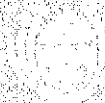


Summary and Analysis of DRDLR budget and strategic plan (2014/15)

**Tembisa Siyo-Pepeteka
Researcher: PC on Rural
Development & Land Reform**

02 July 2014



Outline of Presentation

- Introduction
- Government Priorities
- Overview of Performance in 2013/14
- 2014/15 Budget : Overall
- Programme Allocation
- ITB Budget Allocation
- Conclusion

Introduction

- This presentation is intended to summarise and flag issues raised in the document given to committee members.
- The Department's budget allocation, Strategic Plan and Annual Performance Plan (APP) outline the planned expenditure and performance of the Department over the medium term.
- The Budget of the Department should be aligned to stated Government priorities as presented in the NDP, the 2014-2019 Medium Term Strategy Framework (MTSF) and SONA.

Government Priorities

- **National Development Plan**
- The vision of the NDP with regard to rural development is that “there should be integrated rural areas, where residents will be economically active, have food security, access to basic services, health-care and quality education”.
- Agriculture is seen as the main economic driving force towards achieving this vision. Agriculture has the potential of creating close to 1 million jobs by 2030.
- In terms of the NDP access to land has a potential of creating jobs in different farming levels. Therefore, it is important to fast track land reform to provide more access to land to previously disadvantaged South Africans.

Government Priorities (cont)

2014 State of the Nation Address

- In the 2014 SONA President Zuma highlighted the following initiatives that will be undertaken by Government, which have a direct bearing on the mandate of the Department:
 - Provision of comprehensive support to smallholder farmers and speeding up land reform.
 - Provision of support to communities to engage in food production and subsistence farming to promote food security.
 - Acceleration of the settlement of remaining land claims submitted before the cut-off date of 1998.
 - Re-opening of the period for the lodgement of claims for the restitution of land for period of five years, and codify exceptions to the 1913 cut-off date for the descendants of the Khoi and San.

Overview of Performance for 2013/14

- The overall performance of the Department for 2013/14 is based on quarterly reports.
- In the third quarter the Department has failed to achieve most of its targets but had spent most of its budget.
- For example, in the third quarter the Department has achieved 15 of 34 planned targets for the quarter, which is 44 per cent of the targets while it has spent 79.8 per cent of its allocated budget. This is indicative of 4.8 per cent over-spending by the Department.
- Does this mean the Department is under-budgeting for its objectives or is it matter of inefficiency?

Overview of Performance (Cont..)

- **Land Restitution:** In 2013/14, 270 new claims were settled against the target of 230 and 292 claims were finalised against the target of 208 claims. This means it had exceeded on its targets. Does this mean the Department is under- targeting? Of 270 settled claims, 47 were rural and 223 were urban. This implies more cash compensation than land transfer.

Issues of Concern

- The issue of capacity proved to be a major challenge to the Department's ability to deliver on its targets in the past years. As a result, in the 2013 BRRR the Committee urged the Department to improve its capacity and in particular, its capacity in the Policy Unit, as shortcomings in this area has hampered the processing of policies and bills. Members can request the Department to brief them on the progress.
- The Department has failed in the past to reduce the vacancy rate to the accepted level of ten per cent due to shortcomings such as its failure to recruit skilled personnel and the long turnaround time for the appointment of staff. What innovative strategy the Department has developed to recruit and retain skilled staff?

Budget Analysis: Overall

Programme	2013/14 (R million)	2014/15 (R million)	Real Change In %	Nominal Change in %	% of Vote
Administration	1 189.8	1 169.7	-7.43	-1.69	12.37
Geospatial & Cadastral Services	794.7	774.9	-8.18	-2.49	8.20
Rural Development	1 792.4	2 011.6	5.68	12.23	21.27
Restitution	2 916.8	2 680.7	-13.46	-8.09	28.35
Land Reform	2 766.0	2 818.4	-4.05	1.89	29.81
Total	9 459.7	9 455.3	-5.88	-0.05	100

Budget Analysis: Overall (Cont)

- Budget allocation to the Department in 2014/15 is R 9.455 billion, which is a decrease of 5.88 per cent in real terms compared to the revised allocation of R 9.459 billion in 2013/14.
- Rural Development, Restitution and Land Reform Programmes account for 79.4 per cent of the Department's allocation for 2014/15.
- Expenditure on goods and services is expected to decrease significantly by an average growth rate of 17.4 per cent from 2013/14 to 2016/17 mainly through the utilisation of fewer consultants and greater reliance on internal staff.
- Transfers and subsidies take the largest share of the budget, which is R5.89 billion.

Programme allocation (Administration)

Programme	2013/14 (R million)	2014/15 (R million)	Nominal Change In %	Real Change in %
Ministry	24.7	26.8	8.50	2.17
Management	136.9	161.0	17.60	10.74
Internal Audit	48.3	63.2	30.85	23.21
Corporate Services	380.2	398.7	4.87	-1.26
Financial Services	165.1	173.3	4.97	-1.16
Provincial Coordination	293.0	284.5	-2.90	-8.57
Office Accommodation	141.7	62.1	-56.18	-58.73
Total	1 189.9	1 169.6	-1.7	-7.44

Programme allocation (Administration)

- Programme's budget allocation for 2014/15 has decreased by 7.44 per cent in real terms compared to 2013/14. The decrease is influenced by huge decrease of 58.73 per cent in real terms in Office Accommodation sub-programme. What informs this huge decrease?
- The decrease is also influenced by a reduction in consultancy fees in order to cut back on expenditure.
- There is significant increase in the allocation for internal Audit Sub-programme, an increase of 23.21% in real terms in 2014/15 compared to 2013/14. This will help to address poor capacity in the Internal Audit Unit.

Programme allocation (Geospatial & Cadastral)

Programme	2013/14 (R million)	2014/15 (R million)	Nominal Change In %	Real Change in %
National Geomatics Management Services	537.0	460.5	-14.25	-19.25
Spatial Planning and Land Use Management	177.1	198.1	11.86	5.33
Registration of Deeds Trading Account	77.7	113.2	45.69	37.18
South African Council of Planners	2.8	3.0	7.14	0.89
Total	794.6	774.8	-2.5	-8.18

Programme allocation (Geospatial & Cadastral)

- The spending focus of the programme over the medium term will be on the finalisation of the land register and to provide support to municipalities to ensure implementation of SPLUMA.
- Decrease of budget from R794.7 million in 2013/14 to R774.9 million in 2014/15, which translates to a decrease of 8.18 per cent in real terms. This is influence by decrease in compensation of employees due to finalisation of State land audit project.
- The budget for the Registration of Deeds Trading Account Sub-programme increase significantly by a nominal increase of 45.69 per cent due to the implementation of an electronic register.

Programme allocation (Rural Development)

Programme	2013/14 (R million)	2014/15 (R million)	Nominal Change In %	Real Change in %
Rural Infrastructure Development	504.6	783.1	55.19	46.13
Rural Enterprise & Industrial Development	478.9	600.3	25.35	18.03
National Rural Youth Service Corps	808.9	628.2	-22.34	-26.87
TOTAL	1 792.4	2 011.6	12.2	5.68

Programme allocation (Rural Development)

- Spending over the medium term will focus on supporting rural communities to produce their own food, infrastructure provision, facilitation of the establishment of rural enterprises and industries, job creation and skills development in rural areas.
- The budget increase from R1.792 billion in 2013/14 to R2 billion in 2014/15, which is an increase of 12.2 per cent in nominal terms or 5.68 per cent in real terms.
- Over medium term R7 billion is reprioritised from Restitution and Land Reform programmes to Rural Development Programme as transfers to households. Although the increase allocation to the Programme is welcomed more information is required.

Programme allocation (Rural Development - Cont)

- Budget allocation for the NARYSEC Sub-programme has decreased drastically from R808 million in 2013/14 to R628 million in 2014/15, which is a decrease of 26.87 per cent in real terms. This might affect the plan to train 5 000 young people in 2014/15.

Issues of Concern

- The Department should explain in detail what inform the reprioritisation of R7 billion to Rural Development over the medium term. What impact this will have on Restitution and Land Reform programmes and for what specific purpose are the transfers going to be used (especially the R4.5 billion).
- The budget for NARYSEC has been decreased significantly in 2014/15 compared to 2013/14 while the target to train 5 000 young people has not been reduced. The Department would need to brief Members on what inform this decision and whether the allocation is adequate.

Programme allocation (Land Restitution)

Programme	2013/14 (R million)	2014/15 (R million)	Nominal Change In %	Real Change in %
Restitution National Office	94.2	46.6	-50.53	-53.42
Restitution Regional Office	567.4	319.7	-43.66	-46.94
Restitution Grants	2 255.2	2 314.4	2.63	-3.37
TOTAL	2 916.8	2 680.7	-8.1	-13.46

Programme allocation (Land Restitution)

- Activities to be covered by budget is settlement of new claims, finalising backlog claims and to facilitate the re-opening of the lodgement of restitution claims.
- The budget for the Restitution Programme has dropped from R2.92 billion in 2013/14 to R2.68 billion in 2014/15, representing a decrease of 8.1 per cent in nominal terms or 13.46 per cent in real terms.
- It should be noted that the original voted budget allocation for 2013/14 was R3.39 billion but R471.21 million was shifted to programmes 1, 2 and 3 during the adjustment of budget in October 2013.

Restitution Programme (Cont)

- The budget has decreased although more allocation is needed to cover for the work load that is expected to increase for researching, validating and processing of new claims due to the proposed re-opening of the lodgement process.
- The largest share of the total budget for the Programme is for the Restitution Grants Sub-programme, which is 86.34 per cent of the total budget in 2014/15. This is expected because this budget will cover transfers to households for finalising claims, which is the core business of the Restitution Programme.

Issues of Concern

- Although the re-opening of the lodgement process is expected to kick off in 2014/15, the budget allocation for the Restitution Programme has dropped by 13.46 in real terms in 2014/15 compared to 2013/14. The Committee might request the Department to explain whether the allocation for the Restitution Programme is enough and if it not how is it going to fund for the shortfall.
- The Commission reported in Parliament in February 2014 that in order to prepare for the readiness of the Commission for re-opening the lodgement process, 304 posts were created to facilitate the lodgement of claims. The Committee might request an update from the Department on the progress in filling these posts from the Commission.

Programme allocation (Land Reform)

Programme	2013/14 (R million)	2014/15 (R million)	Nominal Change In %	Real Change in %
Land Reform National Office	138.9	124.7	-10.22	-15.46
Land Reform Provincial Offices	368.9	321.5	-12.85	-17.94
Land Reform Grants KwaZulu-Natal	546.6	420.3	-23.11	-27.60
Ingonyama Trust Board	14.5	17.3	19.31	12.34
Communal Land Rights Programme	0.0	0.0	0.00	0.00
Agricultural Land Holding Account	1 697.1	1 934.6	13.99	7.34
TOTAL	2 766.0	2 818.4	1.9	-4.05

Programme allocation (Land Reform)

- The budget under this Programme has to cover the recapitalisation and development of distressed farms, land acquisition for redistribution, and the provision of tenure security for people living on commercial farms and communal areas.
- Targets for 2014/15 include: acquisition of 1 140 000 hectares of strategically located land; 2 706 farmers to be trained through the RADP.
- The budget allocation for the Land Reform Programme has increased slightly from R2.76 billion in 2013/14 to R2.818 billion in 2014/15, which is an increase of 1.89 per cent in nominal terms but is a decrease of 4.05 per cent in real terms.

Programme Budget (Land Reform -Cont)

- In 2013/14 funds were reallocated funds from the Land Reform Programme to the Geospatial and Cadastral Services Programme which led to downward revision of targets for land acquisition and recapitalisation. The explanation given for the shift of budget was to cover for the implementation of SPLUMA, signed into law in August 2013. Does this mean that the Department had not budgeted enough for the implementation of SPLUMA as it is required to provide financial implication of the Bill?
- .

Programme Budget (Land Reform -Cont)

- The budget for the Land Reform Grants Sub-programme will decline by 27.6 per cent in 2014/15 because land is no longer acquired through this programme.
- The expenditure on acquisition of productive land is expected to slightly decrease from R309.7 million in 2013/14 to R301.4 million in 2014/15. The implication of this is that there will be a lesser amount for acquisition of land in 2014/15 compared to 2013/14.

Issues of Concern

- During the adjustment of budget in October 2013 funds were shifted from the Land Reform Programme to the Geospatial and Cadastral Services Programme resulting in the downward revision of targets for land acquisition and recapitalisation. The explanation given for the shift of funds was the need to increase the number of spatial plans in line with implementation of SPLUMA. This indicates bad planning because the Department should have budgeted for the implementation of SPLUMA as it is required to state the financial implication of the Bill in the memorandum of the Bill.

Issues of Concern (Cont)

- The budget for Land Reform Programme for 2014/15 has decline in real terms despite the fact that it is required to cover for acceleration of land reform and ensure comprehensive support for land reform beneficiaries and smallholder farmers in line with NDP and SONA. Is the budget allocation for Land Reform Programme enough and if not which objectives will be affected? It is indicated that shortfall will be address through reprioritisation from non- core services. The shifting of funds has become a trend in the Department, which indicates bad planning.

Ingonyama Trust Board

- The main objective of the Board is to administer Ingonyama Trust Land, which is about 2.8 million hectares spread throughout KZN for the benefit of traditional authorities and communities residing thereon.
- The total budget of the ITB is made up of its own income and transfer payment from the Department.
- The ITB revenue income is earned from leases, royalties and investment. In terms of the ITB's disbursement policy, 90% of the income earned through trading activities is to be used for the benefit of communities and 10 % of the income should be used for the Board's expenses.
- The ITB has achieved all its targets in 2013/14. However except there is no clarity whether Human Resource Strategy was developed but one assumes that the 5 legal policies that are to be developed in 2014/15 are based on the strategy.

Ingonyama Trust Board Budget Allocation

- The overall budget of the Board has decrease from revised budget of R77 million in 2013/14 to R55.32 million in 2014/15. This is influenced by the decline of its own income.
- Income from ITB funds has decreased from R52.70 million in 2013/14 to R38 million in 2014/15, and as percentage of total expenditure of the Board has decreased from 87.53 % in 2013/14 to 68.72 % in 2014/15.
- The decrease is influenced by the decrease in rental revenue due decline in leases as number of people become property owners. It is also influenced by the decline in reserves.
- Transfer from Government has increased from R7.5 million in 2013/14 to R17.3 million in 2014/15, and as percentage of total budget of the Board it has increased from 12.47 % in 2013//14 to 31.28 % in 2014/15.

Conclusion

- Overall the Department's Strategic Plan, Annual Performance and budget allocation for the medium term talk to Government's priorities as indicated in the NDP and SONA.
- The challenge is whether the budget is enough considering the fact that it has dropped by 5.88 per cent in 2014/15 in real terms compared to the revised allocation of R 9 459 billion in 2013/14.
- Of special concern is whether allocation is enough to cover the re-opening of claims, fast tracking of land transfer and ensure proper support is given land reform beneficiaries and smallholder farmer considering budget cuts in the Restitution and Land Reform Programmes.

Thank You