortages are expected to help to address skills shortages that constrain the sector's growth, and contribute to the improved performance of the halal sector over the longer term.

SMME supplier development: Although the scale of the SMME promotion activity was limited to 44 businesses, it evidently had a positive impact on participating businesses and the 89 jobs created have contributed meaningfully to the halal targets. The PDI component of the halal supplier development initiative may only over the longer term contribute to the overarching halal target, given the initiative is contingent on the certification outcome and that the initiative supports smallholder farmers operating in the primary production sector, and are currently building their businesses.

5.1.3. Contribution towards the aspirational goal of Strategic Intent 1

The objective of the halal strategic intent is to "Increase the Western Cape's share of the global Halal market from <1% to 2% by 2025, or at least double the current share by 2020". Towards this objective, progress is monitored at a provincial level in terms of the overall value of exports by the halal sector in the Western Cape, calculated by the method developed within the halal data initiative. The baseline value for halal relevant products in the Western Cape Province was calculated at R9.3 billion in 2015, and had increased by R900-million to R10.2 billion in 2017. Although Khulisa interventions have most likely contributed to this value, the extent of the project's contribution to this increase is difficult to quantify with the analysis indicating that the halal export promotion strategy is currently the most important halal initiative contributing towards this.

5.2. Strategic intent 2: Increase exports of wine and brandy to China and Angola

5.2.1. Outputs and medium-term outcome achievements at the initiative level

As presented in Table 11, Strategic intent 2 has achieved outcomes relating to export promotion activities for SA wines in China and Angola, although we note that these activities are still ongoing. The exact degree to which these activities are contributing to the expansion of existing markets for WC producers is currently difficult to ascertain and directly attribute to Khulisa Agri Processing initiatives, although the monitoring of wine export volumes to China and Angola provide indicative evidence of sectoral achievements. With regards to the brandy initiative, progress has been stalled at the point of finalisation of the GI name. For Brandvlei, the increased capacity for water for irrigation has not yet been achieved, but critically, all the necessary approvals have been secured. The support to emerging farmers through the commodity approach is ongoing, whilst within the specific wine SI, the allocation of water licences is contingent upon the irrigation project being completed, and has hence not yet been commenced.

Table 11 *Overview of achievements of project outcomes for Strategic Intent 2*

Initiatives	Status	Output achieved?	If yes, current outcome contribution
2.1 & 2.2 Develop and implement a campaign to promote SA wine and brandy in China & Angola	- MOA developed between WOSA and WESGRO - Promotion strategy for China and Angola developed - Implementation of marketing and promotional activities	**Yes:** Campaign and promotion strategy developed and implemented in China and Angola	- Promotional activities ongoing and expected to be contributing to expansion of markets for WC producers - linking of impact of promotional efforts to provincial wine exports to China and Angola challenging.
2.3 Domestic promotion of high-end brandy	- SABF has developed their own market disruption campaign. - GI naming not yet finalized	**In process:** Awaiting finalization of GI name.	Output in process
2.4 Develop appropriate irrigation infrastructure (e.g. Brandvlei)	- Task team established Feasibility and design work undertaken and business plan developed	**In process:** Project recently approved by DWA.	Output in process
2.5 Facilitate transformation in the wine and brandy industries	- 31 projects supported, support ranged from farm input & infrastructure provision and processing equipment	**In process:** The commodity approach has currently supported 31 projects toward facilitating improved market access for smallholder farmers	Output in process

5.2.2. Wine and Brandy Strategic Intent: Realized outcomes and what is working

The logical framework identified the following key final outcomes, the achievement of which will ultimately contribute to the wine and brandy strategic intent objective:

- Increase domestic sales of high - end GI branded brandy
- Increase in production of wine & brandy
- Increased export of wine and brandy to new and existing markets
- Increase employment (jobs) in the WC wine & brandy industries
- Effect transformation

The assessment identifies the following initiatives of Khulisa Agri Processing which either are currently contributing or expected to be important contributors to the achievement of the strategic intents' and project's objectives:

Wine export promotion activities: It is clear the Khulisa has contributed to extensive promotional activities that have been undertaken, and are still in progress, in China and Angola. Whilst the institutional arrangements in this initiative may require reflection, the promotional activities have been executed according to plan, and are expected to be contributing to expansion of markets in China and Angola for WC wine producers.

Water infrastructure and transformation: Given the identification of water as a key constrain to primary production, the effects of increased access to water and the transformation goals established in the commodity approach are expected to positively contribute over the longer term to the agricultural and agri processing sector in general.

5.2.3. Contribution towards the aspirational goal of Strategic Intent 2

The goal of Strategic Intent 2 was: "To double the value of SA wine and brandy exports to China and Angola by 2025". Project Khulisa monitors **overall export volumes** to the two countries, rather than actual value as these values are reportedly not disclosed by industry. Wine exports to China have grown considerably over the course of Project Khulisa (more than 100%), whilst Angolan exports have been strongly affected by the oil crisis there, but have experienced recent growth due to an improvement in the Angolan economy. The contribution of Khulisa towards increased wine sales at a provincial level is difficult to quantify directly as it is challenging to tie an increase in wine exports to Angola and China at a provincial level directly back to the promotional activities of Khulisa. This would require careful monitoring of promoted wines sales in the respective countries pre and post promotion. The majority of the promotional activities in China and Angola are funded by WOSA through their own budgets, with Khulisa contributing to this. It is this meaningful to consider the effect of Project Khulisa as additional. Increased wine sales (through promotion activities) may therefore be primarily a result of WOSA interventions, with Khulisa contributions being additional to this.

5.3. Strategic intent 3: Increase Local Production Capacity

5.3.1. Outputs and medium-term outcome achievements at the initiative level

At this stage, achievements of the majority of the initiatives in SI3 are reflected at the output level (Table 12). The database of products has been developed and disseminated, although the extent to which the information has informed producers and exporters decision making with regards to product decisions and the development of new products is unclear. The residue testing facility is currently underway, but not yet operational, whilst the inland terminal and agri park initiatives will not be achieved within Khulisa Agri Processing as they have been removed from the project. The innovation and gain efficiency initiative has achieved a number of outputs including research activities that have been completed. It is expected that knowledge will contribute at an overarching level towards Khulisa outcomes, although ascertaining the magnitude of this effect is challenging. The commodity approach is ongoing, and has currently supported 31 projects amongst smallholder producers with a view to improving emerging farmer's market access. The skills game changer has placed 250 apprentices, although given the initiative is still identifying skills gaps in the sector, the current contribution to medium term outcomes is limited.

Table 12 *Overview of achievements of project outcomes for Strategic Intent 3*

Initiatives	Status	Output achieved?	If yes, current outcome contribution
3.1 Develop a database of products which can be produced in the Western Cape	- Studies undertaken and reviewed - Database of products available on WC DOA website	**Yes:** Database developed and disseminated	- Information disseminated to producers, but not clear to which extent the information has been utilized, and translated into increased production of alternative products.
3.2 Build residue and quality testing facilities	- Infrastructure procured and installed	**In process**: Commissioning of facility pending technical staff to run facility	- Output in process
3.3 Develop an incentive package (agri parks)	- Task team established - Research undertaken and business plans developed	**No:** The agri park initiative was removed from project Khulisa.	- Removed from the project

Initiatives	Status	Output achieved?	If yes, current outcome contribution
3.4 Innovate and gain efficiency in agri processing	- Printing of start your own business booklet - WISP programme dissemination and alt crops fund - Compiled index of pilot plants - Pilot plant and competitiveness study undertaken	**Yes:** Diverse array of research and innovation activities completed	- Outputs may over time indirectly contribute toward outcomes of increase innovation and efficiency, although ascertaining the effect of the outputs is challenging.
3.5 Construct sterilisation / product consolidation facility	- Feasibility study undertaken and assessed	**No:** Feasibility study found no current demand for facility, hence initiative paused.	- Stop decision made
3.6 Build skills required by agri processing sector	- Placement of 250 apprentices - Development of a guiding document by the TAF	**In process**: Apprentices placed, **a**ctivities to identify skills needs underway.	- Apprenticeship placement expected to contribute to outcome of addressing skills gap. - TAF activities underway, hence limited outcome achievement to date
3.7 Provide access for emerging farmers	- 31 projects supported, type of support ranged from farm input and infrastructure provision and processing equipment	**In process:** The commodity approach still under implementation has supported 31 projects	Output in process

5.3.2. Local capacity Strategic Intent: Realized outcomes and what is working

The logical framework identified the following key final outcomes, the achievement of which will ultimately contribute to the local capacity strategic intent objective:

- Increase in agri-processing – GVA
- Increase in employment in agri-processing industry
- Effected transformation

Table 12 summarises outcomes for this strategic intent achieved to date. What is noted is that the expenditure undertaken for this SI to date is far lower than the budget initially allocated. However, in some cases the levels of outcome achievement (and lower than budget expenditure) is reflective of a shift in direction during the course of implementation - an example being the halting of the infrastructure projects initially included in this SI. Nevertheless, our assessment does identify the following key initiatives and their realized or potential achievement in Khulisa Agri Processing, and which are expected to remain central in contributing to the project objectives going forward:

Chemical Residue Testing Facility: As outlined by the study undertaken by OABS (OABS Development, 2015), when operational, the CRTF is expected to contribute to: More effective upholding of food safety standards; meeting of food safety requirements for new markets (thereby supporting expansion into these markets); maintenance of market access to existing markets; and a reduction in transaction costs for exporters (tests can be performed substantially cheaper if performed in the Western Cape compared to having to do the test in other provinces or even overseas) – all of which will contribute to the goal of the strategic intent.

The following initiatives are expected to contribute to a lesser extent in the near term, but expect to remain important and contribute over the longer term:

Innovation and efficiency: Although the strategy towards using research outputs from the initiative is not yet entirely clear, the competitiveness study represents an important strategic resource and can serve as an important platform to guide future identification of cross-sectoral and sub-sectoral constraints and opportunities, which the WCG can use to assess future interventions.

Skills: Effective apprenticeship placements will contribute to improved availability of skilled workers available agri processing sector. Once identified, the skills identified through the TAF process are expected to contribute to the sector over the long term.

Emerging farmer access: Increased PDI access is expected to contribute over the longer term to growth in the agri processing sector in general, given the initiative supports smallholder farmers operating in the primary production sector, and are currently building their businesses.

5.3.3. Contribution towards the aspirational goal of Strategic Intent 3

The objective of SI3 was to "Increase the value added in the Western Cape Agri processing Sector by R7 billion by 2020". Project Khulisa Agri Processing monitors GVA of the agri processing sector at the provincial level. Notably, the GVA target also constitutes the overarching goal of Khulisa Agri Processing (across the three strategic intents). The baseline value of the GVA in the agri processing sector in 2015 was R21.9 billion. The latest available value for this is from 2016, with a value of R22.2 billion. The outcome achievement in SI3 to date has been somewhat limited, and the current direct contribution to GVA is difficult to identify. However, specific activities that may in future contribute positively to the achievement of the objective include; residue testing facility completion, effects of the alternative crops database, apprenticeship placement and the effects of the commodity approach.

5.4. Project contribution to GVA, employment and transformation

The overarching goals set by project Khulisa were to: "Grow agri processing GVA from R12 billion to R26 billion, and grow agri-processing jobs from 79000 to 179000". Khulisa Agri Processing monitors jobs in the Western Cape agri processing sector using data from the Labour force survey through two measures: agri processing jobs (2016 Q1 baseline 111 465 jobs) and agri processing

support jobs (2016 Q1 baseline 94 815 jobs). The latest statistics from Q1 2018 were 132 188 and 103 705 jobs in agri processing and agri processing support jobs, respectively. Numbers of jobs have varied considerably over the period 2015-2018, particularly due to the impact of the protracted drought. The impact of the drought can be clearly seen in the variation in job numbers.

Similarly, GVA is monitored for the agri processing sector at the provincial level: the baseline value in 2015 was R21.9 billion. The latest available value for this is only from 2016, with a value of R22.2 billion. It is thus not clear where the R12 billion baseline came from. The output and outcome level analysis above identified specific initiatives which may be contributing to the above goal, although it was generally challenging to directly attribute longer term outcomes and impact directly to Khulisa Agri Processing activities and initiatives. There are a diversity of variables influencing the changes in jobs and GVA in the agri processing sector at a Provincial level, some of which may emanate from Khulisa. Thus, any discussion of Khulisa's role in the changes should focus rather on the project's *additionality* to the sector.

Transformation was an issue that traversed the three strategic intents. The primary transformation efforts in Khulisa were linked to the implementation of the commodity approach across the three SI's. Transformation is central to the FSD program. SMME and PDI access within the halal sector also contributed to transformation. In the wine strategic intent, a transformation focus was placed on ensuring that PDI wine businesses were included in the promotional activities. As these initiatives go forward and their impacts are realised so it can be expected that the aspired for transformation outcomes will strengthen.

5.5. Other emerging impacts

It is important, however, to also consider what some of the other, in some cases unintended, impacts and outcomes that have emerged from the project. Through our interviews and general analysis, the following important impacts and outcomes have emerged:

- Khulisa is considered to have brought significant focus to Departmental activities through the process of aligning activities and projects to an overarching strategy.
- Similarly, the initiative has been effective in strengthening cross-departmental functioning, collaboration and coordination-of-effort between strongly "siloed" government departments and functions.
- Government involvement as initiator and driver of Khulisa Agri Processing has, in itself, had a positive impact: It creates awareness as well as provides a sense of legitimacy when something is Government backed.
- Institutional development and capacity building: there has been a positive effect of Project Khulisa at different levels in this regard through the establishment of inter-governmental panels (e.g. halal); the establishment of the halal community forums; and the consultative process with the agri and agri processing industry.

6. Sustainability

This section of the report examines the sustainability of activities and outcomes of Project Khulisa Agri Processing. The section responds to the following evaluation question set out in the ToR:

EQ4: To what extent are the benefits of the project sustainable in the long term?

A recurrent theme across the analysis is that there are challenges in precisely attributing longer term outcomes and impacts to the work undertaken under the Khulisa Agri Processing project to date. While not unexpected, given that the programme's implementation is ongoing and outcome targets set for a longer time frame, we can at this stage identify a number of areas where the project's activities are likely to have a sustainable impact.

The first relates to the halal industry, where significant progress has been made in developing a quantitative understanding of the global halal industry (and related opportunities for South African exporters) and a number of forums have been developed through which deeper engagement between various halal industry stakeholders can take place. Where these forums can remain active beyond Khulisa Agri Processing's implementation period, it is likely to provide significant qualitative benefits for the Western Cape's halal industry. Furthermore, should the halal certification initiative achieve its envisaged outcome, it will have a lasting impact on the halal sector in South Africa. The second area relates to the potential long-term benefits that may accrue to wine and brandy exporters. Where Khulisa Agri Processing has been a direct contributor to linking South African exporters to importers in the relevant markets, it is likely to have contributed to the development of a longer term relationship that is beneficial for the Western Cape's wine and brandy industry. These markets, although highly strategic, are very complex and difficult operate in or to build up the networks required to establish "long-term" relationships. The third area is in terms of the development of infrastructure that has been initiated (although not yet completed) through Khulisa Agri Processing. The Brandvlei project is an example of where Khulisa has been able to leverage institutional support to ensure that the process of increasing the amount of water available to farmers remains on track. Whilst this outcome may not be achieved within the life of Khulisa Agri Processing, it will have a longer-term impact on primary agricultural production. The residue testing facility, although not yet operational, is also envisaged to have a lasting effect on the agri processing sector beyond the scope of the current project. The fourth area is related to the skills development initiatives, which traverse project Khulisa. The process to clearly identify skills area to focus upon, and develop plans to address these, has been challenging. Thus, when the skills are identified and needs addressed, the skills initiative has the potential to contribute to a lasting effect. The fifth area is in terms of supplier development: PDI support through the commodity approach and SMME promotion in the halal strategic intent. For both these initiatives, project activities will contribute to equipping emerging farmers and SMME businesses to operate in future. Finally, although not yet fully realized either, Khulisa Agri Processing will through the project itself and the eventual employment of an Agri Processing Director and support staff, make a lasting contribution to the development of agri processing at DOA.

7. Synthesis and discussion

The presentation of findings in Sections 3 to 7 has been categorized to specifically address the respective questions based on project design, implementation, impact and sustainability. In this section, we present a synthesis of the findings and a general discussion and reflection on key issues that have arisen in the analysis, and which highlight what has worked, why it has worked and what can be taken forward from the project.

7.1. The Khulisa approach

The overall approach used to design Khulisa was novel (in South Africa), focusing on prioritizing key sectors and sub-sectors that could unleash the greatest growth potential and employment creation. Inherent to this was the idea of identifying sectoral opportunities and key constraints limiting the sector, with Government's role to be an enabler for growth. Internationally, this approach has been utilized by the Canadian government, as well as in the US, UK, New Zealand, Australia, whilst the priority sector focus has previously been successfully used in the Asian tiger economies (Canadian Economic Advisory Council, 2017). Specific features that have characterized this approach, and learnings from Khulisa Agri Processing are highlighted below:

7.1.1. Sectoral focus

Whilst government should first and foremost adopt policies that enable the overall economy as a whole to succeed, these policies will typically take effect within sectors. Sectoral focus will allow sectors to benefit from additional policy focus and tailoring aimed at removing specific obstacles. The Canadian example (Canadian Economic Advisory Council, 2017) focused on the agri sector, identifying opportunities for action in different sub-sectors (oilseed and pulse, aquaculture and dairy), but assumed a broad sectoral approach. Khulisa utilized this approach to identify key sectors for policy/strategy focus, and prioritized the identification of constraints and opportunities within these sectors for action. Identifying key constraints across the sector (14 levers) as well as within priority sub-sectors – with a view to ensuring *focus* and prioritization – served as a valuable foundation to informing project design. The Khulisa approach was furthermore supplementary, not intended to replace the work of the departments, but rather facilitate an enabling approach.

7.1.2. Private sector collaboration

Government and the private sector can collaborate effectively to identify, within a sector, which obstacles *can*, and which barriers *should be* overcome. Private sector's involvement is key as it is best placed to identify the genuine obstacles to growth, whilst government is best placed to determine whether addressing a constraint is in the public interest. Khulisa Agri Processing undertook comprehensive stakeholder engagements to identify and weight key constraints and opportunities – cross-sectoral as well as specific to priority sub-sectors. Prioritization was based on sectoral analytics, private sector input as well as Government's policy priorities. This approach served the project design well, where broad private sector consultation was undertaken in the

design phase. The project benefited from the inclusion of private sector partners in specific initiatives (primarily in the wine strategic intent), where activities were designed in unison.

7.1.3. Galvanize the sector around a growth agenda

The philosophy of the Khulisa approach is to identify bold sectoral aspirations and enact consistent policies and regulations to enable the sector's growth. Khulisa Agri Processing's goals were bold and aspirational. The degree to which the agri processing sector was galvanized by these targets can be discussed given the narrower sub-sectoral focus employed. The question is also whether it is an explicit objective of WC Government to galvanize the agri processing sector. A challenge with bold, aspirational targets was that they became 'hard' delivery targets within the Departmental frameworks.

7.1.4. Strategy design

The premise of the focal approach employed was to identify high potential sectors (agri processing) and design initiatives that could address key constraints and opportunities within the sector in question, based on private sector feedback and sub-sector potential. Khulisa Agri Processing included existing/ongoing programmes in the strategic intent design, which have been highlighted in the analysis (particularly the commodity approach). The objective of the WCG, through a focused approach, was to ensure they are as facilitative as possible and created an enabling environment for the sector. A challenge for this approach is an information asymmetry, with a lack of feedback mechanisms from some sub-sectors. The project sought to work in sub-sectors which could provide information required to identify and address key constraints. A feedback mechanism from the private sector, regarding constraints and opportunities, would greatly enhance WCG's ability to design interventions.

The project debated a lever versus sub-sector approach when applying the principles of focus and prioritization. The approach should ultimately be informed by sectoral feedback. Ideally, identifying and addressing generic, cross-sectoral constraints would be the optimal first step, following which the identification and prioritization of sub-sectoral challenges would be next best (as has been done in the current project). The degree to which existing and ongoing programmes should be included in Khulisa should ultimately be determined by whether existing programmes in question address the key constraints and or opportunities identified within the sector. If they do this, then the strategy will be well-aligned.

7.1.5. Initiative design

The specificity of the plans for each initiative within the three strategic intents varied. Initiatives with clear, specific plans and activities as well as clear roles for implementation reflected a well thought out strategy, which eased implementation towards efficient outcome achievement. Initiatives without clear plans demanded elaboration of actual activities along the way (for example to implement the initiatives of the skills game changer and research and innovation),

and often lacked strategic clarity. Initiatives in Khulisa agri processing developed in detail from the analytical approach (deep-dive) and with private sector engagement provided detailed and clear plans to address identified constraints or opportunities, thus easing the implementation planning and execution and enhancing the contribution of the activities to the ultimate project objectives.

7.1.6. Implementation and project governance

Khulisa agri processing was implemented by Government, Agencies and private sector bodies, and governed across Departments. Collaboration across Government is important for obstacle removal as well as for sharing implementation and accountability. The project established an efficient cross-departmental management structure to provide oversight and developed task teams to manage implementation of specific initiatives. It should be recognized that assigning new tasks to officials for implementation will draw on existing capacity and this resource requirement should be acknowledged in project governance design. It is furthermore important, for project management, that the activity/implementation plan formulated during the design phase be continually updated over the course of the project.

Khulisa Agri Processing was able to initiate a degree of adaptiveness in the Governance and implementation, which is essential particularly when working with the (rapidly moving) private sector and seeking to address arising constraints. This demands implementation and governance structures which enable government to be agile and reflexive in this regard, yet allowing for accountability.

7.2. Khulisa Agri Processing: Project success criteria

Direct attribution of Khulisa Agri Processing activities and outputs to the higher-level project objectives was challenging, as many of the initiatives are still ongoing, coupled with limited availability of baseline information (at the output level) and project output data. However, our analysis of Khulisa Agri Processing's achievement of outputs, outcomes, emerging impact and sustainability in Sections 5 and 6, identifies key initiatives across each strategic intent that are either already contributing to achievement of project objectives or have significant potential to do so, as presented in Table 13 identifies. A success criterion in common for many initiatives was that there was a clearly identified constraint or opportunity, that typically was in the sphere of influence of the WCG.

Table 13 *Initiatives contributing/expected to contribute to project objectives & success criteria*

Action Area	Initiative	How is it contributing/expected to contribute	Success criteria/lesson
Water	Brandvlei	- The effects of increased water access will most likely contribute over the longer term in the agricultural and agri processing sector in general	- Clear identification of constraint/priority lever - Task force management and deliberate tenacity by WCG
Infrastructure Regulatory	Chemical residue testing facility	- Once operational, CRTF is expected to: Improve food safety in the domestic market; provide maintenance and protection of existing market access; develop new export markets, & reduce exporters transaction costs	- Clear identification of potentially high impact constraint/priority lever - In sphere of influence of WCG
Regulatory	Halal Governance and data	- Governance structures are considered key enablers for the sector, and the structures are viewed as an important element in driving the sector forward	- Addressed clear gap in the halal sector - WCG led the facilitation and establishment
Regulatory	Halal certification	- Although challenging, halal certification remains key to ensuring market access for producer and agri processing businesses. Should the halal certification initiative achieve its envisaged outcome, it will have a lasting impact on the halal sector in South Africa.	- Process facilitation by WCG - Contribution of WGC to identify potential way forward - Long term process demands long term commitment
Efficiency	Innovation and efficiency SI3	- Competitiveness study can provide valuable feedback to identify constraints	- Clear objective of study - Requires clarity how results to be used going forward
Efficiency	Skills: across project	Skill development, when realised will contribute to the agri processing sector	- Needs and strategy must be clearly identified and formulated in the design phase - Contingent on vital feedback from industry re skills needs
Promotion	Export promotion of halal products	- Halal export promotion initiative has generated signed trade declarations to a reported value of R2.65 billion.	- Key sub-sectoral opportunity identified - Aligned to expressed industry need and strategy - Development of strategy and business plans.
Promotion	Export promotion of wine	- Khulisa has contributed to extensive promotional activities in Angola and China – direct contribution difficult to quantify, but potential effect should be acknowledged.	- Key sub-sectoral opportunity identified - Aligned to expressed industry need and strategy - Development of strategy and business plans.
Transformation	Transformation across project	- Limited scale/scope of the SMME promotion activity, it evidently had strong effect on participating businesses and will have contributed to the halal targets. - PDI access expected over the longer term to contribute to the agri processing sector in general	- SMME: clear strategy developed and rolled out - Demand for 'narrowly' defined business types (e.g. SMMME, only halal) was however limited.

Whilst table 13 identifies key initiatives in the project, it is also valuable to review why some of the initiatives are not in this table. Characteristics of initiatives which experienced challenges in project implementation include:

- Lack of a clearly articulated constraint/opportunity (e.g. HIP, inland terminal)
- Lack of Khulisa influence on initiative implementation (e.g. agri parks, brandy initiative)
- Lack of a clearly formulated implementation plan/strategy (e.g. skills)
- Lack of clear strategy for utilization of initiative outputs (e.g. efficiency)

7.2.1. Synthesis of sub-sectoral feedback on constraints

Table 14 synthesises feedback from interviewed stakeholders in the private sector regarding constraints being faced in their respective sectors, and potential opportunities, and the role Provincial Government potentially might play in addressing some of these constraints.

Table 14 *Private sector stakeholders views on constraints and opportunities*

Sub-sectoral constraints	Sectoral Opportunities/Areas for potential intervention
• Drought: Water access and use-efficiency • Market access: Phytosanitary barriers (residue testing, MRL), certification and standardization • Market access: New markets • Energy supply and cost • Sustainability of input supply (juice) • Unstable political environment/land question • Sugar tax on fruit juice • Animal health concerns	• Brandvlei and Clanwilliam: Water efficiency measures • Inland terminal/ cold steri may be in demand in future: water allocations are expected to be used for high value commodities (congestion) as well as potential stricter phytosanitary requirements by importing countries. • Promotion, preferential trade-agreements • Market access: Ensuring barriers removed as well as key commodities promoted effectively (Water + high value commodity (raw or processed) + export opportunity = increased GVA) • Carbon tax and compliance: What is Government's role here? Big agribusiness will be able to ensure compliance, whilst smaller businesses may need help. • Labour and social issues in agriculture: A premise for the agri and agri processing is a heavy reliance on (cheap) labour. Labour issues is considered a big risk in the private sector with a high potential impact (as evident from previous cases of labour issues). Government's role can be to facilitate, for example for a mechanism whereby labour disputes can be better resolved.

8. Conclusion and Recommendations

EQ1: To what extent did the design of Khulisa Agri Processing enable the achievement of outcomes?

Khulisa agri processing was developed as a response to clearly defined challenges of inadequate economic growth and rapidly increasing levels of unemployment in the WC. The **rationale** for Project Khulisa (including oil and gas, and tourism) extended to the selection of the three strategic intents. The evaluation hence finds that the design of Project Khulisa as well as Khulisa agri processing adequately identified and defined the problems that it was attempting to address, and that the intervention aligned closely to national and provincial priorities.

The analysis by McKinsey formed the basis for the **selection of agri processing as a priority sector** to address the lack of economic growth in the Western Cape. Whilst our findings do not allow us to conclude on whether the selection of the agri processing sector was the most appropriate response, we can conclude that the sector was demonstrated to hold considerable potential for economic growth and job creation.

The evaluation finds that the **selection of the three strategic intents** was informed by a novel cross-sectoral stakeholder engagement and consultative process and a clearly documented deep-dive analysis. Identifying key constraints across the sector (14 levers) as well as within priority sub-sectors – with a view to ensuring *focus* and prioritization – served as a valuable foundation to informing project design. This approach served the project design well, and the project benefited from the inclusion of private sector partners in specific initiatives (primarily in the wine strategic intent), where activities were designed in unison.

The ultimate selection of levers and prioritization of sub-sectors to identify three key strategies, using a game changer discourse, was a challenging task, as other priorities also influenced the selection process. Therefore, the complete execution of the 'game-changer' discourse, became somewhat diluted by the differing priorities of stakeholders in the design workshops. This is exemplified by the inclusion of initiatives in the three strategic intents which were not included on the basis of a clearly identified constraint within the agri processing sector.

Regarding the **halal strategic intent design**, it is evident that general opportunities and barriers facing the sector were identified in the design phase. However, the sensitivity of the government intending to operate in the halal space, and the complexity of the halal sector was under estimated during the design phase. This relates to, for example, the halal certification initiative, the expected impact of a halal industrial park and the assumed size of the global halal market.

For the **wine and brandy strategic intent**, alignment with the wine industry's WISE process and SABF's strategy meant that the problems and opportunities in the wine sector were very clearly defined. The selected initiatives were therefore an appropriate response to the challenge, where Government could get most benefit from limited resource by working with an industry that had its

own strategy and clearly articulated needs. However, our findings indicate that doing this brought with it a risk of duplication of efforts.

The **local capacity strategic intent** consists of a variety of initiatives not closely linked to one another. Although the strategic intent design was broadly based on the identified barriers limiting local production capacity, the evaluation finds that some of the initiatives were not defined with a great level of detail, but rather articulated an array of broad challenges, with limited indication of the scale or prioritization of the problems faced. This was particularly valid for the agri parks, skills, research and innovation initiatives.

EQ2: To what extent has the implementation of the Project Khulisa Agri Processing been efficient?

The **institutional framework** governing the implementation and oversight of Project Khulisa was comprehensive and included a broad range of stakeholders. Project Khulisa Agri Processing had many fora, working groups, and management committees at different levels, allowing for an effective oversight function and coordination of activities.

There have been delays experienced in the implementation all three strategic interventions, with the result that some expected outputs have not been achieved within the initially proposed time frames. In some instances, this has been attributed to capacity constraints within DOA and DEDAT, however, the evaluation finds that implementation dates formulated at design were ambitious and generally under-provide for the complexities inherent in each strategic intervention. Initiatives have thus been implemented based on time frames revised by the management team during implementation. Project management was comprehensive, and the **coordination of activities** was generally undertaken in an efficient manner, particularly considering the complexities and challenges inherent to implementing initiatives across the project's scope and scale

The evaluation found a misalignment in the interpretation of the **agri processing system boundary** between DEDAT and DOA. Given that both DOA and DEDAT will be operating increasingly in the agri processing space, or transition zone, achieving an agreed and shared understanding of what agri processing refers to, is important to ensuring alignment of support areas, identify synergies and avoid duplication of efforts.

The execution of the **halal strategic intent** was initially affected by the limited detailed exploration of the sector in the design phase. This is exemplified in the initial delays to the strategic intent due to the need for stakeholder engagement, as well as for the complexity in the execution of the HIP and certification initiatives. Implementation was undertaken effectively, given the complexity of the sector and the challenges experienced. The **wine and brandy** strategic intent required an initial clarification of roles between WOSA and WESGRO. Although the roles and responsibilities were ultimately clarified in business plans, interview results indicate that there may still be a perceived duplication of efforts, although the execution of business plans has been undertaken to plan. The efficiency of implementation the **local production capacity** strategic intent is best

considered at the initiative level. Findings indicate that some initiatives have been implemented as planned (database of products, commodity approach), some have experienced delays for various reasons beyond the project's control (e.g. residue testing facility, skills), some put on hold, or removed from the project (inland terminal and agri parks). The innovation and efficiency initiative consisted of a plethora of different activity types, 16 in all at the design stage – some of which have been executed as planned whilst new activities were added.

The overall **budget** for Khulisa Agri Processing was R220 million, with just under 25% "to be found". Our analysis finds that, in general most initiatives were adequately budgeted, although it is notable a large proportion of the budget in each strategic intent emanated from the commodity approach, which is a programme outside of Khulisa Agri Processing funded by CASP. Regarding expenditure, for strategic intent 1, the initial budget allocated by DOA and DEDAT has been exceeded, while some outputs are yet to be completed. For strategic intent 2 the combined DOA and DEDAT expenditure to date is close to the initial budget, and while many of the outputs have been completed, it is not entirely clear at this stage of the project how this has translated into outcomes. For strategic intent 3, expenditure to date is well below the budgeted amount, primarily due to underspending by the DOA. This may be attributed to reprioritization of budget, for example due to the drought.

EQ3: To what extent have Project Khulisa Agri-processing and its three strategic intents been effective in achieving its objectives?

Khulisa Agri Processing is an ongoing project, and we thus acknowledge that the project achievements are assessed based on **current achievements**, with an understanding that activities are ongoing. We thus note that the emerging impact of Khulisa Agri Processing is generally difficult to assess quantitatively. Many of the interventions have been institutional in nature, the implication being that these outputs are represented by needed capacity, the effectiveness and impacts of which will only be measurable over the longer term. However, given the project is not yet complete, it is important to identify and highlight project achievements, emerging impacts and outcomes across the programme's three strategic intents, and identify which initiatives remain key in contributing to the aspirational targets of Khulisa Agri Processing.

Regarding the **halal strategic intent**, demonstrable progress has been made in developing a better understanding of the halal industry, although it has yet to translate into measurable improvements in halal production capacity or exports. The assessment identifies current achievements and potential future contributions related to: **export promotion of halal products** (the halal export promotion initiative has generated signed trade declarations to a reported value of R2.65 billion); **halal governance and data** (the sector now has the institutional structures in place to enable, coordinate and drive the development of the halal industry and monitor progress through the data initiative); **halal certification** (although the way forward for this initiative is currently being clarified, clarifying halal certification is expected to be key to ensuring market access for WC producer and agri processing businesses over the longer term). **SMME and PDI**

access (business support of 44 businesses, and support of smallholder farmers) is expected to contribute and expand over the longer term.

The objective of the halal strategic intent is to "**Increase the Western Cape's share of the global Halal market from <1% to 2% by 2025, or at least double the current share by 2020**". The baseline value for halal relevant products in the Western Cape Province was calculated at R9.3 billion in 2015, and had increased by R900-million to R10.2 billion in 2017. Although Khulisa interventions have most likely contributed to this value, the extent of the project's contribution to this increase is difficult to quantify with the analysis indicating that the halal export promotion strategy is currently the most important halal initiative contributing towards this.

For the **wine and brandy strategic intent**, Khulisa has contributed to extensive promotional activities for wine in China and Angola. While the exact contribution of Khulisa to observed export volume increases is difficult to directly quantify, it is clear that export volumes have increased significantly in China and the Khulisa project has meaningfully supported the promotional activities. Whilst the **water infrastructure and transformation** initiatives are in progress, the effects of increased access to water and the transformation goals established in the commodity approach has the potential to contribute significantly over the longer term in the agricultural and agri processing sector in general. The **brandy initiative** has, as yet, not achieved its outputs.

The goal of Strategic Intent 2 was: "**To double the value of SA wine and brandy exports to China and Angola by 2025**". Wine exports to China have grown considerably over the course of Project Khulisa (more than 100%), whilst Angolan exports have been strongly affected by the oil crisis there, but have experienced recent growth due to an improvement in the Angolan economy. The exact contribution of Khulisa towards increased wine sales at a provincial level is difficult to quantify directly as it is challenging to tie an increase in wine exports to Angola and China at a provincial level directly back to Khulisa's promotional activities. This would require careful monitoring of promoted wines sales in the respective countries pre and post promotion.

There has been limited achievement of outcomes for the increased **local production capacity** strategic intent. This is partly reflected in the expenditure undertaken for this SI, with the amount spent to date far lower than the budget initially allocated for this SI. Nevertheless, the assessment does identify the following initiatives which are considered to remain central in contributing to the project objectives: **Chemical Residue Testing Facility** (when operational, the CRTF is expected to contribute to: Improved food safety in the domestic market; the maintenance and protection of existing market access; developing new export markets; and a reduction in transaction costs for exporters); **innovation and efficiency** (although the strategy towards using research outputs from the initiative is not clear, the competitiveness study can serve as an important platform to guide future identification of cross-sectoral and sub-sectoral constraints and opportunities, which the WCG can use to assess future interventions).

The objective of SI3 was to "**Increase the value added in the Western Cape Agri processing Sector by R7 billion by 2020**". The baseline value of the GVA in the agri processing sector in 2015 was R21.9 billion. The latest available value for this is only from 2016, with a value of R22.2 billion. Given the limited outcome achievement in this SI3, we see the current potential contribution of SI3 towards this objective as limited.

The overarching goals set by project Khulisa were to: "**Grow agri processing GVA from R12 billion to R26 billion, and grow agri-processing jobs from 79 000 to 179 000**". Jobs in the Western Cape agri processing sector are monitored via two measures: agri processing jobs (baseline: 111 465 jobs vs. Q1 2018: 132 188) and agri processing support jobs (baseline: 94 815 jobs vs Q1 2018: 103 705). The impact of the drought can be clearly seen in the variation in job numbers. GVA is monitored for the agri processing sector at the provincial level as outlined above (it is thus not clear where the R12 billion baseline came from).

The output and outcome level analysis identified specific Khulisa Agri Processing initiatives which may be contributing to the overall goal. It is evident from the analysis that it is generally difficult to directly to link Provincial level changes in jobs and GVA directly to Khulisa Agri Processing activities and initiatives, and Khulisa's role in observed changes should thus be considered in terms of additionality.

EQ4: To what extent are the benefits of the project sustainable in the long-term?

The most significant areas of sustainability are likely to be found in the structures that have been established by Khulisa Agri Processing. For the halal industry, where governance forums can remain active beyond Khulisa Agri Processing's implementation period, they are expected to provide significant qualitative benefits for the Western Cape's halal industry. Furthermore, should the halal certification initiative achieve its envisaged outcome, it will have a lasting impact on the halal sector in South Africa, whilst export promotion is also expected to have a lasting effect.

Whilst the Brandvlei project may not be realised within the life of Khulisa Agri Processing, it is expected to have a longer-term impact on primary agricultural production in the region. The residue testing facility is also envisaged to have a lasting effect on the agri processing sector beyond the scope of the current project. The supplier development initiatives in Khulisa Agri Processing will contribute to equipping emerging farmers and SMME businesses to operate in future. Finally, although not yet fully realized either, Khulisa Agri Processing will through the project itself and the eventual employment of an Agri Processing Director and support staff, make a lasting contribution to the development of agri processing at DOA.

Learnings and way forward

The evaluation identifies key learnings from the execution of the project Khulisa approach, which focused on prioritizing key sectors and sub-sectors that could unleash the greatest growth potential and employment creation. Key learnings reflect upon the approach and how to ensure

a focused and prioritized approach can be improved going forward. This includes: sectoral feedback mechanisms, clear identification and articulation of constraints and opportunities, the lever versus sub-sector approach, private sector's role, and project governance. The synthesis furthermore identified success criteria in common for current project initiatives which are working: a commonality was that there was a clearly identified constraint or opportunity, and that the constraint or opportunity typically was in the sphere of influence of the WCG.

8.1. Recommendations

Design and approach

The premise of the focal approach employed by Project Khulisa was to identify high potential sectors and design initiatives that could address key constraints and opportunities within the sector in question, based on Government policy priorities, private sector feedback and sub-sector potential. The objective of the WCG in Khulisa Agri Processing was, through a focused approach, to ensure they are as facilitative as possible and created an enabling environment for the sector. Successful Khulisa Agri Processing initiatives are characterized by a clear identification of constraining factors and/or opportunities and which are in the sphere of influence of the WCG. To this end we recommend the following regarding the Khulisa Agri Processing approach and design:

1. The WCG should continue to utilize the Khulisa approach, which seeks to focus and prioritize key areas within agri processing that can unleash the greatest growth potential and employment creation.
2. The challenge for this approach is an information asymmetry in the agri processing sector – lack of sub-sectoral data makes it a challenge to identify the key constraints and opportunities across the sector as well as within value chains. The Khulisa approach is contingent on clear feedback loops from the sector. We recommend that WCG develop a mechanism that can regularly provide information on key constraints and opportunities across the agri processing sector as well as within sub-sectors.
3. Many of the supply-side risks and constraints facing agriculture, agri processing and the bio-economy in general are cross-cutting, these include; skills shortages, water and energy, labour relations, market access, compliance and regulation and legislation issues. The current project approach was characterised by a debate of a lever versus sub-sector approach. As outlined above, the approach should ultimately be informed by sectoral feedback. Where possible, future programmatic efforts should be primarily focussed on the identification and amelioration of the generic, cross-sectoral constraints (levers), with more sub-sector specific interventions implemented only where sub sectoral feedback and prioritisation clearly justifies sub-sector focussed intervention.
4. Khulisa Agri Processing included existing/ongoing programmes in the strategic intent design, some of which constituted a large part of the project. For future programmatic efforts, the inclusion of existing and ongoing programmes should be determined by

whether the programme in question address the key constraints and or opportunities identified within the sector.

Strategic intent specific

5. For the halal strategic intent:
    i. Support to the halal sector should be viewed more holistically and over the long term (rather than as a game changing intervention) to harness the broader halal opportunities there are in the Western Cape as a halal destination market. For example, the halal governance structures that have been established can act as vehicles towards harnessing broader halal related opportunities, including but not restricted to agri processing. The halal governance structures should continually receive coordination support from Government beyond Khulisa Agri Processing.
    ii. The halal certification space is complex and it is challenging to identify the best way forward. The lack of a generally accepted Halal Certification Standard in South Africa undermines the WC Halal industry's ability to penetrate and secure desired markets. Government should continue to support the process underway towards clarifying halal certification; but allow the halal sector and governance structures established to facilitate and inform this process going forward.
    iii. It is clear from the evaluation that the halal industrial park initiative has experienced considerable challenges. The merits of the halal industrial park promotion process should be reviewed by Khulisa Agri Processing ManCom with a view to either removing the initiative, or to consider alternatives, for example flexible incubators or other feasible measures that are addressing factors currently constraining halal growth in the agri processing space and which align to lifting cross cutting levers (e.g. residue testing). Efforts in this regard must be aligned with the expressed needs filtering through from the halal forums and industry in general.
    iv. The halal export promotion activities should be continually supported beyond Khulisa Agri Processing, given the success of these efforts. However, it is important that there is a mechanism to feedback on how the trade declarations translate into actual increases in exports.

6. We recommend the following for the wine and brandy strategic intent:
    i. Export promotion support should continue to be offered to the wine industry. It is imperative that support is offered in a manner which avoids potential duplication of efforts, allowing the most appropriate organization to undertake promotional activities. Given our findings, the merits of supporting both WESGRO and WOSA should be carefully reviewed, and consideration given to the potential inefficiencies of this current model.
    ii. The brandy strategy entails a very limited component of the strategic intent. Efforts to support the GI process should be limited to addressing clear constraints

expressed, and that are within the mandate of DOA. Consideration should also be given as to whether brandy should feature in the targets for this strategic intent.

7. We recommend the following for the increased local production capacity strategic intent:
    i. Given the heterogeneity of initiatives, the overall theory of change and targets for this initiative should be carefully interrogated with a view to making the contribution of the initiatives more explicit and refining each of the activities. This is particularly valid for initiatives related to research and innovation, where it is unclear how the outputs will be used by the project going forward.
    ii. Efforts to operationalize the residue testing facility should be prioritized. It is furthermore important that efforts are made to promote the facility to raise awareness and to ensure full utilization.

8. The skills initiatives which traversed the project, while critically important to the success of each of the strategic intents, have lacked clarity and specificity in terms of actual activities. In order to ensure that there is greater integration of the skills programme within the specific activities of Khulisa Agri Processing, we recommend that the skills programme, going forward, be fully integrated into the planning and project management processes of Khulisa Agri Processing.

Institutional design and arrangements and project delivery

9. It is evident from the evaluation that in spite of developing a common definition of the 'boundaries' of agri processing, a lack of clarity amongst officials at DEDAT and DOA remains. Given that DOA will have an agri processing function institutionalized, it is imperative that there is sufficient inter departmental alignment between DOA and DEDAT regarding roles and responsibilities to ensure that the sector is supported seamlessly and duplication is avoided.
10. We recommend that future Khulisa programmes implement a more deliberate and specific results-based monitoring system that includes specific indicators that monitor progress against targets for projects, activities and outputs. An example of the type of indicators to be monitored is presented in the logical framework for the current evaluation.

9. References

AFMAS. (2018a). Global Best Practices in Halaal Standards and Certification Report I.

AFMAS. (2018b). *Global Best Practices in Halaal Standards and Certification Report II*.

AFMAS. (2018c). *Global Best Practices in Halaal Standards and Certification Report III*.

Canadian Economic Advisory Council. (2017). Unleashing the Growth Potential of Key Sectors.

DoA. (2015a). *Agri-processing Definition*.

DoA. (2015b). Capturing a Larger Share of the Growing Global Halaal Market, (b).

Kaiser EDP. (2016). Halal value chain project.

OABS Development. (2015). Business plan for a Chemical Residue Testing Facility in the Western Cape.

Patton, M. Q. (2008). *Utilization-focused evaluation*. Sage publications.

The World Bank. (2015). South Africa economic update : jobs and South Africa's changing demographics. Retrieved from http://documents.worldbank.org/curated/en/479161467998767997/South-Africa-economic-update-jobs-and-South-Africa-s-changing-demographics

WC Dept of Agriculture; WC Department of Economic Development and Tourism. (2016). Project Khulisa Agri: Game Changing Agri Processing Initiatives for the Western Cape Economy?, (June).

WC DOA. (2015). Activity Template 4f.

WC DOA. (2017). HOD submission Halal Studies US-3f-Approved.

WC DOA. (2018). SA Brandy Indusrty Turn-Around Support Actions.

WCFFI. (2016). *Establishment of a Halal Industrial Park in the Western Cape*.

WCG. (2018). *Annexure-Support to SMMEs in Agro processing*.

Wesgro and WoSA. (2017). Business Plan: Angola & China in 2017_2018.

Western Cape Government. (2014). *Provincial Strategic Plan 2014 – 2019*. Retrieved from https://www.westerncape.gov.za/text/2015/march/final-psp-2014-19.pdf

Western Cape Government. (2015). *Preliminary indication of budget requirements for Khulisa Agri Processing submitted to Bosperaad*.

WoSA. (2016). Motivation for Angola as Focus Market for Wine.

Annex 1. Theory of change

A.1.1. Strategic Intent 1: Capture a larger share of the global halal market

In 2015, the global Muslim population was estimated at 1.6 billion people, 60% of whom were younger than 30. Population growth trends suggest that the global population of Muslims is expected to increase to 2.6 billion by 2050, and as such, the global demand for halal products is expected to increase at the same pace. ITC trade stats suggests that the import market for halal products is worth US$250 billion, US$ 184 billion of which was to countries belonging to the Organisation of Islamic Cooperation (OIC). With its strengths in agriculture and agri processing, well-established halal certification bodies, several already-certified suppliers, and key trade links established with Muslim markets, the Western Cape is well-positioned to capture a larger share of the halal relevant market.

Project Khulisa agri processing Strategic Intent 1 aims to increase the Western Cape's share of the global Halal market. The halal value chain study[11] commissioned by Khulisa Agri Processing, revealed several challenges which not only hinder growth in the halal market for domestic consumption and export, but also limits the entrance of new suppliers into the halal market (Kaiser EDP, 2016). These challenges, viz: a lack of halal certification and accreditation; poor information sharing and data; limited market access; weak supplier development; inadequate capacity and skills; and marketing and promotion - form the basis of the initiatives designed and implemented in by the Western Cape Provincial Government to help the agri processing sector access halal markets by fulfilling the requirements of, and understanding the needs of, the Halal market, and "**Increase the Western Cape's share of the global Halal market from <1% to 2% by 2025, or at least double the current share by 2020**" (DoA, 2015b). Secondary objectives include establishing a single, globally recognised, halal certifying entity; increasing the Western Cape Halal exports value to US$31bn by 2020; helping the Western Cape capture a 20% share of the Middle-East and North African (MENA) Halal market by 2020; and establishing 5,000 new jobs by 2020 (DoA, 2015b).

The **theory of change for Strategic Intent 1** shows the causal linkages between its initiatives, outputs, outcomes and impacts, and is supplemented by this narrative description. To build a platform for engagement and encourage coordination and collaboration in the halal space, the first initiative for strategic intent 1 was to **establish two appropriate governance structures** in the halal industry. These structures would in turn help drive the implementation of the other initiatives identified in the Halal Industry in the Western Cape. Discrepancies on halal standards has hampered growth in exports for the Western Cape halal industry, therefore creating a standard

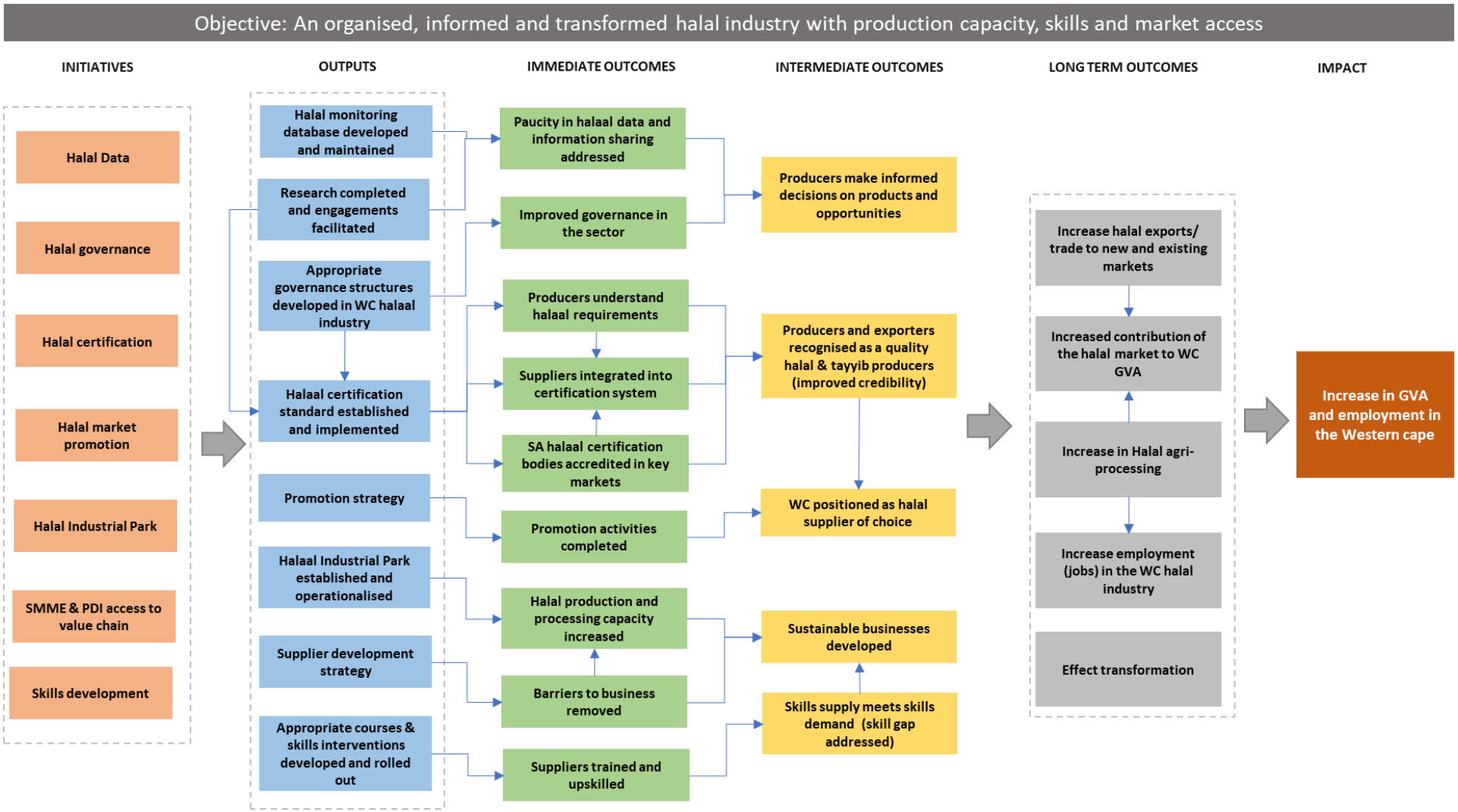
[11] The halal strategic intent was designed in Phase 2 prior to project inception in 2015, whilst the value chain study was undertaken through 2016. This will be discussed further in Section 5.2.

for halal accreditation and certification, can improve the credibility of producers and exporters, **allowing them to be recognised as quality halal & tayyib producers.**

A dedicated Halal Industrial Park (HIP) was considered as one of the ways in which growth in the halal industry could be fast-tracked to not only drive sustained industrial growth and job creation, but to also position the Western Cape as a Global Halal Hub. The third halal initiative therefore planned for the establishment of a halal industrial park (processing hub). The fourth initiative entailed the promotion of the halal industry in the WC to potential export markets, involving the development and implementation of a promotion strategy to help **position Western Cape Producers as the halal suppliers of choice**.

Transformation is a core objective of the Western Cape, but for this to happen, smaller producers must be assisted to overcome market barriers, must be given access to opportunities in the halal value chain, and must be supported to remain sustainable. The skills of suppliers and employees must also be adequately developed. To achieve this, a supplier development strategy and training courses will be implemented to help **ensure the sustainability of new suppliers and bridge the skills gap**. One of the biggest challenges within the halal industry is the lack of quality data to make informed decisions. To **help monitor activities and make informed decisions on products and opportunities** within the halal market, the Western Cape Provincial Government acknowledged that the paucity in data had to be corrected.

Together these intermediate outcomes contribute to an increase in production and agri processing in the halal industry, and increase in halal exports, an increased contribution to GVA, an increase in employment, and effective transformation (final outcomes).


Objective: An organised, informed and transformed halal industry with production capacity, skills and market access
INITIATIVES
OUTPUTS
IMMEDIATE OUTCOMES
INTERMEDIATE OUTCOMES
LONG TERM OUTCOMES
IMPACT
Halal Data
Halal governance
Halal certification
Halal market promotion
Halal Industrial Park
SMME & PDI access to value chain
Skills development
Halal monitoring database developed and maintained
Research completed and engagements facilitated
Appropriate governance structures developed in WC halaal industry
Halaal certification standard established and implemented
Promotion strategy
Halaal Industrial Park established and operationalised
Supplier development strategy
Appropriate courses & skills interventions developed and rolled out
Paucity in halaal data and information sharing addressed
Improved governance in the sector
Producers understand halaal requirements
Suppliers integrated into certification system
SA halaal certification bodies accredited in key markets
Promotion activities completed
Halal production and processing capacity increased
Barriers to business removed
Suppliers trained and upskilled
Producers make informed decisions on products and opportunities
Producers and exporters recognised as a quality halal & tayyib producers (improved credibility)
WC positioned as halal supplier of choice
Sustainable businesses developed
Skills supply meets skills demand (skill gap addressed)
Increase halal exports/ trade to new and existing markets
Increased contribution of the halal market to WC GVA
Increase in Halal agri-processing
Increase employment (jobs) in the WC halal industry
Effect transformation
Increase in GVA and employment in the Western cape

A.1.2. Strategic Intent 2: Increase exports of wine and brandy to China and Angola

The second of the strategic initiatives is focused on growing the export value of wine and brandy in two specific markets, China and Angola. The wine industry is a well-established agri processing sector characterized by world-class primary production, world-class winery and brandy production capacity and expertise, and established market-development capabilities, brand reputation and market acceptance. Identifying China and Angola, both high-potential yet under-served markets, affords the wine industry great potential to accelerate growth.

Angola is the fastest growing export market for South African wine, with opportunities for export growth to Angola driven by the characteristics of the Angolan wine market; wine consumption is part of everyday life and not only for higher social classes; middle-class consumers are eager to try new and different styles of wine and develop their own preferences; and the purchase of wine is becoming more convenient thanks to the growing formal retail channels (WoSA, 2016). South African exports to Angola have grown exponentially (493%) between 2005 and 2014, but several challenges remain; the Angolan market is still complicated by duties and tariffs and poor infrastructure at ports; SA has no trade agreement with Angola; and SA has no wine brand champion in the still wine category.

China's taste for wine is growing rapidly. Research suggests that China is set to become the world's second largest wine market by 2020, with an estimated value of US$21 billion (Wesgro and WoSA, 2017). Opportunities for wine exports to China are driven by the fact that new world wines are more easily accepted by consumers; South African wine is well received by the market due to varied price points and stable quality, and that sparkling, white and sweet wines are becoming more attractive to the younger generation. Despite the opportunities, several challenges limit SAs ability to export wine to China. These include limited knowledge and awareness about SA and SA wine; complicated by duties and tariffs, and a poorly developed distribution networks. Furthermore, South Africa has no Free Trade or other preferential trade agreements with China putting it at a disadvantage when compared to other wine-exporting countries (Wesgro and WoSA, 2018). Recognising the export potential of Angola and China, WCG has targeted **wine exports to Angola and China** as key components of Strategic Intent 2, aiming to **double the value of SA wine exports to China and Angola by 2025.**

Domestically, the **brandy industry of South Africa** experienced a decline in sales volumes of 37.6% between 2006 and 2014. Such a decrease affects the value chain, both upstream and downstream. Furthermore, brandy uses wine as the key input in production, and provides a market for wine producers to sell their inferior quality wine. In this way, slowing activity in the brandy industry also negatively affects the wine industry of the Western Cape. Research suggests this decline could be attributed to negative consumer perceptions against brandy; targeted campaigns by large multinational whisky players, and the removal of the tax rebate on brandy 2006 resulting in an increase in price (WC DOA, 2018). Under Project Khulisa, the WCG aims to

implement a concerted and coordinated marketing and promotion strategy to reverse the losses to the brandy industry by growing consumer awareness and building attractive brands.

Project Khulisa also recognized that a key constraint to growth and transformation in the wine and brandy industry is the limited opportunities to increase the **primary production capacity of wine grapes**. Agri processing is largely based on irrigation farming, and limited access to water for productive land is one of the reasons why PDIs and SMMEs struggle to enter the value chain. If the Western Cape is to increase opportunities for primary production (and ultimately double the size of irrigation farming), they would need to expand the volume of water available to agriculture. The development of appropriate irrigation infrastructure has thus been included as a key initiative under Strategic Intent 2.

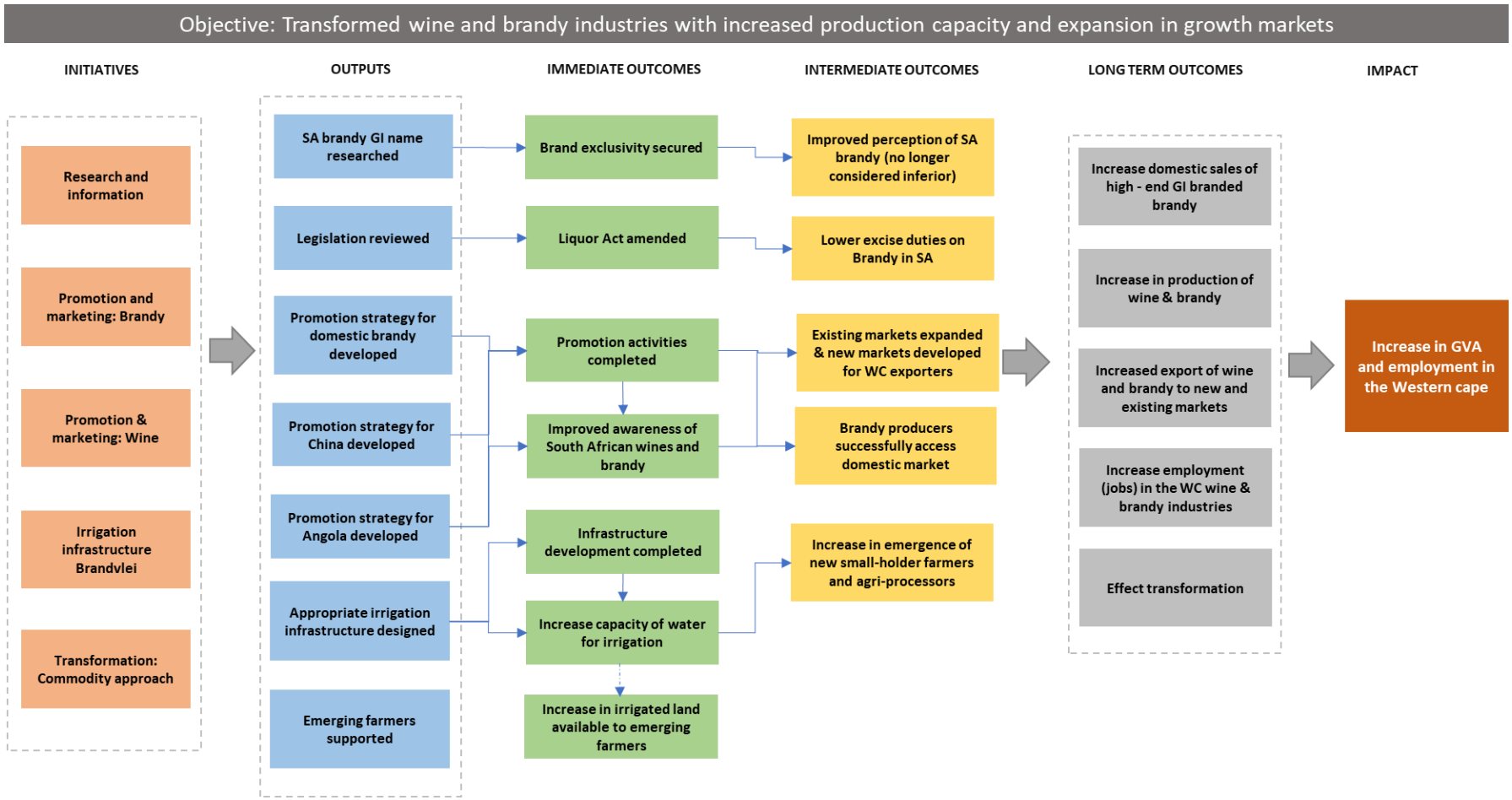
The **theory of change for Strategic Intent 2** shows the causal linkages between its initiatives, outputs, outcomes and impacts, and is supplemented by this narrative description.

To increase the sale of brandy domestically, three intermediate outcomes must be achieved. The first is that the **perception of SA produced brandy must be improved** amongst domestic consumers (intermediate outcome 1). To do this, the Western Cape government is pursuing the creation of geographic identity which authenticates and confirms that domestically produced brandy is of a higher standard. The second is that SA brandy producers need to successfully **capture the domestic market** (intermediate outcome 4)**.** To do this, they need to strategically promote this product using a focussed go-to-market strategy. The last intermediate outcome needed to increase domestic brandy sales is a **lowering of the so called "sin tax" on brandy** (intermediate outcome 2). This required a review of the tax regime as well as extensive consultations between and within government and the private sector.

China and Angola are two of the fastest growing markets for SA wine and Brandy but has potential that is remains untapped. A concerted marketing and promotion strategy in these foreign markets will increase awareness of SA products and allow for the **expansion of existing markets and the development of new markets for WC exporters in China and Angola** (Intermediate outcome 3).

Transformation is an important part of Strategic Intent 2, with PDI access to agriculture and agri processing in the wine sector limited by access to irrigated land (water). Increasing the capacity of water available for irrigation through the raising of dam capacity is seen as a means of **driving the emergence of smallholder farmers in the industry** (Intermediate outcome 5).

Together, these intermediate outcomes will contribute to an increase in the production of wine and brandy, an increase in the sale of brandy locally, and the export of wine to China and Angola, an increase in employment in the industry, and effective transformation (final outcomes).

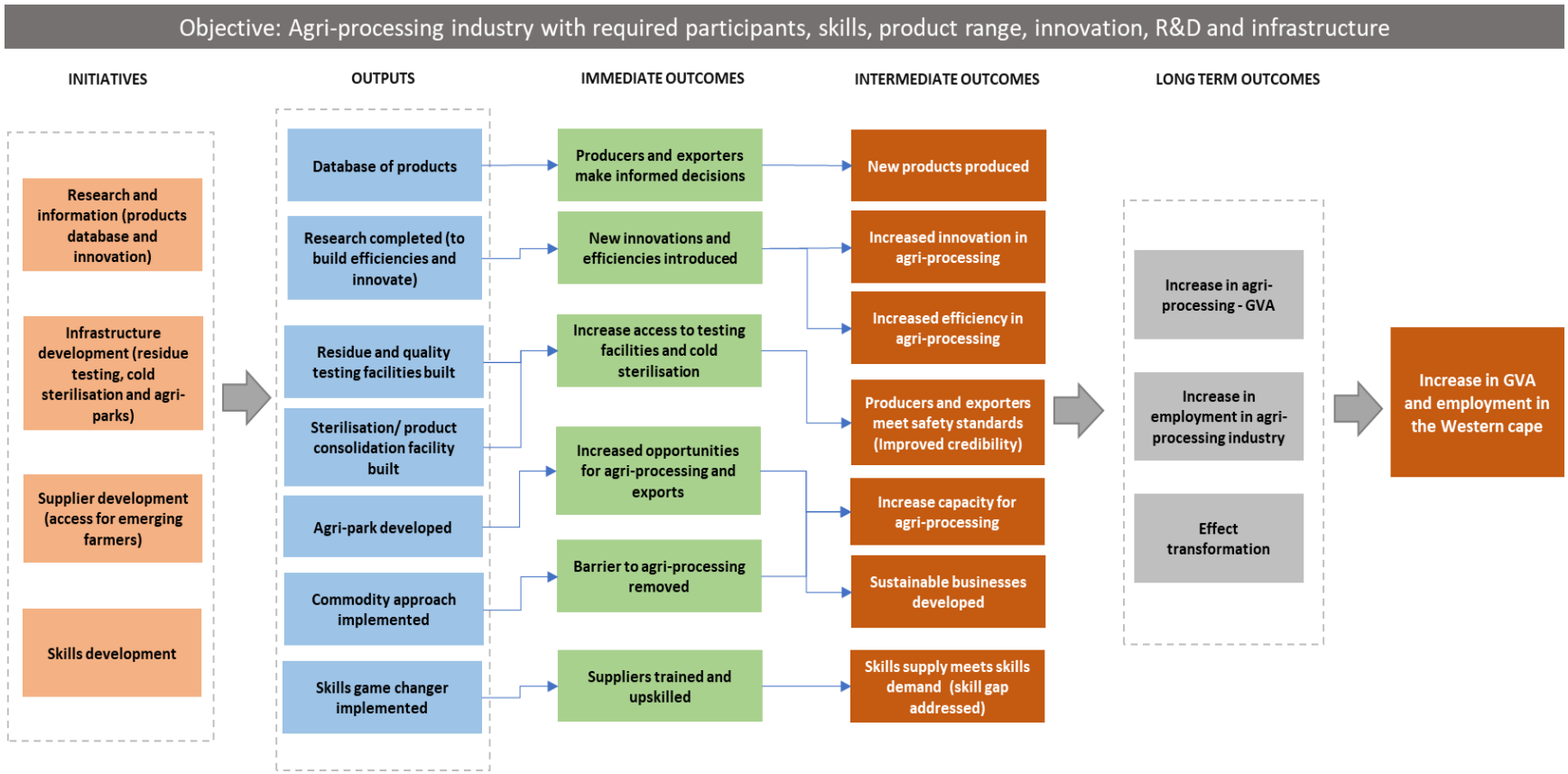

Objective: Transformed wine and brandy industries with increased production capacity and expansion in growth markets
INITIATIVES
OUTPUTS
IMMEDIATE OUTCOMES
INTERMEDIATE OUTCOMES
LONG TERM OUTCOMES
IMPACT
Research and information
Promotion and marketing: Brandy
Promotion & marketing: Wine
Irrigation infrastructure Brandvlei
Transformation: Commodity approach
SA brandy GI name researched
Legislation reviewed
Promotion strategy for domestic brandy developed
Promotion strategy for China developed
Promotion strategy for Angola developed
Appropriate irrigation infrastructure designed
Emerging farmers supported
Brand exclusivity secured
Liquor Act amended
Promotion activities completed
Improved awareness of South African wines and brandy
Infrastructure development completed
Increase capacity of water for irrigation
Increase in irrigated land available to emerging farmers
Improved perception of SA brandy (no longer considered inferior)
Lower excise duties on Brandy in SA
Existing markets expanded & new markets developed for WC exporters
Brandy producers successfully access domestic market
Increase in emergence of new small-holder farmers and agri-processors
Increase domestic sales of high - end GI branded brandy
Increase in production of wine & brandy
Increased export of wine and brandy to new and existing markets
Increase employment (jobs) in the WC wine & brandy industries
Effect transformation
Increase in GVA and employment in the Western cape

A.1.3. Strategic Intent 3: Increase Local Production Capacity

The third strategic initiative defined under Project Khulisa is directed at increasing the local production capacity to process and add-value to the province's agricultural products. Markets, whether local or export, are both highly competitive and stringent in the criteria they impose on supplying industries in terms of phytosanitary, food-safety and product-quality standards. These represent significant barriers-to-entry and meeting these standards is often the overriding constraint to entering specific markets and achieving growth for an industry. Once a market has been successfully entered, the fundamental competitiveness of the industry or sector is essential to sustaining its access to that market and growing market-share. Orientating the agri processing industry of the Western Cape to be structurally and operationally equipped to satisfy market-access requirements and to then successfully compete in growth markets requires a multi-pronged approach that addresses, amongst others, current infrastructural limitations, technical and technological constraints as well as any factors that limit businesses within the industry to compete successfully and to sustain their growth.

By helping producers and the agri processing sector to be more competitive and better equipped to access strategic markets, the Western Cape Provincial Government aims to achieve the objective of "**Increasing the value added in the Western Cape agri processing sector**" (WC Dept of Agriculture; WC Department of Economic Development and Tourism, 2016). The initiatives of Strategic Intent 3 are summarised in Table 3. The **theory of change for Strategic Intent 3** (below) shows the causal linkages between its initiatives, outputs, outcomes and impacts, and is supplemented by this narrative description. To **increase innovation and efficiencies in agri-processing**, the WCG commissioned and funded research and dissemination activities in Strategic intent 3 towards identifying novel products that could be included in the WC agri processing value chain (initiative 1); and improving innovation and efficiency (e.g. develop research chairs, research and development, and facilitation of innovation shows) (initiative 3).

Transformation is a core objective of the Western Cape, but for this to happen, smaller producers must be assisted to overcome market barriers, must be given access to opportunities in new opportunities, and must be supported to remain sustainable. The skills of suppliers and employees must also be adequately developed. Under Project Khulisa, the WCG has identified new products through research, and is building agri-parks to create opportunities for emerging producers. If done correctly, this will lead to an **expansion in agri-processing capacity** and will introd**uce new products into the agri-processing value chain** (Intermediate outcome 5 and 1). Furthermore, the skills game changer will be implemented to help **ensure the sustainability of new suppliers and bridge the skills gap** (intermediate outcomes 6 and 7).At the same time, the WCG has acknowledged its role in ensuring that **producers meet food safety requirement**s (intermediate outcome 3)– most notably for foreign markets. To this end, they are building and operationalising residue testing and cold-sterilisation facilities in order to facilitate access to these services for all producers.


Objective: Agri-processing industry with required participants, skills, product range, innovation, R&D and infrastructure
INITIATIVES
OUTPUTS
IMMEDIATE OUTCOMES
INTERMEDIATE OUTCOMES
LONG TERM OUTCOMES
Research and information (products database and innovation)
Infrastructure development (residue testing, cold sterilisation and agri-parks)
Supplier development (access for emerging farmers)
Skills development
Database of products
Research completed (to build efficiencies and innovate)
Residue and quality testing facilities built
Sterilisation/ product consolidation facility built
Agri-park developed
Commodity approach implemented
Skills game changer implemented
Producers and exporters make informed decisions
New innovations and efficiencies introduced
Increase access to testing facilities and cold sterilisation
Increased opportunities for agri-processing and exports
Barrier to agri-processing removed
Suppliers trained and upskilled
New products produced
Increased innovation in agri-processing
Increased efficiency in agri-processing
Producers and exporters meet safety standards (Improved credibility)
Increase capacity for agri-processing
Sustainable businesses developed
Skills supply meets skills demand (skill gap addressed)
Increase in agri-processing - GVA
Increase in employment in agri-processing industry
Effect transformation
Increase in GVA and employment in the Western cape