**1. Budgetary Review and Recommendations Report of the Portfolio Committee on Rural Development and Land Reform dated 26 October 2016**

The Portfolio Committee on Rural Development and Land Reform, having considered the 2015/16 annual performance reports of the Department of Rural Development and Land Reform, the Commission on Restitution of Land Rights and the Ingonyama Trust Board, further having conducted analysis of budgets and estimates of expenditure over the medium term, reports as follows:

# Introduction

In terms of the Money Bills Amendment Procedures and Related Matters Act, 2009 (Act No.9 of 2009), the National Assembly is required to conduct annual assessment of the performance of each national department with a focus on the medium term estimates of expenditure. Section 5 of the Act sets out a procedure for assessing the performance of each national department to be followed by the National Assembly. This procedure provides for portfolio committees to prepare budgetary review and recommendation reports (BRRR), which must provide an assessment of the departments’ service delivery performance given available resources; must provide an assessment of the effectiveness and efficiency of the departments’ use and forward allocation of available resources; and may include recommendations on the forward use of resources. This report, therefore, accounts for work carried out by the Portfolio Committee on Rural Development and Land Reform (the Committee) during assessment of the 2015/16 performance of the Department of Rural Development and Land Reform (the Department) and related entities, the Commission on Restitution of Land Rights (the Commission) and the Ingonyama Trust Board (ITB). It also makes recommendations for budget review and improvement of service delivery to the ministers of finance and rural development and land reform respectively.

## The mandate of the Portfolio Committee on Rural Development and Land Reform

The Committee, as an extension of the National Assembly, is governed by the rules of the National Assembly to oversee the portfolio of rural development and land reform. Explicably, it oversees the work of Executive and the Department whose mandate is transversal; that is, to create and maintain an equitable and sustainable land dispensation and act as a catalyst in rural development to ensure sustainable rural livelihoods, decent work, and continued social and economic advancement of all South Africans. Furthermore, the Committee oversees the work of the public entities and commissions reporting under the Department; namely, the Commission on Restitution of Land Rights (the Commission) established in terms of the Restitution of Land Rights Act, 1994 (Act 22 of 1994) as amended. The Ingonyama Trust Board (ITB) established in terms of the KwaZulu-Natal Ingonyama Trust Act, 1994 (Act 3 of 1994) amended by the National Act 9 of 1997.

The Committee exercises its powers within a legal framework of the Constitution, relevant statutes and the Rules of the National Assembly. It does so by considering and processing legislation from the Department and its entities; exercising oversight on implementation of the various relevant programmes of the Department and related entities; facilitating public participation; considering budget votes and expenditure outcomes; and enquiring and making recommendations about any aspect of the Department, including its structure, functioning and policy.

## 1.3 The Department of Rural Development and Land Reform

The Department obtains its mandate from priorities of government which are articulated through the Medium-Term Strategic Framework (MTSF) and 12 Outcomes of government. The mandate and priorities are aligned to the National Development Plan (NDP) as illustrated in Table 3 of this report. The Department coordinates implementation of ‘Outcome 7: Comprehensive Rural Development and Food Security for All’, i.e. Chapter 6 of the NDP discussed in detail in Section 2 of this report. Concomitant to Outcome 7, the outputs for this Department are sustainable agrarian reform with a thriving farming sector, improved access to affordable and diverse food, improving rural services to support livelihoods, improved employment and skills development and enabling institutional environment for sustainable and inclusive growth. Table 1 outlines the strategic goals for the Department.

Table 1: Strategic outcome oriented goals

|  |  |
| --- | --- |
| **Strategic Goal** | **Strategic Goal Statement** |
| * Corporate governance and service excellence * Improved land administration for integrated and sustainable growth and development * Promote equitable access to and sustainable use of land for development * Promote sustainable rural livelihoods * Improved access to services * Sustainable rural enterprise and industries * Restoration of Land Rights | * Foster corporate governance and service excellence through compliance with the legal framework * Improve land administration and spatial planning for integrated sustainable growth and development with a bias towards rural areas * An inclusive and equitable land dispensation with transformed patterns of land tenure and use * Improve rural livelihoods as a result of capabilities, income and job opportunities provided * Improve access to services in rural areas through the coordinated of quality infrastructure * Promote economically, socially, and environmentally viable rural enterprises and industries * Restoration of Land Rights in terms of the Restitution of Land Rights Act, as amended. |

Source: DRDLR (2015) Strategic Plan of the Department of Rural Development and Land Reform 2015-2020

The Strategic Plan (2015 - 2020) and the Annual Performance Plan (the APP) for 2015/16 and 2016/17 demonstrate the extent to which the functions of the Department were aligned to Outcome 7 and the NDP. The Department adopted Outcome 7 as the vision of the Department; that is “vibrant, equitable, and sustainable rural communities” and the mission is to “initiate, facilitate, coordinate, catalyse and implement an integrated rural development programme”. The vision and mission of the Department is underpinned by the strategy of “agrarian transformation, interpreted to denote a rapid and fundamental change in the relations (systems and patterns of ownership and control) of land, livestock, cropping and community”. This strategy aims at facilitating integrated development and social cohesion through partnerships with all sectors of the society. Analysis of the APPs shows that social cohesion and integrated development can be attained through shared growth and development, full employment, equity and cultural progress. Therefore, the Agrarian Transformation System, developed by the Department, is seen as an orbit around which strategies for delivery of these objectives revolves.

Table 2: Programmes and strategic objectives of the DRDLR

|  |  |  |
| --- | --- | --- |
| **Programme** | **Strategic Objective** | |
| Administration | * Compliance with all public sector legal prescripts * Unqualified regularity audit opinion * Skills development for improved service delivery |
| Geospatial and Cadastral Services | * Improved spatial planning * Integrated and comprehensive land administration system |
| Rural development | * Job creation and skills development in rural areas * Quality infrastructure provided * Functional and institutional arrangements * Facilitate the establishment of rural enterprises and industries |
| Restitution | * Land Rights restored * Redress land rights lost after 1913 |
| Land Reform | * Strategically located land acquired * Support to rural communities to produce their own food in all rural districts * Farm development support provided to smallholder farmers |

Source: DRDLR (2015) Strategic Plan of the Department of Rural Development and Land Reform (2015-2020)

## 1.3 Approach for compilation of this report

In line with the mandate of the Committee discussed in section 1.1 and section 5 of the Money Bills Amendment Procedures and Related Matters Act (2009), this report is a culmination of a range of oversight activities carried out by the Committee in the last two years. The following paragraphs highlights, starting from recent activities, some of the key oversight activities carried out by the Committee:

* *Analysis of the annual performance reports:* The Committee considered annual reports of the Department, the Commission and the ITB. On 12 October 2016, the Committee considered the 2015/16 Annual Report of the Department and of the Commission, including annual financial statements. On 13 October 2016 the Committee further considered the Annual Report of the ITB. Assessment of these reports was based on overarching policy priorities articulated in the NDP, the MTSF and relevant strategic plans. These priorities found pronouncement from various Cabinet ‘makgotla’, the State of the National Address (SONA), the Budget Speech by the Minister of Finance, and the Minister of Rural Development and Land Reform’s budget policy statement.
* *Briefing sessions with other entities that support Parliamentary oversight:* On 12 October 2016, the Committee received a briefing by the Auditor-General of South Africa (AGSA) on the performance audit conducted for the 2015/16 financial year. The AGSA focussed on audit of predetermined objectives and audit of Annual Financial Statements. On 19 October 2016, the Financial and Fiscal Commission (FFC) presented analysis of the Annual Report of the Department (2015/16) focusing on expenditure trends and relevant recommendations to National Treasury over the last two years. Some of the observations shed some insights and assisted the Committee’s analysis of the annual reports before it.
* *Analysis of quarterly performance reports:*  During 2016, the Committee continued to receive quarterly reports in order to monitor performance and track implementation of particular recommendations of the Committee, the Auditor-General and others. The report will mainly draw on quarterly reports (4th quarter 2015/16 and 1st Quarter 2016/17) considered by the Committee on 24 and 31 August 2016.
* *Review of responses to the previous BRRR*: The Committee considered the Minister of Finance and Minister of Rural Development’s responses to the previous BRRR. Some of the major budgetary question had already been addressed by the Minister of Finance; especially the Medium-Term Budget Policy Statement. The Minister of Rural Development and Land Reform tabled responses to the 2015 BRRR to the Speaker of the National Assembly on 31 March 2016. The Committee noted comments on recommendations to the Minister of Finance as well as the responses to service delivery/ programme performance.
* *Other oversight activities*: Analysis of the programme performance draws on various engagements between the Department and the Committee, especially briefing sessions on programmes. It further draws from experiences of the beneficiaries of land reform and rural development programmes which were gathered through the oversight visits to some of the recapitalisation and development farms and public hearings reports; some of the public hearings conducted by the Committee are: Assessment implementation of the Recapitalisation and Development Policy through collection of views from beneficiaries of the programme, research and academic institutions, and government departments such as the Department of Planning, Monitoring and Evaluation.

## 1.4 The structure of the report

Following this introduction, this report organised into two six main sections; namely –

Section 2: Outlines an overview of key policy areas to set the scene for analysis of the performance of the Department, the Commission and the ITB;

Section 3: Presents the financial and non-financial performance recommendations in terms of the 2015 BRRR and the 2016 Budget Vote Report.

Section 4: Presents an overview of expenditure trends over the last three years, discusses financial performance of the Department and entities during 2015/16.

Section 5: Reviews service delivery against the priorities and predetermined objectives.

Section 6: Summarises key observations, findings and conclusions.

Section 7: Presents the Committee’s recommendations to the Minister of Finance, and the Minister of Rural Development and Land Reform.

# 2. Key relevant policy priority areas

The Strategic Plan of the Department of Rural Development and Land Reform (2014-2019) sets the performance of the Department within the context of MTSF priorities linked to the National Development Plan (NDP). Table 3 below illustrates such an alignment.

Table3: Alignment of the DRDLR objective with NDP, MTSF, and SONA

|  |  |  |  |
| --- | --- | --- | --- |
| NDP Priorities | MTSF Activities | SONA  (2015) | DRDLR Strategic Objectives |
| Improved land administration and spatial planning for integrated development with a bias towards rural areas; up-scaled rural development as a result of coordinated and integrated planning, resource allocation and implementation by all stakeholders |  |  | Improved spatial planning  Improve land administration for integrated and sustainable use of land for development |
| Sustainable land reform; | Increase the percentage of productive land owned by previously disadvantaged individuals from 11.5 per cent in 2013 to 20 per cent by 2019 (or 16.2 million hectares). | Re-opening of the lodgement process | Promote equitable access to and sustainable use of land for development.  Promote sustainable rural livelihoods  Restoration of land rights. |
| Improved food security | Reduce the percentage of households who are vulnerable to hunger from 11.4 per cent in 2013 to less than 9.5 per cent in 2020 |  | Provide comprehensive farm development support  Promote sustainable rural livelihoods |
| Smallholder farmer development and support for agrarian transformation | Increase the percentage of productive land owned by previously disadvantaged individuals from 11.5 per cent in 2013 to 20 per cent by 2019 (or 16.2 million hectares). | Exploring the 50/50 policy framework  The Regulation of Land Holding submitted to Parliament | Provide comprehensive farm development support |
| Increased access to quality basic infrastructure and services, particularly in education, healthcare and public transport in rural areas |  |  | Improved access to services |
| Growth of sustainable rural enterprises and industries characterised by strong rural-urban linkages, increased investment in agro-processing, trade development and access to markets and financial services resulting in rural job creation | Reduce the percentage of the population living below the lower bound poverty line (R443 in 2011 prices) from 32.3 per cent to below 22 per cent.  Reduce rural unemployment from the current 49 per cent to less than 40 per cent. |  | Sustainable rural enterprises and industries |

Chapter 6 of the NDP (Integrated and Inclusive Rural Economy) envisions rural areas that are spatially, socially and economically integrated, where residents have economic growth, food security, access to basic services, health-care and quality education. It suggests that agriculture should be the driving force to achieve this vision. The NDP also suggests that agriculture has the potential to create 1 million jobs by 2030. Further, access to land has a potential to create 300 000 jobs in different farming levels. It also sets a target to transfer 20 per cent of agricultural land to black people by 2030. It proposes district-based land reform driven by district land committees which would determine the land needs in particular districts, identification of land available and collaboration of stakeholders to address those needs. As highlighted in Section 1.3, and demonstrated in Table 3 above, alignment of the policies and programmes of the Department is of utmost importance. The NDP outlined six policy imperatives and those are aligned to strategic objectives of the Department (see Table 3).

## 2.1 Priority policy and legislation to be developed in the medium-term

Given the SONA pronouncements on policy and other policy commitment made since 2009, ongoing policy development emanating from public consultations that flowed from publication of the Green Paper on Land Reform in 2011 culminated into proposals for amendment of a number of pieces of legislation and development of new policies. For the 2015/16 financial year, the Department planned to process five pieces of legislation. The following paragraphs presents status quo as at 31March 2016.

* *Extension of Security of Tenure Amendment Bill:* The Billproposes amendments aimed at finding lasting solutions to tenure insecurities in commercial farming areas by combining land redistribution measures within effective legal protection and dispute mechanisms. Although the Department could not meet the deadline for June 2015, this legislation was Table during 2015.
* *Regulation of Land Holding Bill, 2015:* The Billsought to provide for regulation of communal land, disclosure by landowners of their nationality, race and gender; the circumstances under which foreign persons may own and/or have access to land; the establishment and maintenance of a register of land ownership; the submission of information on public land; the establishment and composition of the Land Commission; and the resolution of disputes over situations in which two or more title deeds have been issued in respect of the same parcel of land. The Department could not table the legislation as planned for August 2015.
* *Communal Property Association Amendment Bill, 2015:* The proposed amendments sought to amend the Communal Property Associations Act (1996) so as to redefine the kind of communities and persons to whom the provisions of the Act apply. It is further intended to clearly define the nature and sub- stance of the report on communal property associations that has to be tabled in Parliament. The Department was unable to table the legislation in Parliament by August 2015.
* *Electronic Deeds Registration Bill, 2015*: It is intended to provide for an electronic deeds registration system. The Department was unable to table the Bill by August 2015 as planned.
* *Communal Land Bill, 2015*: The proposed legislation sought to provide for the regulation of communal land; legal security of tenure by transferring communal land, including KZN Ingonyama land, to communities and members of communities; the administration of communal land by communities; communal land administration committees and households forums; land rights enquiries; establishment of the Communal Land Board; and amendment and repeal of certain laws. The Department was unable to table the legislation by September 2015 as planned.

The Committee noted with concern that, except the Extension of Security of Tenure Amendment Bill that was tabled in 2015, none of the planned Bills were concluded. However, the Department carried forward those legislative initiatives into the 2016/17 financial year’s APP. During the Committee meeting on 12 October 2016, the Minister tabled a report which showed that the programme of legislation had been amended to table the majority of the planned legislation in 2017 (between June and August). The programme has been agreed with the Office of the Leader of Government Business. The Committee urged the Department to adhere to the legislative programme so that planned legislative and policy programme for the MTEF period is achieved. Table 4 below outlines some of the key policies that have been planned for the MTEF period.

Table 4: Planned Policies over the MTEF period

|  |  |  |
| --- | --- | --- |
| **2015/16** | **2016/17** | **2017/18** |
| Policy on Rural Enterprises and Industry Development | Exceptions on the June 1913 cut-off date of the Restitution of Land Rights | Rural Settlements Operations Policy |
| Policy on Strengthening of Relative Rights for People Working the land | National Land Tenure Policy: Responses to historically racial based social and economic disparate space | Policy on Rural Development Agency |
| Policy on a Rural Development Investment and Finance Facility | Policy on Access to Historical Land Marks and Heritage Sites on Private Land |  |
| Electronic Deeds Registration Policy |  |  |
| Policy reviews: RADP, PLAS, Farm Share Equity Schemes |  |  |

The Committee noted that policy reviews of RADP had not been concluded and that the integrated funding model was still outstanding. The policy on Strengthening the Relative Rights for People Working the Land was at a pilot phase, yet there is a plan to substantially increase the number of sites. The Committee cautioned about hastening to roll out the programme prior to finalisation of the pilot phase, documentation of the lessons and review of the policy, where necessary.

# 3.Previous **financial and service delivery recommendations**

This section presents an overview of the Committee’s recommendations regarding the 2014/15 expenditure outcomes and service delivery performance as per the October 2015 BRRR. It further presents the responses of the Minister of Finance as per provisions of Section 7(4) of the Money Bills Amendment Procedure and Related Matters Act (2009). This Act provides that the Minister of Finance must submit a report to Parliament at the time of the budget explaining how the Division of Revenue Bill and the national budget give effect to, or the reasons for not taking into account, the BRRR recommendations. The Committee further reflected on the responses of the Minister of Rural Development and Land Reform as discussed above. The recommendations of this report has taken cognisance of the responses of both ministers.

## 3.1 The 2015 budget review recommendations

For compilation of this report, the Committee considered the BRRR for the 2014/15 financial year, both the budget recommendations and service delivery recommendations.

**3.1.1 Budget recommendations**

During 2015/16, the Committee observed that the approval of restitution grants in terms of Section 42C and introduction of the Recapitalisation and Development Policy were not aligned. Given the rights-based approach of restitution and a requirement for settlement support in terms of finance, policy mechanisms to ensure the restitution beneficiaries access development grant as envisaged in the Act were needed. It also noted that part of the restitution grants approved prior to 2009 constituted the R6 billion commitments which result in contingent liability for the Department. The Committee therefore recommended that the Minister of Finance should develop, together with the Minister of Rural Development and Land Reform, a funding plan for commitments to assist the Commission to clear all the commitments related to land claims approved before 2015/16. The Committee further recommended that all commitments should be paid up during the current MTEF period. Response of the Minister of Rural Development and Land Reform suggests that National Treasury was unable to fund the restitution mandate as per the Committee’s recommendations due to current negative economic conditions.

Evaluation reports for the Recapitalisation and Development Programme suggest that there a number of policy areas where there is duplication of government intervention, especially in grant funding. This issue had been raised by the Committee on a number of occasion, including the BRRRs. The Committee recommended that National Treasury, Department of Agriculture, Forestry and Fisheries and the DRDLR should finalise the development of an integrated funding model for settlement support to land reform beneficiaries, smallholder farmers and emerging commercial farmers. The Minister of Rural Development and Lan Reform’s response as discussed in the preceding paragraph applies to this recommendation too.

**3.1.2 Service delivery recommendations**

The recommendations pertaining to service delivery are presented in three sections, namely for the Department, the Commission and the ITB.

**(a) Department of Rural Development and Land Reform**

The Committee recommended that the Department should conduct a national survey on productivity of land reform farms (including earlier SLAG and LRAD ones). The intension is to initiate assessment of the extent of improvement on the number of land reform farms that have reportedly become unproductive over the years; and further assess the socio-economic impact of land reform among beneficiaries of land reform. The Minister agreed to the recommendation and suggested that the partnerships with ARC and NAMC will be utilised for this assessment. It is however unclear when the project will commence and further engagement is necessary.

One of the concerns related to poor track record in policy and legislation development. A plan to finalise and table a number of piece of legislation was not adhered to, except tabling of the ESTA Amendment Bill. The Committee recommended that the DRDLR should finalise and submit the following policies: Strengthening of relative rights for people working the land, communal land tenure policy, and regulation of foreign ownership of land. Further, it recommended the revision of the programme for legislation development and tabling.

The programme of NARYSEC received attention on a number of fronts, first the design of the programme, funding and weak oversight by the Department. The Committee recommended that the Department should redesign the NARYSEC programme to improve on its management, and further align the programme to the NQF standards for accreditation by competent authority. The Minister reported that the review was completed. The programme was also ‘re-engineered’ to improve programme management and alignment to the NQF standards.

With regard to Agri-Parks, the Committee recommended that the Department should continue coordinate Agri-Park interventions and engage relevant departments such as the Department of Agriculture Forestry and Fisheries, Department of Small Business and the Department of Trade and Industry to maximise use of limited resources and avoid duplication of government services. Further, enhance the capacity of the Department to coordinate expertise from elsewhere in and outside government.

Given the complains made by the traditional leaders regarding implementation of Spatial Planning and Land Use Management Act (SPLUMA), the Committee recommended that the Minister should facilitate an inclusive process, together with affected parties and stakeholders, to address the concerns regarding the implementation of SPLUMA on land under the authority of traditional councils. The Committee noted that the Minister’s response stated that task teams have been set up to improve communication and consultation with stakeholders.

The Department should build internal capacity to carry out the mandate for tenure reform and land administration, especially support to CPAs, processing labour tenants’ applications. Further, the Minister should submit status report on processing of labour tenants’ applications by the end of 2015/16 financial year; including but not limited to the total applications received by province, the extent of land by district, the cost estimates for processing such applications, and possible time frames.

(**b) Commission on Restitution of Land Rights**

The committee recommended that the Minister of Rural Development and Land Reform should:

* + - Engage the Minister of Finance to secure necessary funding to enable the Commission to attain its full autonomy by the end of 2016/17. Such funding must cover the costs for creating additional posts required for management of the autonomous Commission.
    - Ensure that the Commission, which reported overachievement on targets within the limited budget available, relook at the manner in which they set their targets to avoid over or under-targeting.
    - Ensure that the Commission clears all the commitments arising from the settlement of land claims before 2015/16; further ensure that it minimises circumstances that may result in over-commitment, creating liabilities that affect the capacity of the Commission to settle land claims.
    - Develop, and submit to Parliament, the prioritisation plan for land claims lodged prior to 1998 as an indication of compliance with section 6(1) (g) of the Restitution of Land Rights Act (Act 22 of 1994) as amended.
    - Review Section 42C of the Restitution of Land Rights Act (Act 22 of 1994) as amended in conjunction with the policy imperatives for the contribution of 25 per cent of the allocation for land acquisition to the Recapitalisation and Development Fund; further ensure that settled and finalised land claims are be linked to the RADP .

1. **Ingonyama Trust Board**

The committee recommended that the Minister of Rural Development and Land Reform should:

* + - Review the Ingonyama Trust Board Act to ensure that the functions of the ITB are in line with the legislation.
    - Appoint the Board for the full duration of the Ingonyama Trust Board as provided for the in the Ingonyama Trust Board Act, rather than renewals for 1 year as has been the case over the last two or three years.
    - Facilitate engagement between the Board and the Auditor-General together with the Accountant General by the end of 2015/16 in order to address the perennial non-compliance of the ITB with the GRAP standards in relation to valuation of land.

## 3.2. The 2016/17 Budget Vote 39 Report

Having considered the 2016/17 APP against the five year strategic plan of the Department, the Commission and the ITB, the Committee recommended that, within three months after adoption this report by the National Assembly, the Minister of Rural Development and Land Reform should:

**Administration**

* Submit a progress report detailing status quo with regard the five pieces of legislation that targeted for tabling in Parliament. Further, the report should indicate if the Department would be meeting the set timeframes, if not, revised timeframes should be proposed so that proper planning by the Committee could be done.
* Ensure that the vacancy rate of the Department and the Commission was reduced by filling all strategic and senior management positions, the vacant Deputy Director-Generals and Chief Directors positions in particular, in order to address the challenges lack of capacity perform on some of the critical programmes.
* Consult widely all relevant stakeholders together with farm workers, as intended active partners to the proposed enterprises to be established in terms of the proposed policy on ‘Strengthening Relative Rights for People Working the land’. Further, the Minister, having concluded consultations with farmers and stakeholders, should table a report, including outcomes of consultation process, in Parliament about key policy proposals for further deliberation.
* Ensure implementation of the risk management strategies and plans so that all forms of exposure to risks are contained and submit progress report to Parliament.

**Geospatial and cadastral Services**

* Submit a report about the target municipalities that the Department plans to assist develop the Land Use Schemes in order to address the related legacy of apartheid spatial planning.
* Submit a progress report on the investigation on the e-cadastre project.

**Rural Development**

* Ensure effective improvement of coordination of planning and interventions, especially in areas where there is potential for duplication of services; for example Land Care programme of the Department of Agriculture, Forestry and Fisheries vis-à-vis Animal and Veld Management Programme of the DRDLR. In addition, mechanisms to foster coordination within the Department should be put in place, especially land reform, restitution and RID as well as REID. Further, to submit report on progress made.
* Conducting a review of the NARYSEC programme to assess if the programme has achieved the intended consequences in the last five years, challenges encounters, and implications for future implementation plans.

**Restitution (Commission on Restitution of Land Rights)**

* Continuously engage National Treasury about increasing allocation of funding for restitution to clear the commitment register of settled land claims.
* Ensure that the programme for mobile land claims lodgement centres are publicised, including circulation at local municipalities, constituency offices, traditional councils, and other public centres to ensure effective campaign for reopening of lodgement of land claims. Further, submit progress report on the performance of the mobile lodgement centres, including but not limited to, provinces and areas visited, number of land claims received per mobile lodgement centre, total cost of operation per mobile centre.
* Develop guidelines and strategic framework for prioritisation of all land claims lodged prior to the cut-off date of 31 December 1998. Such framework should provide a time-framed and realistic plans, with estimated costs, for research, gazetting and settlement of such land claims.
* Submit a report on all litigation matters before the Land Claims Court, detailing the dates of lodgement and referral to the Land Claims Court, the nature of dispute, the current status of each matter, and financial implications to the Commission.
* Finalise the revised organogram of the Commission to ensure that the new structure aligns with the autonomy of the Commission. Further, submit quarterly report on progress towards achieving full autonomy of the Commission.

**Land reform and development support**

* Improve on monitoring and evaluation of the implementation of the Recapitalisation and Development Programme.
* Develop models for assessment of the viability of the Recapitalisation and Development Programme farms which is based on, amongst others, economic viability and profitability of the farms.
* Ensure coordination of with DAFF to ensure streamlining farmer support to land reform beneficiaries, including small-scale farmers. One such area of streamlining is extension support services.
* Submit a performance plans on the Tenure Reform component of the land reform programme (mainly farm evictions and land rights management facility) with clear and realistic targets and performance indicators.

**The Ingonyama Trust Board**

* Ensure that the ITB appoints the Chief Executive Officer within reasonable time to avoid having the CEO and CFO positions being centralised in one person.
* Finalise policies to address gaps relating to funding of cultural activities, promotion of women’s independent access to land and other relevant policies that affect the manner in which the ITB performs its functions.
* Facilitate, without delay, resolution of ongoing questions raised by the Auditor-General in relation to the value of the ITB’s land/property so that the ITB could move toward achievement of an unqualified clean audit. Further submit quarterly progress report on implementation of the remedial measures.
* Conduct a comprehensive socio-economic impact assessment of the performance of the ITB and how the beneficiaries have materially and socio-economically benefited from the ITB programmes.
* Submit a detailed plan on how the new programme of Rural Development would work and its impact on the structure and mandate of the ITB. Further, submit the proposed organogram that incorporates the programme of rural development.
* Ensure that the ITB complies with the National Treasury Regulations and the Public Finance Management Act guidelines with regard to accounting on all its funds, irrespective of income generated by the ITB or the funds voted by Parliament.
* Develop and submit clear performance indicators that shows how the ITB will contribute to improvement of the lives of the rural communities. Further, assist the ITB to conduct socio-economic impact assessment of its performance against the founding legislation and the programmes it implemented over the last five years.
* Develop mechanisms and systems to improve oversight of the Ministry and the Department over the ITB, further link to the monitoring and evaluation of the Department. The Minister is requested to submit a report to the National Assembly about this matter within three months of adoption of this report by the house, as it is the case with the rest of the recommendations.

# 4. Overview of 2015/16 financial performance

## 4.1 The Department of Rural Development and Land Reform

For the 2015/16, the Department was allocated a total budget of R9.197 billion, a downward adjustment of R182.823 million from the original allocation of R9.379 billion. The allocation meant to fund implementation of key programmes of government, targeting rural development as discussed in section 3 above. The adjustment relates to the declaration of R200 million unspent funds on the Agricultural Land Holding Account (ALHA) as one of cost containment measures effected within the Department. The Committee noted that the Department was able to reprioritise from the retained funds to cover for the shortfall and avoid significant negative impact on service delivery.

As illustrated in Table 5 below, the total expenditure for the period under review is R9.1 billion, or 99.1 per cent. The Committee observed that the expenditure rate and amount allocated have decreased in 2015/16 when compared to 2014/15. Contrary to the previous years, number of achievements against the set targets increased, with a target success rate of 71 per cent in 2015/16 *vis-à-vis* 52.4 per cent in 2014/15. The Committed noted the improvement and commended the Department for the effort, except to express concerns on the value and impact on communities. This matter is pursued under service delivery targets in sections to follow.

Table 5: Appropriation and Expenditure

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programmes** |  | **2015/2016** |  |  | **2014/15** |  |
| **Final Appropriation R'000** | **Actual Expenditure R'000** | **Expenditure as per cent of Appropriation** | **Final Appropriation R'000** | **Actual Expenditure**  **R'000** | **Expenditure as per cent of Appropriation** |
| Administration | 1 340 960 | 1 336 907 | 99.7per cent | 1 384 430 | 1 382 197 | 99.8per cent |
| Geospatial & Cadastral Services | 701 279 | 681 843 | 97.2per cent | 734 815 | 732 537 | 99.7per cent |
| Rural Development | 1 931 669 | 1 921 995 | 99.5per cent | 1 850 932 | 1 800 988 | 97.3per cent |
| Restitution | 2 675 984 | 2 630 239 | 98.3per cent | 2 998 742 | 2 997 937 | 100.0per cent |
| Land Reform | 2 547 469 | 2 547 063 | 100.0per cent | 2 486 386 | 2 482 096 | 99.8per cent |
| **Total** | **9 197 361** | **9 118 047** | 99.1per cent | **9 455 305** | **9 395 755** | 99.4per cent |

Source: DRDLR (2016) Annual Report of the DRDLR

The Committee noted that restitution, followed by redistribution, takes the greatest chunk of the total budget of the Department (about 78 per cent of the budget by end of 2016). Further, it also noted that between 2012/13 and 2015/16, budget allocation to the department has been in decline by a real annual average of 4.5 per cent. Given this trend, 98 per cent expenditure by the Commission and 97 per cent by Geospatial and Cadastral Services was a matter of great concern.

* + 1. **Irregular, Fruitless and Wasteful Expenditure**

Table 6 below illustrates trends of expenditure that can be regarded as irregular, fruitless and wasteful. The irregular expenditure decreased by 83 per cent from R25.2 million in 2014/15 to R4.4 million in 2015/16. A concern was that this irregular expenditure related to non-compliance with supply chain prescripts and restitution overspending. Nevertheless, the Committee noted this improvement as a commendable effort and an indication of some traction gained with enhancement of internal controls. The Committee expressed concerns regarding fruitless and wasteful expenditure which increased from R6.7 million in 2014/15 to R11.8 million in 2015/16. The fruitless and wasteful expenditure bears witness to a need for further intervention in reinforcement of the internal controls. Drawing on the Auditor-General’s report, the Committee suggested that there is a need for the Accounting Officer to enhance efforts toward preventing irregular, fruitless and wasteful expenditure.

Table 6: Summary of irregular, fruitless and wasteful expenditure for the DRDLR

|  |  |  |
| --- | --- | --- |
| Year Incurred | Irregular Expenditure | Fruitless and wasteful expenditure |
| 2013/14 | R 12 647 million | R 5 417 million |
| 2014/15 | R 25 286 million | R 6 703 million |
| 2015/16 | R 4 456 million | R 11 856 million |

* + 1. **Trading Entities**

This section focuses on the two trading entities, namely the Agriculture Land Holding Account (ALHA) and the Deeds Registration Trading Account (DRTA).

**Agriculture Land Holding Account:** The ALHA is responsible for acquisition of strategically located land in terms of the PLAS programme for agricultural production. Funds for the entity are appropriated under the Land Reform Programme. Table 7 below illustrate in summary the expenditure outcomes for the period under review.

Table 7: Summary of financial performance of the Agriculture Land Holding Account

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **2015/16** | **2014/15** | **2013/14** |
| Transfers from DRDLR | R1.342 billion | R1.613 billion | R1 697 billion |
| Expenditure rate for transfers | 100per cent | 100per cent | 100per cent |
| Revenue: exchange transactions | R64.318 million | R69.342 million | R101.85 million |
| **Total Revenue** | **R1.424 billion** | **R1.684 billion** | **R1.820 billion** |
| Total Expenditure | R432.4 million | R318.98 million | R1.052 billion |
| Surplus | R980.84 million | R1.354 billion | R768.3 million |

The Committee noted that the reasons for poor collection of revenue from leases is a result of a policy decision to exempt PLAS farmers on leasehold to pay lease fees for a period of five years (the lease payment is based on 5 per cent of the projected net income calculated using the approved farmers’ business plan). The Committee would monitor implementation of plans to ensure that at the end of the five year period, systems put place to ensure compliance with the administration of leases and that farmers are able to pay the fees bears fruit. The post-settlement support from both DAFF and DRDLR will be central to the capabilities of farmers to generate revenue to enable them to pay the lease fees. The Committee noted a fruitless and wasteful expenditure of R1.017 million incurred due to an overpayment to a farmer interest with regard to investment costs reported in the previous financial year but not yet condoned. It also related to interest paid on late payment on rates and taxes.

**Deeds Registration Trading Account:** The DRTAis responsible for registration of deeds and also to maintain public registers of land. Although some funds are appropriated through Geospatial and Cadastral Services programme, the main source of funding for this account is fees charged on the registration of deeds and the sale of deeds information.

Table 8: Summary of financial performance of the Deeds Registration Trading Account

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **2015/16** | **2014/15** | **2013/14** |
| Transfers from DRDLR | R50.31 million | R182.106 million | R241.74 million |
| Expenditure rate for transfers | 100per cent | 99.8per cent | 100per cent |
| Revenue: exchange transactions | R684.81 million | R536.73 million | R522.8 million |
| Total Revenue | R655.4 million | R722 million | R603.34 million |
| Total Expenditure | R597.53 million | R613.86 million | R497.3 million |
| Surplus | R57.58 million | R107.59 million | R105.32 million |

The Department transferred R50.31 million during the year under review, a decline from R182.1 million transferred in 2014/15. In the same strand, the total revenue also declined from R722 million in 2014/15 to R684.8 million during the year under review. The DRTA spent 100 per cent of the transfers. Committee noted that the surplus for this account was the lowest in the last three years.

## 4.2 The Commission on Restitution of Land Rights

For the period under review, the Commission’s budget was appropriated as part of the Department in terms of Programme 4 (Restitution). However, a policy decision was taken to de-link the Commission from the Department as envisaged in the Restitution of Land Rights Act (1994). It is planned by 1 April 2017, the Commission would have become an autonomous entity, i.e. Section 3A Public Entity, reporting directly to the Minister of Rural Development and Land Reform. This discussion on the autonomy of the Commission is an ongoing one and requires attention from a range players including the National Treasury.

The Restitution Programme received final appropriation of R2.675 billion in 2015/16, of which R2.630 billion (98.3 per cent) was spent (see Table 5: programme 4 – restitution). The Committee noted that this was a decline in expenditure trends because the Commission has been able to expend 100 per cent of its budget in the last two years. Table 9 illustrates expenditure per item, i.e. land purchase, conveyancers, grants, and financial compensation. Land purchase and financial compensation accounted for 55.5 per cent of the entire expenditure for restitution. Expenditure on grants (including the Recapitalisation and Development Programme) accounted for about 7per cent. As reported in the previous BRRR, this calls to question the policy provision that 25 per cent of the land cost has been allocated for Recapitalisation and Development. The Committee expressed concern and a need to rethink the link of Recapitalisation and Restitution with a view to enhance post settlement support to restitution beneficiaries and not limit it agriculture.

Table 9: Expenditure per item

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Regional Office** | **Land Purchase & Land and Subsoil** | **Conveyancers** | **Re-Cap/Grants** | **Financial Compensation** | **TOTAL** |
| Eastern Cape | 549 000.00 | 0 | 0 | 267 577 192.18 | 268 126 192.18 |
| Free State | 8 803 103.60 | 0 | 593 030.00 | 79 578 230.96 | 88 974 364.56 |
| Gauteng | 705 260.00 | 553 513.06 | 27 000.00 | 32 370 603.09 | 33 656 376.15 |
| KZN | 520 134 190.10 | 2 046 961.87 | 15 085 418.00 | 182 124 201.72 | 719 390 771.69 |
| Limpopo | 129 900 707.12 | 67 681.00 | 115 059 023.62 | 62 281 459.60 | 307 308 871.34 |
| Mpumalanga | 197 509 136.30 | 1 393 560.36 | 7 717 606.26 | 33 193 848.55 | 239 814 151.47 |
| Northern Cape | 75 239 497.80 | 0 | 0 | 44 724 808.26 | 119 964 306.06 |
| North West | 220 067 601.40 | 946 567.28 | 0 | 24 036 776.38 | 245 050 945.06 |
| Western Cape | 43 247 974.10 | 0 | 12 672 660.33 | 76 666 079.43 | 132 586 713.86 |
| **Total** | **1 196 156 470.42** | **5 008 283.57** | **151 154 738.21** | **802 553 200.17** | **2 154 872 692.37** |
| **As a per cent of Total** | 55.51per cent | 0.23per cent | 7.01per cent | 37.24per cent | 100.00per cent |

Source; CRLR (2016) Presentation at the Portfolio Committee on 12 October 2016

The Committee also expressed concerns over the total of R5.6 billion on commitments. The continuous use of allocation of funds to settle backlog claims and commitments has a negative effect on number of land claims that could be settled in a financial year as illustrated in Table 10 below. Of the total expenditure of R2.1 billion on settlement of claims, 34per cent or R734 million was used to pay for claims settled before 2015.

Table 10: Expenditure: New vs Backlog Claims

|  |  |  |  |
| --- | --- | --- | --- |
| **Province** | **Expenditure - Claims approved prior 2015** | **Expenditure - Claims approved in 2015/16** | **Total Expenditure** |
| Eastern Cape | 173 676 786.39 | 94 449 405.79 | 268 126 192.18 |
| Free State | 854 359.50 | 88 120 005.06 | 88 974 364.56 |
| Gauteng | 3 229 099.43 | 30 427 276.72 | 33 656 376.15 |
| KwaZulu-Natal | 254 125 498.58 | 465 265 273.11 | 719 390 771.69 |
| Limpopo | 128 484 309.11 | 178 824 562.23 | 307 308 871.34 |
| Mpumalanga | 49 526 976.12 | 190 287 175.35 | 239 814 151.47 |
| North West | 8 407 624.66 | 111 556 681.40 | 119 964 306.06 |
| Northern Cape | 72 003 214.83 | 173 047 730.23 | 245 050 945.06 |
| Western Cape | 44 231 544.57 | 88 355 169.29 | 132 586 713.86 |
| **TOTAL** | **734 539 413.19** | **1 420 333 279.18** | **2 154 872 692.37** |
| **As a per cent of Total** | 34.09per cent | 65.91per cent | 100.00per cent |

Source; CRLR (2016) Presentation at the Portfolio Committee on 12 October 2016

## 4.3. The Ingonyama Trust Board

The ITB has two sources main sources of revenue, namely trading and investment activities and transfer of payments it receives from the Department. Income from trading activities derives mainly from leases and compensation from servitudes.

Table 11: Budget allocation and expenditure 2015/16 compared to 2014/15

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 2015/16 | | 2014/15 |  |
| **Actual budget and expenditure R** | | **As per cent of the total revenue** | **Actual budget and expenditure R** | **As per cent of the total revenue** |
| Rental Revenue | 96 130 563 | 75.01 | | 70,785,638 | 70 |
| Finance Income | 12 712 800 | 9.92 | | 11,357,283 | 11 |
| Royalty Revenue | 773 061 | 4.17 | | 898,581 | 1 |
| Transfer Payment | 18 069 000 | 14.10 | | 17,294,000 | 17 |
| Other revenue | 476 702 | 0.37 | | 746,268 | 1 |
| **Total Revenue** | **128 162 126** | **100.00** | | **101,081,770** | **100** |
| Total Expenditure | 72 894 979 | 56.88 | | 83,965,810 | 83 |
| Non-cash surplus | 55 267 147 | 43.12 | | 17,115,960 | 17 |

Source: (2016) Annual Report of the Ingonyama Trust Board.

The ITB’s disbursement policy prescribes that 90 per cent of the revenue of the Board, gained through trading activities, should be used for the benefit of communities and the remaining 10 per cent should be used for the Board’s administrative expenses. The operating costs of the Board are covered by the transfers from the Department. In the year under review, as illustrated in Table 11 above, the total revenue of the Board for the 2015/16 was R**128 162 126** million. Rental revenue accounted for 75 per cent of the total sum, i.e. R96.1 million, and transfer payment and other revenue accounted for 14.47 per cent, i.e. R18.5 million. The total expenditure of the ITB was R72.9 million, thus remaining with a surplus of R55.3 million or 43 per cent of total revenue. The percentage of rental revenue as percentage of the total revenue has increased from 72 per cent in 2014/15 to 75 per cent in 2015/16 while transfer payment as a percentage of total revenue has decreased in 2015/16 compared to 2014/15. Whilst the Committee noted the surplus which is almost three times the transfer Payment from the department, it also registered concerns limited amounts that reach the intended beneficiaries. It thus called for the ITB to explore various ways in which less surplus and more of community benefits, which is in line with the mandate of the Ingonyama Trust – i.e. holding the land for the material benefit of the members of the community. The ITB incurred an irregular expenditure of R3.12 million in 2015 as compared to R2 million in the previous year as a result of not following the supply chain and bidding processes capital expenditure.

# 5. Overview of Service Delivery Performance

This section discusses an overall performance of the Department, the Commission and the Ingonyama Trust Board. They were assessed against the predetermined objectives set out in the 2015/16 APP and the relevant strategic plans.

## The Department of Rural Development and Land Reform

As indicated in Table 12, out of 58 targets planned for 2015/16 the Department achieved 41 targets, which is a performance rate of 71 per cent per cent. This is a significant improvement when compared to the 2014/15 performance rate of 54 per cents. Restitution, followed by rural development were the top most performing programmes with total performance rate of 100 per cent and 86 per cent respectively. The Committee expressed concerns regarding land reform programme – a strategic program that derives its mandate from the Constitution – that has performed at 62 per cent yet its expenditure percentage was 100 per cent. In similar vein, administration whose performance rate is 59 per cent showed an expenditure of 99.7 per cent. Drawing on the Committee’s experience during the public hearings on ESTA Amendment Bill, the performance rate in programmes such as land reform which deals with tenure issues and administration which addresses policy issues explains the frustrations that farmworker communities and land reform beneficiaries have shown.

**Table 12: Non-financial versus Financial Performance per Programme**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **PROGRAMMES** | **ANNUAL TARGETS** | **TARGETS ACHIEVED** | **PERF. RATE** | **BUDGET R’000** | **TOTAL EXP R’000** | **VARIANCE R’000** | **per cent**  **SPENT** |
| Administration | 10 | 5 | 50per cent | 1 340 960 | 1 336 907 | 3 372 | 99.7 |
| Geospatial & Cadastral Services | 13 | 9 | 69per cent | 701 279 | 681 843 | 19 436 | 97.2 |
| Rural Development | 14 | 12 | 86per cent | 1 931 669 | 1 921 995 | 9 674 | 99.5 |
| Restitution | 5 | 4 | 100per cent | 2 675 984 | 2 630 239 | 45 745 | 98.3 |
| Land Reform | 16 | 10 | 62.5per cent | 2 547 469 | 2 547 063 | 406 | 100.0 |
| Total | 58 | 41 | 71per cent | 9 197 361 | 9 118 047 | 79 314 | 99.1 |

Source: Adapted from DRDLR (2016a)

While the 2015/16 performance of the Department shows that achievement of more targets for lesser amount compared to 2014/15, key programmes such as land reform and administration continued to perform below minimum standards expected. For example, the Department tabled only one piece of legislation as opposed to planned five pieces. Many of the planned policies and legislation had been part of key pronouncements from the State of the Nation Address (SONA). The Committee noted that a revised legislative programme was tabled with the Office of the Leader of Government Business. To that effect, the Committee resolved that strict monitoring of legislative programme should be put in place and the Department should adhere to its own programme as agreed with the Office of the Leader of Government Business.

The following sections presents analysis of service delivery according to main programme areas:

***Administration***contributes to the two main strategic goals; namely, sound corporate governance and service delivery excellence; and a reformed policy legislative and institutional environment. This programme sought to ensure 100 per cent compliance with government regulations and prescripts, provide effective and efficient financial services that guarantees spending according to priorities of the department, and obtaining an unqualified audit opinion on financial and non-financial performance. As indicated in Table 12 above, 5 of 10 targets were not achieved. This is an improvement as compared to the previous year in which this programme only achieved 1 targets. The Committee expressed concerns regarding poor performance in the HR field, especially the finalisation of disciplinary cases within 90 days and filling of vacancies within 120 days. The Committee further noted progress made with regard to payment of invoices, i.e. from 91 per cent to in 2014/15 to 97 per cent in 2015/16.

***Geo-spatial and Cadastral Services***is responsible for provision of cadastral surveys, geodetic and topographical surveys, spatial planning and information, and technical services in support of sustainable land development. Key activities under this programme included registration of title deeds, development and implementation of e-cadastre and development of Spatial Development Frameworks (SDFs). As indicated in Table 12, 9 out of 13 targets were achieved, i.e. 69 per cent of the targets. This performance is a regression when compared to the 75 per cent performance rate in the previous reporting period. The Committee noted changes in relation to targets for number of provinces supported to develop their Spatial Development Frameworks, resulting in poor performance rating, and the survey of state domestic facilities, and district rural development plans. The Committee also noted that a cabinet decision was taken to transfer administration of the SPLUMA to the Presidency. There is a need for further engagement with regard to the implications for this decision to both the DPME and the DRDLR, as well as parliamentary oversight.

***Rural Development***focusses on initiation, facilitation, coordination and implementation of the rural development interventions, including Agri-parks. The programme attained 85 per cent performance success rate on targets, i.e. 12 of the 14 targets. This is an improvement compared to the 53 per cent performance rate of 2014/15. The Committee commended the Department for this work but it raised questions of the impact of the expenditure and the statistics on performance. What are the results on people who are the beneficiaries of these programmes, the Committee enquired. This question pointed to a need for commitment to conduct socio-economic impact assessment and quality of life or livelihood impacts of all the interventions.

***Land Reform***achieved 10 of the 16 planned targets, which is annual performance rate of 62.5 per cent. The Committee noted that this was an improvement when one compared it to the performance of 30 per cent in 2014/15. However, establishment of the Office of the Valuer-General was welcome as a step in the right direction toward accelerating the pace of land redistribution. Of great concern was inability of the Department to achieve targets relating to land tenure reform, for example, with regard to CPAs and labour tenants’ applications. In addition, the programme achieve 1 of the 3 targets on RADP, this raises concerns regarding provision of comprehensive support to smallholder farmers and land reform beneficiaries towards agrarian transformation. The Committee appreciated improved support to the CPAs signified by the number of these entities that are compliant to the CPA Act.

The following bullets summarises some of the key concerns:

* Failure to achieve targets on the number of hectares to be acquired has become a perennial challenge. Given that land redistribution is fundamental to agrarian transformation, the trend is worrisome. It is unclear what the challenge is. It is expected that with the office of the Valuer‑General in place, there will be movement in this target and amounts of hectares to be acquired will increase and the cost of land acquisition will not drastically increase.
* Provision of farmer support to smallholders through the Recapitalisation and Development Programme did not perform as anticipated.
* Allocation of land to farm dwellers and labour tenants was not achieved to the expectation as outlined in the strategic and annual performance plans.

***Restitution*** is Programme 4 of the Department, but it is implemented by the Commission on Restitution of Land Rights. It is responsible for settling land claims in accordance with the provisions of the Restitution of Land Rights Act (1994). Under this programme the Commission achieved four of the five targets. The Committee expressed disappointment with the 119 land claims that were meant to have been researched by the end of the financial year. The concern was compounded by the fact that the Commission had outsourced research work to consultants (research and academic organisations). The Committee made a call for the Commission to improve on management and monitoring of outsourced research for land claims to ensure quality research reports that will stand the test at the Land Claims Court if necessary. The Committee commended the Commission in relation to the reduction in the number of people receiving financial compensation, with a strong motivation for land restoration to address the unequal land ownership patterns in South Africa.

## 5.2 The Ingonyama Trust Board

As shown in Table 13 below, the ITB achieved 9 of the 21 targets planned for 2015/16. This represents a 42.9 per cent performance rate. This performance is not comparable to the previous report due the complete change in the programme structure and the number of performance target. But the Committee noted that in the previous reporting period, the ITB achieved 2 of the 5 targets planned for 2014/15, (40 per cent performance rate). Table 13 below summarises the performance vis-à-vis the expenditure outcomes. Apart from administration, programmes performance were at 50 per cent and below, the worst performance was recorded under Traditional Councils support with 0 per cent performance and expenditure of 36.8 per cent.

Table 13: Non-financial Performance rate vs expenditure rate

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **PROGRAMME** | **No. Annual Targets** | **No. of Targets Achieved** | **Perf. Success rate**  **per cent** | **Final Appropriation R** | **Actual Expenditure R** | **per cent of Expenditure** |
| Administration | 11 | 5 | 45.5 | 59,139,186 | 37,017,340 | 62.6 |
| Land Management | 4 | 2 | 50.0 | 2,785,900 | 1,409,304 | 50.6 |
| Rural Development | 4 | 2 | 50.0 | 9,000,000 | 6,197,797 | 68.9 |
| TC Support | 2 | 0 | 0.0 | 16,766,610 | 6,167,237 | 36.8 |
| **Total** | **21** | **9** | **42.9** | 87,642,425 | 50,791,678 | 58.0 |

Source: adapted from ITB (2016a)

***Administration***

For the past two consecutive years, the Board has struggled to meet the number of targets on the policies to be approved. However, two policies were approved during the period under review. This was accepted by the Committee with expectation that the ITB will improve in this area which is part of the governance system. One of the greatest concerns relate to inability of the ITB to fill vacant positions which result in capacity constraints for the ITB. One such area is the strategic position of the Real Estate manager.

***Land Management***

Considering the inability of the ITB to recruit the Real Estate Manager, it was not surprising that this programme did not achieve its targets. Its performance rate was at 50 per cent during the year under review.Therefore, the target on the number of land tenure rights approved were not met. This target is a critical for sustainable communal land management. There was also an increase in illegal occupation of land as shown by an increase in legal interventions undertaken by the Board. The Committee also noted a need to further debate the issuing of leases for residential purpose and the idea of issuing title deeds (freehold titling) in the communal areas, and implications for the Communal Land Policy that was being development by the Minister of Rural Development and Land Reform.

***Rural Development***

The Committee noted that the ITB exceeded targets on the number of agricultural projects approved in 2015/16. Whilst these were welcome, the concern of the committee was on the functionality of the projects and the livelihood impacts for the beneficiaries. More information was required for the Committee to conduct oversight at appropriate time. Some of the projects related to economic development though establishment of industries and rural enterprises were met. Whilst the ITB was applauded, questions of the impact of these interventions were raised.

***Traditional Council Support***

The Committee was not satisfied with the performance of this programme area which failed to achieve its set target. However, it noted the amount of work done in this programme despite 0 per cent performance rate. Against the backdrop of the current student protests against university fees, the success rate of the bursary scheme and sufficiency of the amounts being awarded was questioned. This question was linked to the surplus of R55 million which was reflected in the financial statements.

# 6. Summary of observations of the Committee

This section summarises the Committee’s observations and conclusions. It draws on analysis presented in preceding sections, especially financial and service delivery performance for the 2014/15 financial years. The reports of the Fiscal Finance Commission (FFC) and the Auditor-General of South Africa (AGSA) were also useful resources against which some of the observations of the Committee were tested. The section is divided into three sections, namely technical issues, governance, service delivery and financial observations.

## 6.1 Technical Issues

The Committee found that the Strategic Plan and the APP of the Department were largely aligned to the priorities of government as outlined in the National Development Plan and the State of the Nation Address articulated as MTSF priorities. However, the Committee noted that the Ministry expressed dissatisfaction with the process of drafting Annual Performance Plan and budget policy statement. The main issue is that the budget policy statement often contain issues emanating from SONA which are not necessarily in the APP. A critical point was difficulties in the alignment of budget policy and APPs and allocation of resources.

During the audit of predetermined objectives (AOPO), the AGSA found that there has been improvement in the manner in which predetermined objectives have been implemented. The Committee further found that there were certain targets that were not helpful for accountability purposes. For example, “number of infrastructure projects facilitated” which is not specific and thus making it difficult to hold the Department to account. One of the major findings of oversight work showed that there was high levels of dissatisfaction among beneficiaries on the levels of support. For example, evictions continued to take place without legal support, delays in allocation of land under PLAS, and lack of understanding of criteria for selection of potential beneficiaries for PLAS farms. The Committee expressed a need for livelihood impacts and sustainability assessments of the key programmes of the Department.

The quality of the annual performance report of DRDLR has improved over the past 3 years. The annual performance report included information on performance against predetermined objectives that was useful and reliable for the programmes and objectives. The Auditor-General confirms this finding with an assertion that no material misstatements were identified during the audit with the exception of the Ingonyama Trust Board.

The Committee commended the Department, the Commission and the ITB for continuous improvement in the quality of the annual reports presented. For the Department, the Committee noted lack of information under the Tenure programme; for example work done through to protect tenure rights on commercial farms. The report does not show the amount of evictions prevented and alternative accommodation facilitated (where evictions occurred).

## 6.2. Governance

The Committee observed that governance has received high priority within the Department. Among other interventions, the Department has established Governance Committees to assist the Accounting Officer in effective administration of the Department; for example, the Risk and Compliance Committee. It appears that the work done has begun to yield desired outcomes. The report of the AG also showed that there is an improvement in compliance with legislation and quality of financial statements. Action plans are being implemented and monitored by management; and key vacant positions have been filled with competent staff.

The quality of financial statements for DRD and Deeds submitted for audit still remains a concern due to inadequate review processes as the internal controls did not prevent, detect or correct material misstatements to the annual financial statements before the audit of 2015-16 therefore resulting in the non-compliance. Another common non-compliance throughout the portfolio is non-compliance to the PFMA regarding prevention and detection of irregular and fruitless and wasteful expenditure.

The Committee also noted an improvement in the systems of internal control during the year under review. However, the Committee concurred with the Auditor-General that focussed interventions and commitments are still required in order to improve the current status of the overall key controls for the department. For this to happen, attention should be focused on addressing internal controls deficiencies through implementation of effective actions plans that address the correct root causes.

The Committee noted that the autonomy of the Commission could result in improvement of service delivery, especially with regard to delegation of powers to provincial heads of the Commission. Further, it also complies with intent of the establishment of the Commission in terms of the Restitution of Land Rights Act. It was of great concern that this project had not progressed beyond tabling of a Strategic Plan and APP.

With regard to the ITB, the Minister had continued to renew the term of the Board by another year with intention to appoint the full Board in 2016/17.

## 6.3. Service delivery against the pre-determined objectives

With regard to service delivery, the Committee made the following findings:

* Although the Department had planned to achieve unqualified audit opinion without findings, it still achieved unqualified audit opinion with emphasis of matters. Whilst the continued unqualified audit opinion is commended, the Committee still emphasized a need to achieve unqualified without findings on predetermined objectives and compliance. Further, clean audit committee should correspond with client satisfaction on services rendered. Key concerns were the following issues: inadequacy of daily or monthly internal control which resulted in material misstatements where were however corrected and information systems weaknesses which brought into question the credibility of financial and performance information preparation.
* Of the planned five pieces of legislation to be tabled, the Department tabled only one – ESTA Amendment Bill. None of the policies were referred to the Committee for discussion. The Committee noted that the Department has progressed to implement pilots on the following policies: Strengthening Relative Rights for People working the land, One Household-One Hectare.
* Redistributive land reform takes place under two main programmes; namely restitution and land redistribution, and PLAS is the only vehicle for redistribution. PLAS, which transfers land to the State and leases it to black famers will not assist government to achieve transfer of land to rural people in line with a commitment of the Outcomes of government to “increase the percentage of productive land **owned** by previously disadvantaged individuals from 11.5 per cent to 20 per cent by 2019 (16.2 million hectares). Further, there is an exemption of PLAS farmers to pay lease fees for a period of five years, thus calling for plans to ensure that at the end of the term the Department has system in place to administer leases and that farmers are in a position to honour the leases.
* The Committee noted that SPLUMA will be administered by the Presidency. The implications of this cabinet could not be explored in detail due to absence of information. Further information regarding the motivations, the pros and cons of this decision in relation to budget, capacity within the presidency to administer the legislation and implementation will be explored further.
* The Committee commended the Department for filling key vacant positions with competent people. It is envisaged that this will have implications in service delivery. It noted that key positions (DDGs) on land redistribution and tenure reform were still vacant. With regard to the ITB, the Committee expressed concern regarding lack of progress in appointment of key positions such as real estate management personnel.

* Land claims processes and a need to conclude on all the pre-1998 land claims has been a key priority, and the lodgement process in terms of the new amendment Act. However, the LAMOSA judgement has implications on this process and the Committee noted that this requires attention to give policy direction about this matter. The weaknesses in research of land claims were also noted.

## 6.4. Financial Performance including funding proposals

Apart from lack of capacity in the Land Tenure and Administration Unit, lack of CPAs’ compliance to the relevant legislation, and failure to regularise them was due to lack of dedicated budget for the CPAs. Similarly, failure to process the Labour Tenants applications, especially in KZN, was because of lack of budget for this programme.

The Commission continued to be exposed to commitments arising from settlements that occurred prior to 2014/15 financial years, during that years an amount of R5.6 billion was reported. The expenditure on grants for restitution, especially for the Recapitalisation and Development of farms was less than 25per cent of the total cost for land acquisition under Restitution. This contravenes the policy provision for Recapitalisation and Development. Further, the Report did not give evidence of the link between the grants and section 42C approvals, whether similar communities received support in terms of the Recapitalisation and Development Programme, which could be in contraventions of the Restitution of Land Rights Act.

The idea that the Department, together with National Treasury and the Department of Agriculture, Forestry and Fisheries were developing an integrated funding model for settlement support to land reform beneficiaries, smallholder farmers and emerging commercial was welcome and would be monitored. However, it appears that little progress had been made.

# 7. Recommendations

In view of the above observations and conclusions, the Committee recommends to the National Assembly that –

7.1 The Minister of Finance should,

7.1.1 Assist the Commission on Restitution of Land Rights to develop and implement strategies for funding all the commitments of R5.6 billion within the MTEF period; the strategy must prioritise beneficiaries whose land claims were settled in before 2009 - prior to policy shifts to support development through the Recapitalisation and Development Fund – in order to reduce risks of commitments.

7.1.2 Coordinate and facilitate finalisation of the development of an integrated funding model to support land reform beneficiaries, smallholder farmers, and emerging black commercial farmers. This intervention should further assist DAFF and DRDLR to minimise any duplication of farmer support programmes.

The Minister should submit a report on these recommendations within three months of adoption of this report by the National Assembly.

7.2 With regard to the **Department of Rural Development and Land Reform,** the Minister of Rural Development and Land Reform should –

* + 1. Initiate conversations with government and non-government stakeholders which should develop consensus on a comprehensive definition of rural areas, rural development and smallholders to be applied across all spheres of government in South Africa.
    2. Conduct a national survey of farms acquired through all land reform programme since 1994 to date. This survey must focus on assessment sustainability of farms and the socio-economic and livelihoods impact of land reform on beneficiaries. Further draw lessons from the earlier Quality of Life surveys by the then Department of Land Affairs.
    3. Given the intention for substantial increase of the number of sites where the Strengthening of Relative Rights for People Working the Land is implemented, the Minister must table the original policy and pilot implementation plans. Furthermore, policy should be accompanied by the lessons learned from the pilot of this policy, detailing the content of the project, criteria used for selection of the sites, beneficiary/participants selection criteria and processes, monitoring mechanisms, the budget and expenditure outcomes, key lessons emerging from the pilot and policy implications.

7.2.3 Noting the slow pace to table Bills in line with the legislative programme, ensure that the Department must adhere to the revised legislative programme as agreed with the Office of the Leader of Government Business.

* + 1. Continue to coordinate Agri-Park interventions with the Department of Agriculture Forestry and Fisheries. Further engage the Department of Small Business and the Department of Trade and Industry to maximise use of limited resources and avoid duplication of government services and enhance the capacity to coordinate expertise from elsewhere in government and non-government entities. Such coordination should be strengthened at both policy and implementation levels.
    2. Table a report on the Cabinet decision to transfer the administration of SPLUMA to the Presidency (DPME), reasons for the decision and implications to the Department in relation to funding for the SPLUMA, personnel/capacity within the Presidency, and coordination functions of the DRDLR.
    3. Ensure that the Department should build internal capacity to carry out the mandate for tenure reform and land administration; this is particularly urgent for provision of support to CPAs, and processing of labour tenants’ applications. Further, submit status report on processing of labour tenants’ applications by the end of 2016/17 financial year; including but not limited to the total applications received by provinces, the extent of land by district, the cost estimates for processing such applications, and possible time frames.
    4. Ensure strict monitoring of the Legal Services Project under the Land Rights Management Facility and the Panel of Attorneys set up to provide legal services to farm dwellers.
  1. With regard to the **Commission on Restitution of Land Rights**, the Minister of Rural Development and Land Reform the Commission must –
     1. Table a report on the processes to fulfil the decision to convert it into an autonomous entity. This should include details of its business process mapping, institutional structure, and business re-engineering approach. This report should also include cost implications for the project.
     2. Having reported overachievement on targets within the limited budget available, reconsider the manner in which they set their targets to avoid over or under-targeting as per findings of this, and previous, BRRR’s show.
     3. Table a comprehensive report on commitments in the form of grants approved in terms of Section 42C of the Restitution of Land Rights Act before 2009, and further outline a realistic plan, in line with budget allocation, regarding the payment of all such commitments. This plan must be submitted to the Portfolio Committee on Rural Development and Land Reform for progress and oversight.
     4. Improve research capacity within the Commission and capacity to monitor outsourced research work within the Commission.
  2. With regard to the **Ingonyama Trust Board** the Minister should –
     1. Review the Ingonyama Trust Board Act to ensure that the functions of the ITB are in line with the legislation.
     2. Speedup facilitation of engagement between the Ingonyama Trust Board and the Auditor-General together with the Accountant General by the end of 2016/17 in order to address the perennial non-compliance of the ITB with the GRAP standards in relation to valuation of land and other outstanding matters as reported by the Auditor-General.
     3. Conduct, together with the ITB, the livelihoods impact of the programmes of the Ingonyama Trust Board and the Act with a focus on land tenure and administration, leasehold tenure system and protection of customary land rights of traditional communities.
  3. Having adopted the recommendations of the Auditor-General, the Committee recommends that the Minister of Rural Development and Land Reform should develop action plan that outlines how the Department and Entities plan to resolve the queries from the Auditor-General. Further, the Minister should submit the report to the Committee for future oversight and accountability.

The Minister should report to Parliament, about these recommendations, within three months of adoption of this report by the National Assembly.

Report to be considered.