**2. 2016 BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, FORESTRY AND FISHERIES**

The Budgetary Review and Recommendation Report of the Portfolio Committee on Agriculture, Forestry and Fisheries, dated 28 October 2016.

The Portfolio Committee on Agriculture, Forestry and Fisheries (hereinafter referred to as the Committee), having considered the performance and expenditure for the 2015/16 financial year and submission to National Treasury for the medium term period of the Department of Agriculture, Forestry and Fisheries reports as follows:

1. **Introduction**
	1. **Mandate of the Portfolio Committee on Agriculture, Forestry and Fisheries.**

The mandate of the Committee is derived from Section 55 and 56 of the Constitution of the Republic of South Africa and provisions that are contained in the Rules of the National Assembly. The Committee is mandated to consider, amend and/or initiate legislation that is specific to, or impacts on agriculture, forestry and fisheries; monitor and oversee the activities and performance of the Ministry and the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as the Department or DAFF) and its entities. The Committee’s mandate is to also consider and review the budget of the Department and its entities; consider sector-related international treaties and agreements; and provide a platform for the public to participate and present views on specific topics and/or legislation in relation to the three sectors.

**The Department’s entities** are, namely, the Agricultural Research Council (ARC), Onderstepoort Biological Products (OBP), National Agricultural Marketing Council (NAMC), Perishable Products Export Control Board (PPECB), Marine Living Resources Fund (MLRF) and Ncera Farms (Pty) Ltd. The Committee also consider the Annual Plans and Reports of the South African Veterinary Council (SAVC), which is a non-profit representative body for the veterinary and para-veterinary profession and a key stakeholder in the agricultural sector.

* 1. **Core Functions of the Department of Agriculture, Forestry and Fisheries**

The aim of the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as the Department) is to lead, support and promote agricultural, forestry and fisheries resources growth and management through policies, strategies and programmes that contribute to and embrace economic growth and development; job creation; sustainable use of natural resources; food security and rural development. The Department’s legislative mandate is derived from Section 27(1)(b), as well as Section 24(b)(iii) of the Constitution of the Republic of South Africa. The Department also contributes directly to three of the national Government priority outcomes as outlined in the Medium Term Strategic Framework (MTSF) in Section 2 of this document.

Its activities are guided by the following four strategic goals and associated objectives to address priorities that are identified in the National Development Plan (NDP):

|  |  |
| --- | --- |
| **Strategic Goal** | **Strategic Objectives** |
| **1:** Effective and efficient strategic leadership,  governance and administration  | **1.1** Strengthen the culture of compliance with statutory requirements and good governance practice.**1.2** Strengthen the support, guidance and interaction with stakeholders in the sector**1.3** Strengthen institutional mechanisms for integrated policy and planning in the sector |
| **2:** Enhanced production, employment and economic growth in the sector | **2.1** Advance APAP through increased production and productivity in prioritised value chains**2.2** Effective management of biosecurity and sector related risks**2.3** Ensure support for market access and processing of agriculture, forestry and fisheries products |
| **3:** Enabling environment for food security and sector transformation | **3.1** Lead and coordinate government food security initiatives**3.2** Enhance skills capacity for efficient delivery in the sector**3.3** Strengthen planning, implementation and monitoring of comprehensive support programmes |
| **4:** Sustainable use of natural resources in the sector | **4.1** Ensure the conservation, protection, rehabilitation and recovery of depleted and degraded natural resources**4.2** Ensure appropriate responses to climate change through the implementation of effective prescribed frameworks |

The Department carries out its mandate through the following Programmes:

1. Programme 1: Administration
2. Programme 2: Agricultural Production, Health and Food Safety
3. Programme 3: Food Security and Agrarian Reform
4. Programme 4: Economic Development, Trade and Marketing
5. Programme 5: Forestry and Natural Resources Management
6. Programme 6: Fisheries Management
	1. **Purpose of the Budgetary Review and Recommendation Report**

The process for the budgetary review and recommendation is set out in Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act sets out the process that allows Parliament’s National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national department. The Budgetary Review and Recommendation Report (BRRR) for each department that falls under each National Assembly Committee’s responsibilities, in this case, the Department of Agriculture, Forestry and Fisheries:

* must provide an assessment of the Department’s service delivery performance given available resources;
* must provide an assessment on the effectiveness and efficiency of the Department’s use and forward allocation of resources; and
* may include recommendations on the forward use of resources.

The BRR Report may also act as a source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-term Budget Policy Statement (MTBPS).

* 1. **Preparation for the BRR Report**

In preparation for the BRR Report and in compliance with its mandate as set out in Section 5(1) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the Committee undertook the following activities in 2015/16:

* + 1. Briefings by the Department on all four quarterly performance and expenditure reports of the Department for the 2015/16 financial year and the first quarterly report for the 2016/17 financial year.
		2. Oversight visits to:
1. The Eastern Cape in July 2015 and Limpopo in November 2015 to oversee the implementation of the Fetsa Tlala Food Production Initiative; support to smallholder producers and state of readiness for the implementation of the smallscale fisheries policy.
	* 1. Held briefings and considered the medium term Strategic Plan, the Annual Performance Plan and Budget of the Department for the 2015/16 financial year, including those of its entities, viz. ARC, OBP, NAMC, PPECB and MLRF; as well as SAVC.
		2. Received inputs and briefings from the Auditor-General; the Financial and Fiscal Commission and the Department of Planning, Monitoring and Evaluation on the Department and entities’ 2015/16 Annual Performance Plans (APPs); as well as the 2015/16 Annual Reports.
		3. Subsequently, on the 18th and 20th October 2015, the Committee held briefings and considered the Annual Reports of the Department and its entities for the 2015/16 financial year.
		4. The BRR Report also draws from other expert presentations and inputs that the Committee received throughout the year.
	1. **Outline of the Contents of the Report**

The Report reflects on Government key policy areas including those of the Department as they relate to the national Government Priority Outcomes; the Department’s financial and service delivery performance for the 2015/16 financial year to date; an overview of the Committee’s previous budgetary and service delivery performance findings and recommendations; and further observations and recommendations from other Committee engagements with Department including those from oversight visits.

**2. Overview of the key relevant policy focus areas**

In the medium term, the Department’s plans are informed and aligned with government-wide planning and policy mandates. Its initiatives are focused at fulfilling Outcomes 4, 7 and 10, which respectively relate to job creation, rural development and food security as well as natural resources management; New Growth Path (NGP); the National Development Plan (NDP); the Industrial Policy Action Plan (IPAP), the Medium Term Strategic Framework (MTSF) and the Agricultural Policy Action Plan (APAP). This section will provide a brief overview of these policy interventions including the Department’s key policy foci for the 2015/16 financial year and the medium term period.

**2.1 The New Growth Path (NGP)**

The NGP identifies the agricultural value chain (agroprocessing) as one of the key job drivers. Its aim for agriculture is to create 145 000 jobs from agro-processing by 2020; to place 300 000 households in smallholder schemes by 2015 and to upgrade employment on commercial farms, which at the time (2010/11), stood at approximately 660 000. In total, the NGP expected creation of 500 000 jobs from the agricultural sector value chains (includes forestry and fisheries) by 2020, which is a period of 8 years from 2011/12 financial year.

**2.2 The National Development Plan (NDP)**

The NDP recognises that agriculture is the primary economic activity in rural areas and has set out specific objectives and milestones for the sector, viz:

**Inclusive rural economy** (Outcomes 4 & 7) - one million new jobs by 2030 i.e. an additional 643 000 direct jobs and 326 000 indirect jobs in the agriculture, agroprocessing and related sectors by 2030. The direct action to achieve this include amongst other interventions, increased infrastructure investments for the development of new irrigation systems (Umzimvubu River Basin in the Eastern Cape and Makhathini Flats in KwaZulu-Natal (KZN)); and a third of food trade surplus in the country should be produced by smallscale farmers or households.

**Environmental sustainability and resilience** (Outcomes 10)– increased investment in new agricultural technologies, research and the development of adaptation strategies for the protection of rural livelihoods. The action towards this target involves channelling public investment into research, new agricultural technologies for commercial agriculture; as well as the development of adaptation strategies and support services for smallscale and rural farmers.

**2.3 The Industrial Policy Action Plan (IPAP)**

The IPAP is derived from the National Industrial Policy Framework that was adopted by Government in 2007. It is one of the key pillars of the NGP and is also informed by the NDP. The key areas of intervention in the IPAP, which is implemented by the Department of Trade and Industry (the dti) are beneficiation, infrastructure development, local procurement and supplier development, regional economic development and industrial integration, new export markets and participation in the Brazil, Russia, India, China and South Africa group (BRICS). In terms of agriculture, forestry and fisheries, the IPAP’s focus is on agroprocessing, aquaculture development and biofuel production and processing.

**2.4 Medium Term Strategic Framework (MTSF): 2014-2019**

The MTSF is the Government’s strategic plan for the 2014 to 2019 period. It is a five-year implementation phase of the NDP that is outcomes-based, and also takes into account the NGP, IPAP and other Government policy foci. The two over-arching strategic themes of the MTSF are **radical economic transformation** and **improving service delivery**. The MTSF’s aim is to ensure policy coherence, alignment and coordination across Government Plans, as well as alignment with budgeting processes. The MTSF 2014 -19 sets out the following service delivery targets that are linked to the Ministry of Agriculture, Forestry and Fisheries:

|  |  |
| --- | --- |
| **Priority Outcome** | **MTSF 2014-19 Target**  |
| **Outcome 4** **(job creation)** | * All APAP sector and crosscutting interventions to be implemented by 2019. Department to report annually on implementation including review and extension of plans.
* 95% implementation of an Agricultural, Forestry and Fisheries Trade and Marketing Strategy by 2019. Annually, the Department needs to report on the implementation of the Strategy.
* 95% implementation of the Comprehensive Africa Agriculture Development Programme (CAADP) by 2019. Annually, the Department needs to report on the implementation of the investment plans.
* Development of smallholder production – 300 000 smallholder producers producing for markets by 2019.
 |
| **Outcome 7** **(rural development & food security)** | * + 1.6 million vulnerable households benefitting from Food and Nutrition Security initiatives by March 2019, i.e. 4.3 million people of the 13.8 million that were food insecure in 2014.
* 1 million hectares (ha) of underutilised land in communal areas developed and under production by March 2019.
* By 2019, implementation and management of the Preservation and Development of Agricultural Land Framework Act (PDALFA)
* Policies promoting the development and support of smallholder producers implemented by March 2019.
* Expand land under irrigation – an additional 1 250 hectares of land under irrigation for smallholder production by March 2019.
* Support to smallholder producers – an additional 80 000 smallholder producers receiving support to ensure production efficiencies by March 2019.
 |
| **Outcome 10** **(natural resource management)** | * Combat land degradation - 152 500 hectares of forestry areas should be under rehabilitation and/or restoration by March 2019.
* Status reports on resource status for abalone (31% above pre-fished stock by 2019), West Coast rock lobster (26% above the 2006 level by 2019) and deep-water hake (30% of pre-fished biomass by 2019).
* Climate change adaptation plans for Agriculture, Forestry and Fisheries developed and implemented by 2019.
 |

**2.5 The Department’s Key Policy Developments**

1. **National Food and Nutrition Security Policy**

In September 2013, Cabinet approved the National Food and Nutrition Security Policy, which is a collaboration between the Department and the Department of Social Development. The Policy seeks to ensure the availability, accessibility and affordability of safe and nutritious food at national and household levels. To further realise some of the policy objectives, the President subsequently launched the Fetsa Tlala Food Production Initiative in October 2013 to address increasing household food insecurity in the country. The aim of Fetsa Tlala is to put 1 million hectares of fallow land particularly in the former homelands, under production by 2019. The programme also seeks to link smallholder producers to government institutions for preferential procurement (market access). Following some impact evaluations that were done by the Presidency, towards the end of 2015, coordination of Food Security was placed under the leadership of the Deputy President. Through the Deputy Presidency’s Office, an Intergovernmental Technical Working Group was established to develop the National Food and Nutrition Security Plan that will be an implementation arm of the Policy. The Plan is still to undergo consultations with all stakeholders within and outside Government.

1. **Smallscale Fisheries Policy**

The Smallscale Fisheries (SSF) Policy was adopted by Cabinet in June 2012. It provides legal recognition to smallscale fishers and aims to provide rights to smallscale fishing communities and to ensure their equitable access to marine resources. However, the policy could not be implemented before amending the Marine Living Resources Act (MLRA), (Act No. 18 of 1998), a process that was undertaken in 2013. The resultant Marine Living Resources Amendment Bill was signed into law in 2014. The Department has since finalised Regulations for the implementation of the SSF Policy, which was supposed to be implemented by February 2016 through a new fishing rights allocation process (FRAP) that will include smallscale fishers, who were previously excluded from participating. However, after requests from stakeholders, the Minister granted an extension for the registration of fishing communities as smallscale fishers. As a result, the SSF Policy could not be implemented during 2015/16 and is expected to be implemented in the current financial year.

1. **The Agriculture, Forestry and Fisheries Strategic Framework (AFFSF)**

The Agriculture, Forestry and Fisheries Strategic Framework (AFFSF) was developed in response to the Government Priority Outcomes that relate to job creation, rural development and food security, to which DAFF contributes, and to provide a long-term strategy for an integrated growth and development of South Africa’s agriculture, forestry and fisheries sectors. Its primary purpose is to achieve the transformation and restructuring of the agriculture, forestry and fisheries sectors that are currently dominated by a small number of large companies, and to ensure that constraints experienced in the areas of input supply, production and marketing are addressed cost-effectively and in a timely manner.

1. **The Agricultural Policy Action Plan (APAP)**

The APAP is an implementation arm of the AFFSF that was approved 2014. The APAP seeks to translate the high-level responses offered in the AFFSF into tangible, concrete steps to promote food production and employment. It is a five-year plan that aligns itself with the NGP, NDP, IPAP and the MTSF. The APAP’s first implementation was during the 2015/16 financial year and will be updated on an annual basis. Its encompassing objectives are to promote labour absorption; broaden market participation; and strategic interventions that are aimed at increasing value-chain efficiencies and competitiveness focusing on selected subsectors and/or value chains. Following the Present’s pronouncement during the 2015 State of the Nation Address (SONA) on the Revitalisation of the Agricultural and Agroprocessing value Chain (RAAVC), the Department reported that the APAP now forms an integral part of RAAVC. The APAP focuses on the following key sectoral interventions:

1. Poultry/soya beans/maize integrated value chain.
2. Red meat value chain.
3. Wheat value chain.
4. Fruit and vegetables.
5. Wine industry.
6. Sugarcane.
7. Biofuels value chain.
8. Forestry.
9. Smallscale fisheries.
10. Aquaculture Competitiveness Improvement Programme (ACIP).

**3. Summary of previous key financial and performance**

**recommendations of Committee**

* 1. **Recommendations from the 2014/15 Budgetary Review and Recommendation Report (BRRR)**

The Portfolio Committee previously highlighted the continuing challenges that constrain the Department’s performance and also have a negative impact on the sector. In this regard, the following are some of the recommendations that were made by the Committee during its engagements with the Department and also in its 2014/15 BRRR, for the attention of the **Minister of Agriculture, Forestry and Fisheries:**

* + 1. Engage with the Minister of Environmental Affairs to consider certain provisions of the National Environmental Management Act (NEMA) (Act No. 107 of 1998) and the Marine Living Resources Act (Act No. 18 of 1998), which are administered by the Minister of Environmental Affairs that restrict the development of aquaculture and smallscale fisheries; and further from NEMA, regulations that require veterinarians to obtain permits for rendering services to Threatened or Protected Species (TOPS) such as rhinos.
		2. Fast-track the establishment of baseline information and farmer register for the smallholder sector including the facilitation of a full Agricultural Census and an import and export system. The databases are essential in order to effectively guide and manage interventions for the development and transformation of the sector; and to measure impact of Government interventions. Report on progress to Parliament by the **end of July 2016**.
		3. Ensure that that entities under DAFF’s administration develop restraint of trade policies specifically with respect to the ARC, OBP and Fisheries research, to protect intellectual property and prevent loss of critical expertise. A draft progress report in this regard should be submitted to Parliament by **April 2016.**
		4. Submit to the Committee a Progress Report on the consolidated contribution (including all 3 sectors) of the Department to Government Priority Outcomes 4, 7 and 10 targets as stipulated in the MTSF 2014-2019. The Report should be submitted to Parliament by the end of **August 2016.**
		5. Submit a comprehensive progress report on the revitalisation of irrigation schemes including the Irrigation Strategy as reported in Programme 5; and revitalisation of Agricultural Colleges and report on their transfer to the Department of Higher Education and Training (DHET). Report to Parliament by **July 2016.**
		6. Ensure that the Department’s early-warning systems adequately respond to natural disasters in light of climate-change induced droughts, veld fires and floods. The Department should also ring-fence disaster funding for the sector in order to speed-up the disaster relief and compensation process. Report on progress to Parliament by **February 2016.**
	1. **Response from the Department**

(3.1.2) - A full Agricultural Census that will incorporate the smallholder sector is planned for 2017.

(3.1.5) - Discussions with Agricultural Colleges and DHET are continuing and the Department will regularly update the Committee on progress.

The Committee is waiting for response from the Department on other recommendations.

* 1. **2016/17 Committee Annual Performance Plan (APP) and Budget Vote Report**

During the 2016/17 consideration of strategic plans, APPs and budget process, the Committee made the following recommendations to the **Minister of Agriculture, Forestry and Fisheries:**

* + 1. The alignment of services between the Department and entities in the 2016/17 APPs is commended. However, collaborations that will lead to aligned activities between DAFF, provinces and other departments such as the Departments of Rural Development and Land Reform (DRDLR), Trade and Industry (the dti) and Small Business Development (DSBD) to ensure containment of costs, avoid duplication of activities and to maximise service delivery, have not been adequately addressed. In this regard, the Minister should continue engagements with the relevant Ministries including that of Water and Sanitation; and further ensure that the Integrated Funding Model/Policy that aims to consolidate development funding into one fund, is finalised. DAFF has reported that the Policy is being developed in collaboration with the National Treasury; and with assistance from the International Fund for Agricultural Development (IFAD). A detailed progress report in this regard should be submitted and presented to joint Committees by the **end of September 2016.**
		2. Ensure that DAFF develops a strong business case that will be presented to the National Treasury for additional funding, highlighting the impact of the budget cuts to the sector (including role of entities), which has been identified in the NDP and the New Growth Path as one of the key sectors through which increased employment and poverty alleviation can be achieved. However, the budget allocation to Vote 24: Agriculture, Forestry and Fisheries is disproportionate to what national policies expect from the sector and its challenges, notwithstanding the drought that has hit the country from 2015; the rising food costs and unfunded mandates such as SIP11 and Operation Phakisa for Agriculture that is under development. DAFF should report on the submission to Parliament by the **end of October 2016.**
		3. Ensures that DAFF submits a motivation to National Treasury for additional funding for the ARC to ensure timeous completion of the FMD Facility and other research activities that are responsive to climate change and climate change-related disasters such as the development of drought-tolerant crop varieties, early-warning systems and new vaccines. DAFF should report on the submission to Parliament by the **end of October 2016**.
		4. Ensures that DAFF submits a funding motivation to National Treasury for OBP for the establishment of a Vaccine Reserve/Bank to ensure the availability of vaccines in sufficient quantities at all times to effectively address animal disease outbreaks and for manufacturing public good vaccines (orphan vaccines). DAFF should report on the submission to Parliament by the **end of October 2016.**
		5. Ensures that DAFF reports to Parliament by the **end of October 2016**, on the status of the PPECB Bills that are not reflected in the 2016/17 APP; as well as progress regarding the outstanding challenges that affect SAVC in respect of TOPS regulations, Acts 36 of 1947 and 101 of 1965 and registration of all Animal Health Technicians with SAVC to ensure that standardised professional services are rendered by the profession.

**3.4 Response from the Department**

(3.3.5) - The Perishable Products Export Control Bill consultation process and the Socio-Economic Impact Assessment have been completed and the PPECB has sought a date for the presentation of the Bill to NEDLAC.

The Committee is waiting for response from the Department on other recommendations.

**4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE**

* 1. **Overview of Vote Allocation and Departmental Expenditure (2012/13 – 2018/19)**

The budget allocation to Vote 24: Agriculture, Forestry and Fisheries has been increasing exponentially across Programmes in the previous medium term expenditure framework (MTEF) period from 2012/13 to 2014/15 (see Table 1 above). However, it decreased in the reporting financial year (2015/16) and a slower growth is observed in the current MTEF period with reductions in Programmes 2, 3 and 6 between 2015/16 and 2016/17 (Table 1).

**Table 1.** The Department’s spending trend per programme (Estimates of National Expenditure, 2016)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** *R Million* | **2012/13** | **2013/14** | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| Audited Outcomes | Audited Outcomes | Audited Outcomes | Adjusted Appropriation | Audited Outcomes | MTE Estimates | MTE Estimates | MTE Estimates |
| 1. Administration | 644.9 | 681.6 | 738.4 | 739.4 | 785.8 | 788.1 | 803.2 | 839.9 |
| 2. Agric Prod, Health & Food Safety | 1 874.8 | 2 000.9 | 2 183.7 | 2 144.5 | 2 143.0 | 1 953.4 | 2 183.2 | 2 292.6 |
| 3. Food Sec & Agrarian Reform | 1 405.2 | 1 590.1 | 1 656.3 | 1 919.4 | 1 906.8 | 1 889.7 | 2 018.0 | 2 090.6 |
| 4. Trade Promotion & Market Access | 212.2 | 256.3 | 307.0 | 233.9 | 236.7 | 297.6 | 264.8 | 275.4 |
| 5. Forestry & NRM  | 1 191.8 | 1 144.7 | 1 303.6 | 906.2 | 862.3 | 945.6 | 961.4 | 1 002.5 |
| 6. Fisheries Management | 484.3 | 437.7 | 439.8 | 465.3 | 465.9 | 458.6 | 475.7 | 498.0 |
| **Total** | **5 8132.2** | **6 111.3** | **6 628.8** | **6 408.7** | **6 400.5** | **6 333.0** | **6 706.3** | **6 999.0** |

The total budget allocation to the Department will decline by approximately R568 million in the MTEF period (i.e. R158 in 2015/16, R210 million in 2016/17 and R200 million in 2017/18). The reductions will be on compensation of employees, goods and services and conditional grants allocations to Provinces. This is due to Cabinet-approved reductions as a result of persistent underspending in previous years on the same items and projects; and build-up of cash reserves and surpluses. It was reported to National Treasury that to mitigate effects on service delivery, the Department has embarked on a strategy to fill only the most critical service delivery vacancies until the end of the MTEF period (2017/18).

The Department was appropriated a total amount of R6.4 billion in the 2015/16 financial year, a slight decrease from the R6.6 billion that was appropriated in the 2014/15 financial year (see Table 1). In the reporting year, the Department spent 99.9 per cent of its total appropriation. Approximately 57.9 per cent (R3.7 billion) of the Department’s total expenditure for 2015/16 went to transfers and subsidies, which is less than the 61 per cent (R4 billion) that was spent under transfers and subsidies in 2014/15. Transfers and subsidies constitute inter alia, conditional grants, transfers to Departmental entities, academic institutions and membership fees to international organisations. Approximately R2.17 billion (34 per cent) of the Department’s total budget for 2015/16 was allocated to conditional grants. It is reported that almost 100 per cent of the conditional grants allocation was spent and R6.79 million was unspent. Of the R2.17 billion for grants, R1.64 billion (76 per cent of conditional grants appropriation) was allocated to the Comprehensive Agriculture Support Programme (CASP).

The Department’s underexpenditure in the reporting year (2015/16) is R8.2 million, which is significantly less than the R63.5 million that was unspent during 2014/15 (see Table 2). As in the previous financial year, most of the unspent funds were on transfers and subsidies (Programme 3) and payment for capital assets (Programme 1). Programme 3 has been consistent in not spending all of its budget including conditional grants (CASP and Ilima/Letsema) and this may have contributed to a slight decrease in its budget allocation for 2016/17. Programme 3 is also responsible for transfers to Ncera Farms (Pty) Ltd, Agricultural Colleges and a skills development and training fund to the Perishable Products Export Control Board (PPECB).

Further CASP transfers are made through Programmes 5 for the Disaster Relief Fund. Programme 5 is also responsible for the distribution of the LandCare conditional grant. Programme 2, which received a third of the total budget of the Department (33.5 per cent) in 2015/16 is the Programme through which allocations to the ARC, Ilima/letsema and the Onderstepoort Biological Products (OBP)’s funding for the refurbishment and modernisation of vaccine manufacturing infrastructure for increased biosafety, are made. The allocation to the OBP was for the previous medium term that ended in 2015/16, hence the observed decrease in Programme 2 allocation from 2016/17 (Table 1).

***Irregular, fruitless and wasteful expenditure***

The Department incurred irregular expenditure of R829 000 which is less than the previous financial year’s R2.7 million. In both financial years, the irregular expenditure was identified through various internal control measures. In the year under review, the irregular expenditure was in respect of non-adherence to supply chain management procedures. The irregular expenditure for 2015/16 was condoned by the Director-General (DG) including R1.86 million from 2014/15.

An amount of R1 400 (significantly less than the prior year’s R199 000) was identified as fruitless and wasteful expenditure due to a cancellation of an official visit, which is reportedly under investigation. The Department was granted three virements (shifting of funds) worth R175 million during 2015/16. This was across all Programmes and was approved either by the National Treasury or the Department’s Chief Financial Officer (CFO). The Department reported that the funds were used for property management leases and municipal services shortfalls; Department of International Relations and Cooperation (DIRCO); provision of funds in respect of Ministerial Imbizos and the Extension Suite Online contract.

**4.2 Financial Performance per Programme in 2015/16**

**Programme 1:** The Administration Programme spent 99.6 per cent of its allocated budget for 2015/16, which is an improvement from the 97.3 per cent expenditure in the previous financial year. Spending has improved in Programme 1 as in 2014/15, underspending was approximately R20.5 million while in the current financial year, approximately R3 million was unspent under this Programme. However, the major concern is the reason for underexpenditure. Approximately R2.8 million was not spent in 2015/16 as the upgrading and maintenance of the Stellenbosch Plant Quarantine Station and other capital works projects could not be done due to delays in the Department of Public Works (DPW)’s supply chain management (SCM) processes. This was one of the reasons that was cited in the last financial year for underexpenditure under the Administration Programme and for the same Stellenbosch Plant Quarantine Station.

**Programme 2:** This is the Programme in the Department that has been consistently utilising almost 100 per cent of its budget allocation (99.5 per cent in 2013/14 and 99.6 per cent in 2014/15) and 100 per cent in 2015/16 financial year. Out of the allocated R2.14 billion for the Programme, R267 000 was not spent, mostly under the Inspection and Laboratory Services Subprogramme (R172 000) in respect of goods and services.

**Programme 3:** The Programme is responsible for producer support through conditional grants and equitable share and contributes to Outcomes 4, 7, and 10. In this Programme, the Department spent 99.8 per cent of the allocated budget, which is an improvement from the previous year’s 98 per cent expenditure. Approximately 3.74 million was not spent in this Programme during 2015/16. Although the amount is significantly less than the R33 million that was not spent in 2014/15, it is a concern that approximately R3.5 million of the amount that was not spent was under the Sector Capacity Development Subprogramme and mostly in respect of the Economic Competitiveness and Support Package for Provincial and Rural Agricultural Colleges. The Sector Capacity Development Subprogramme is important in the revitalisation of Agricultural Colleges, which can play a significant role in realising radical economic transformation by providing the requisite entrepreneurial skills in agriculture to the youth and smallholder producers and also in the strengthening of support to the smallholder sector.

In 2014/15, it was reported that expected payments to Agricultural Colleges for books and tuition could not be made due to less demand, wherein it was reported that for Colleges, only R788 000 of the appropriated R2.66 million was transferred. Given the number of unemployed and out of school youth due to financial reasons, and notwithstanding the need for agricultural skills, the Department needs to explain measures that it has put in place to address the underspending in respect of Agricultural Colleges.

**Programme 4:** In Programme 4, the Department spent 99.8 per cent of its allocated budget. Expenditure in this Programme is slightly decreasing as it was 100 per cent in 2013/14 and 99.9 per cent in 2014/15. The Programme underspent R569 000 (Table 2), which is more than the R319 000 that was not spent in the previous financial year. As in the previous year, most of the underspending was in the International Relations and Trade Subprogramme (R532 000). Within the latter Subprogramme, most of the underspending was in respect of payments to foreign governments and international organisations (R468 000), which was also the case in 2014/15.

**Programme 5:** The Forestry and Natural Resources Management Programme spent 99.9 per cent of its allocated budget. While the spending pattern in terms of proportion is similar to the previous financial year, in 2015/16, the Department underspent R564 000 under this Programme, which is R226 000 more than the R338 000 that was not spent in 2014/15. This is a concern considering that in the reporting year, the budget that was allocated to Programme 5 was even less (Table 2). Most of the underspending in the reporting year (2015/16) was in the Forestry Oversight and Regulation Subprogramme (R324 000) in respect of transfers and subsidies. The rest was in Forestry Operations (R124 000) and Natural Resources Management (R111 000) Subprogrammes, mostly in respect of goods and services.

**Programme 6:** The Fisheries Management Programme is funded directly by DAFF for personnel costs, while its operations are funded through the **Marine Living Resources Fund (MLRF).** The Programme has consistently spent almost 100 per cent of its budget for the past four financial years including the year under review (2015/16), in which it spent 100 per cent of the allocated budget to the MLRF. The Programme underspent R17 000, which is R5 000 less than the previous year’s R22 000. The underspending, as in 2014/15, was in respect of personnel related costs i.e. compensation of employees to a large extent, and to a lesser extent, transfers to households.

In the year under review, the **MLRF** regressed from the previous financial year’s clean audit and has received an unqualified audit opinion with findings from the Auditor-General (AG). The AG highlighted that the entity did not address major audit issues that were raised in previous years and did not follow-up on recommendations made. The AG reported that there is lack of skills and required competencies within the MLRF in the supply chain management (SCM) unit; as well as non-adherence to SCM policies. Poor management of procurement and contracts is a recurring matter with MLRF. In the year under review, transactions above R500 000 were procured without inviting competitive bids and lack of oversight by management resulted in irregular expenditure of approximately R12.8 million in respect of awarded tenders (these were mostly to harbour management implementers). As in the previous year, the management of the MLRF (Fisheries Branch) did do an investigation regarding the irregular expenditure and there is no consequence management.

**Table 2.** Programme Budget and Expenditure

|  |  |  |
| --- | --- | --- |
| **Programme**  | **2015/16** | **2014/15** |
| Final appropriation R’000 | Actual expenditure R’000 | Under expenditure R’000 | Final appropriation R’000 | Actual expenditure R’000 | Under expenditure R’000 |
| **1.** Administration | 788 853 | 785 802 | **3 051** | 758 973 | 738 441 | 20 532 |
| **2.** Agricultural Prod, Health & Food Safety | 2 143 284 | 2 143 017 | 267 | 2 192 977 | 2 183 702 | 9 275 |
| **3.** Food Security & Agrarian Reform | 1 910 535 | 1 906 795 | **3 740** | 1 689 344 | 1 656 320 | 33 024 |
| **4.** Trade Promotion & Market Access | 237 327 | 236 758 | 569 | 307 319 | 307 000 | 319 |
| **5**. Forestry & NRM | 862 844 | 862 280 | 564 | 1 303 983 | 1 303 645 | 338 |
| **6.** Fisheries Management | 465 907 | 465 890 | 17 | 439 787 | 439 765 | 22 |
| **Total** | **6 408 750** | **6 400 542** | **8 208** | **6 692 383** | **6 628 873** | **63 510** |

Source: Annual Report (DAFF), 2016

**4.2.1 Report of the Audit Committee**

The Department’s Audit Committee reported that they were satisfied that the Internal Audit Function is independent, objective and strives to address the risks pertinent to the Department in its audits. However, the Audit Committee raised concerns regarding the recurring system deficiencies that were raised by both Internal and External Auditors from the previous financial year, which the Department’s management have not adequately addressed. These include pre-determined objectives, performance management system, performance information (which is an unresolved matter from previous year), filling of vacant senior management service (SMS) positions and other matters. The Committee further highlighted that the Department is in the process of filling crucial vacancies as identified. The Audit Committee highlighted that although most matters from the previous financial year were adequately resolved, a significant number remained unresolved and the management has committed to clear all outstanding matters during the current year (2016/17).

**4.3 Quarterly Performance**

The Department’s quarterly expenditure has improved when compared to previous years. In the First Quarter of 2015/16 the Department spent 26.9 per cent (24.8 per cent in 2014/15) of the allocated quarterly budget (expected expenditure per quarter is 25 per cent) but achieved 69 per cent of targets (1 per cent decline from 2014/15). Expenditure in the First Quarter is generally driven by once-off transfers to entities, as well as conditional grant payments to Provinces. Compared to the previous financial year, the Department spent on average, 26.8 per cent of the quarterly allocation in each of the first three Quarters. While quarterly expenditure improved, performance on target achievement remained stagnant as in each Quarter, there were targets that were in progress or partially achieved. In this regard, the performance in terms of achieved targets improved to 81 per cent in the Second Quarter as some targets that were not achieved in Quarter 1 were also included in Quarter 2. The performance in terms of targets achieved decreased in the Third and Final Quarters of the financial year under review to 71 and 77 per cent, respectively.

As in previous years, which was also the case in the First Quarter for the current financial year, 2016/17, the Department’s Programme 3 underperformed as the Department was still validating information from Provinces, which they reported will be incorporated into the Second Quarter. The only constant achievement (25 per cent spend) in terms of quarterly expenditure is that of compensation of employees. During the Fourth and last Quarter of the 2015/16 financial year, the Department had 14 targets that were in progress and 2 that were not done. During the last Quarter, the vacancy rate decreased from 11.5% in the Third Quarter to 10%.

When considering Quarterly Reports, the Committee observed that while the Department reported higher proportions of targets achieved, in reality, actual achievements were far less as the Department partially achieved, and did not report on, some of the planned targets for each of the quarters. Notwithstanding factors beyond the Department’s control such as the drought, and the Department’s assurance that underperformance during some of the quarters will not affect the annual performance, from previous financial years, there has been a strong link between the Department’s quarterly performance and the final outcome.

**4.4 Report of the Auditor-General and the Financial and Fiscal Commission**

**4.4.1 The Auditor-General of South Africa**

In terms of financial statements, the Department received an unqualified audit opinion from the Auditor-General (AG) for the 2015/16 financial year. In 2014/15, the AG commended the Department for not having material adjustments on financial information but raised a concern with material adjustments on performance information. However, in the year under review, the Department regressed as there were material findings that necessitated corrections on its financial statements. Therefore, it would have received a qualified audit opinion had it not been given an opportunity to correct its financial statements.

Without qualifying the opinion, the AG drew attention to the following material findings and matters of emphasis for the year under review (some are repeat findings):

* **Usefulness and reliability of reported performance informatio**n – The AG identified material misstatements in the Annual Performance Report submitted for auditing on the reported performance for Programmes 3, 4 and 5. Management subsequently corrected some of the misstatements and in this regard, the AG raised material findings on the usefulness of information only for Programme 4: Trade Promotion and Market Access.
* 29% of the targets for Programme 4 were not specific, therefore, not measurable.
* **Non-compliance with legislation i.e. National Treasury Regulations and Public Finance Management Act (PFMA) (Act No.1 of 1999)** – the Department’s financial statements submitted for auditing were not prepared according to prescribed Financial Reporting Framework as required by Section 40(1)(b) of the PFMA. Material misstatements of biological assets, accruals and payables identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the fincial statements receiving an unqualified audit opinion.
* **Expenditure management** – the Department did not take effective steps to prevent irregular expenditure of R899 000 (Note 26 of financial statements on page 261 of Annual Report) as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. The amount was related to non-adherence to supply chain management (SCM) procedures.
* **Deficiencies in internal controls in respect of Leadership** –
	+ The management did not exercise adequate oversight in the areas of performance planning and compliance with the National Treasury’s Framework for Managing Programme Performance Information (FMPPI) to ensure that performance targets were specific in clearly identifying the nature and required level of performance for Programme 4: Trade Promotion and Market Access.
	+ The Department monitoring controls were not always effective to ensure the complete recording of biological assets, accruals and payables, which resulted in the financial statements being subjected to material corrections.
	+ Action plans for the implementation of audit recommendations were not adequately monitored, resulting in a recurrence of material audit findings.

* **Financial and performance management** – the Department did not always implement adequate reviewing and monitoring controls over information received from the Branches and Regions for reporting purposes. This resulted in the Performance Report and Financial Statements being subjected to material corrections after having been submitted for auditing.

Notwithstanding the matters of emphasis, the AG reported that there has been an improvement in the overall audit outcomes of DAFF over the last three years and the Department has made significant progress compared to 2014/16 by addressing past material findings on their Annual Performance Reports and compliance with legislation. The Marine Living Resources Fund (MLRF), which has been the biggest contributor with over 92% of the irregular expenditure for DAFF in each of the past two years, contributed 90% (R12.5 million) to irregular expenditure in the year under review for failing to follow competitive bidding processes, while DAFF contributed 6% (R829 000) due to non-compliance with prescribed procurement processes. The AG highlighted that no investigations were conducted in respect of irregular expenditure at the MLRF and there was also no consequence management.

The AG highlighted the following three key root causes of audit findings for DAFF and the MLRF:

* Slow response by management to monitor and evaluate quarterly reporting, and lack of continuous training interventions to up-skill staff in the finance unit to effectively support the Chief Financial Officer.
* Lack of skills and competency in the supply chain management (SCM) unit and non-adherence to SCM policies when appointing implementing agents.
* Inadequate processes and procedures to ensure that financial statements submitted for audit are valid, accurate and complete.

It was further reported that the Department does not address root causes in all its Programmes but focus on addressing the areas that have been raised by the AG. As an example, in previous years, the AG has selected and reported findings regarding usefulness and reliability of reported information on Programmes 3 and 5. In the year under review, there were no findings on these Programmes but on Programme 4, which was selected for auditing for the first time.

The AGSA recommended that the Portfolio Committee should request DAFF management to provide regular feedback on the implementation of the Audit Action Plan including progress during quarterly reporting. In addition, DAFF and the entities’ Annual Performance Plans (APPs) should reflect the impact of planned interventions and the Department should report on these during quarterly and annual briefings. The Committee should also get independent assurance from the Internal Audit Committee about the reliability, completeness and credibility of information that is presented to the Portfolio Committee during quarterly reporting.

**4.4.2 The Financial and Fiscal Commission (FFC)**

The FFC analysed the Department’s spending trend from 2012/13 to 2018/19 and also included comments on the MTEF budget allocation. The FFC highlighted that the Department is doing relatively well in utilising its budget and has improved significantly in this regard compared to the previous year but is still not doing well in ensuring that all budgeted targets are met. Previous underspending by the Department has been resolved but the key concern is whether the Department is getting value for money from its funded activities. While it used almost 100 per cent of its budget, only 78 per cent of performance indicators (different from annual outputs) were achieved. The FFC reported that the budgeting and programme performance functions in the Department were not properly aligned as the Department performed poorly on some key human resource and service delivery indicators. It also highlighted a significant increase in contingent liabilities against the Department in 2015/16 particularly legal cases against it. The FFC further commented that the financial management practises of the Department have some weaknesses that should be urgently addressed (e.g. loans to staff, human resource practises and irregular expenditure).

The FFC also mentioned that some of the indicators reported particularly for Programmes 1 and 4, were not specific and measurable. In addition, it highlighted that although many challenges with implementation are at provincial level, the Department did not have indicators that measure technical support or oversight over Provincial Departments. The FFC was concerned about the allocation framework for agricultural grants, which is misaligned to policy objectives. For example, the Northern Cape Province receives the largest share of agricultural grants despite contributing the least to agriculture output as the allocation criteria focus on area size. The FFC reported that expenditure on conditional grants has also improved as most Provinces use entities as implementing agencies. However, there is a need to assess impact of spending as the quality of performance information in the APP does not allow for effective oversight over the Department’s performance.

The FFC reported that one of its submissions for the 2015/16 Division of Revenue Act (DORA) for Government to clarify the legislative mandate and responsibilities of municipalities in relation to food security as more unemployed rural dwellers are migrating to urban areas. They further proposed that DAFF should develop a policy on urban food security with concrete funding proposals. The FFC also highlighted that South Africa’s agricultural employment is decreasing compared to other countries with the same agriculture size. In addition, their assessment of the land reform programme in three rural provinces found that in all three provinces, agricultural employment and agricultural production has declined. Therefore, the FFC emphasised strengthened coordination between DAFF and the DRDLR as they were currently working in silos and duplicating certain agricultural activities.

* 1. **Responses from the Department on issues raised by the AG**

In response to the key root causes, the AG reported that the Minister of Agriculture, Forestry and Fisheries committed to the following:

1. Implement a Plan to identify specific areas where service delivery will take place.
2. Ensure a linkage between the budget and targets in the Strategic and Annual Performance Plans. It was further reported that the Department was consulting with National Treasury on the matter.
3. The Department will implement daily, weekly and monthly checks and balances to ensure the credibility and completeness of financial and performance information that is presented to management and oversight Committees.
4. Developing a Plan to support agricultural schools and encourage youth to study agriculture.
5. Collaborate with the provincial Members of the Executive Council (MECs) to ensure proper monitoring and evaluation of Division of Revenue Act (DORA) funds. In addition, a task team was established to identify employees to assign to monitoring the Comprehensive Agriculture Support Programme (CASP)-funded projects.

**4.6 Discussion on Financial Performance**

The Committee noted the significant improvement in the Department’s financial performance compared to prior years. However, the Department still has a challenge with effectively and efficiently spending its budget as planned and on planned targets, to ensure service delivery and value for money. This is a concern for the Committee as they acknowledge that adequate funding remains a challenge to ensure that the Department carries out all its mandated activities as highlighted in the NDP, MTSF and other Government directives (e.g. SONA). The main challenges regarding budgetary use is proper planning, monitoring and evaluation (M & E) of transferred funds and consequence management. In previous financial years, underspending and non-achievement of targets were largely through conditional grants to Provinces, where service delivery needs to take place. The Committee noted that spending in this regard has also improved but verification and reliability of reported information is still a major concern, which makes it a challenge to measure service delivery and value for money.

The Committee commended the Department for the unqualified audit opinion received from the AG but was concerned that this was attained after the AG has given the Department na opportunity to make material adjustments on its financial statements. The Department was also commended for the corrective measures that are put in place to address repeat findings from the AG, which contribute to some of its performance challenges. However, the Committee noted that while some repeat finding from prior years have been addressed the Department does not follow its corrective measures to prevent further findings.

The Committee again emphasised physical monitoring in respect of conditional grants, which is a repeat concern, to ensure efficient and results-driven monitoring and evaluation of the implementation of policies and plans. In this regard, financial resources need to be available to ensure that M & E practitioners are capacitated and well-resourced to carry out physical monitoring of all funded projects. Value for money in terms of transferred funds cannot be guaranteed without effective monitoring and evaluation. The Committee welcomed the development of Phakisa for Agriculture and Rural Development that will ensure proper coordination and alignment of activities and funding between DAFF and the Department of Rural Development and Land Reform (DRDLR).

**5. Overview and assessment of service delivery performance**

**5.1 Service Delivery Performance for 2015/16**

For the 2015/16 financial year, the Department had 71 planned targets as listed in the 2015/16 Annual Performance Plan. Out of the 71, the Department achieved 58 targets (81.7%), which is more or less similar in terms of proportion to the previous financial year. In 2014/15, it achieved 45 out of the total of 55 targets (81.8%). Performance details are discussed below under Programmes.

**5.2 Programme Performance**

**Table 3.** Summary of Target Achievements and Expenditure for 2015/16 per Programme

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **No. of Targets** | **Achieved** | **Not achieved** | **Proportion achieved**  | **Budget spent**  |
| **1. Administration** | 22 | 19 | 3 |  86 per cent | R785.8 million(99.61 per cent)  |
| **2. Agricultural Production, Health and Food Safety**  | 9 | 8 | 1 | 89 per cent | R2.14 billion (99.99 per cent)  |
| **3. Food Security and Agrarian Reform** | 8 | 6 | 2 | 75 per cent | R1.9 billion (99.80 per cent)  |
| **4. Economic Development, Trade and Marketing**  | 14 | 13 | 1 | 93 per cent | R236.7 million(99.76 per cent) |
| **5. Forestry and Natural Resources Management** | 9 | 6 | 3 | 67 per cent | R862.2 billion (99.93 per cent)  |
| **6. Fisheries Management** | 9 | 6 | 3 | 67 per cent | R465.9 million (99.99 per cent) |
| **TOTAL** | **71** | **58** | **13** | **82 per cent** | **R6.4 billion** **(99.87 per cent)** |

**Programme 1:** **Administration**

In its APP, the Department had 22 targets that were planned for the 2015/16 financial year. However, in the Annual Report, the Department reported on 21 targets. The Department did not report on the implementation of the APAP Framework, which was supposed to be approved by Cabinet. Out of the 22 planned targets (as per the APP) for the Administration Programme, the Department achieved 19 targets (86%). One of the targets that the Department did not achieve was finalisation of new misconduct cases within 100 days. In 2015/16, it received 35 new misconduct cases and only finalised 3 cases within 100 days citing the complexity of the process and difficulty in resolving labour relations issues. Despite this being a serious challenge for the Department as there were also 8 misconduct cases (additional to the 35) from the previous financial year that were not resolved, the Department has not provided corrective measures on how it plans to address the challenge.

The two other targets that the Department did not achieve are linked and both relate to the APAP, the key instrument through which the Department is supposed to respond to the NDP mandate and contribute to the MTSF targets (particularly Outcomes 4 and 7). The Department did not submit an Annual Report for the implementation of APAP interventions and the APAP Framework as alluded to in the previous paragraph; and as mandated in the MTSF 2014-19. In this regard, the Department reported that APAP now forms an integral part of the revitalisation of agriculture and the agroprocessing value chain (RAAVC), which is part of the Nine-Point Plan.

**Programme 2: Agricultural Production, Health and Food Safety**

Out of 9 targets that were planned for this Programme in 2015/16, 8 targets were achieved (89%). Under this Programme, the Department planned to deploy 140 veterinary graduates to rural communities for the CCS programme but managed to deploy 126 graduates. This was attributed to the total number of graduating veterinary students being less than 140 in 2015, an issue that was beyond the Department’s control. For 2017, the number of deployments will be informed by the list of final year students from the university. The Department overachieved the target of delivering 18 primary animal health care clinics and instead delivered 49, which consisted of 18 light delivery vans (LDVs), and 31 prefabricated mobile clinics (prefabs). The prefabs were procured in 2014/15 but were delivered in 2015/16. Programme 2 is the only Programme that is consistently achieving all its planned targets and the only one where expenditure matched service delivery performance.

**Programme 3: Food Security and Agrarian Reform**

For the 2015/16 financial year, the Department had 8 planned targets for Programme 3. Of the 8 planned targets, 6 targets were achieved (75%). The two targets that were not achieved were the 120 000 hectares (ha) of underutilised communal land that was supposed to be put under production and 40 000 households that were supposed to benefit from food and nutrition security initiatives. This is a serious concern as both targets are supposed to play a central role in the achievement of Outcome 7 (rural development and food security). In both cases, drought was cited as the main reason for underachievement.

In the case of communal land that was put under production, the Department received from provincial reports a total of 78 077 ha that have been cultivated. However, the reports could not provide sufficient evidence of the hectares cultivated as required in the Department’s Technical Indicator Description. For the number of households supported through food and nutrition security initiatives, the Department confirmed 14 486 households out of the panned 40 000 target, were supported. It is reported that a total of 66 747 households were supported as per the provincial reports approved by Heads of Department (HODs) but the reports also did not meet the evidence requirements as per the Department’s Technical Indicator Description.

The Branch plans to improve coordination particularly on activities that are implemented by provinces, through establishing functional working groups to ensure that reports and evidence are quality assured on a quarterly basis. The unreliability of reported information is one of the consistent issues that have been raised by the Auditor-General (AG) for the past 2 years and concern about poor monitoring and evaluation (M & E) of provincial activities by the Department has been raised by the Committee. Therefore, the Committee needs to oversee progress in this regard and the effectiveness of such an intervention should be evident when the Department briefs the Committee on the Second Quarter Performance for 2016/17.

**Programme 4: Trade Promotion and Market Access**

The Department had 14 planned targets under this Programme for 2015/16. Of the 14 targets, 13 targets were achieved (93%) and 1 was overachieved. Ninety nine (99) cooperatives in various provinces were targeted for training and by the end of the financial year, 105 were trained due to increased interest from members of the cooperatives. Under this Programme, the Department did not achieve the approval and launch of the National Investment Plan. The Department cited budgetary constraints as the reason for not achieving this target. In 2014/15, the Department reported that they could not finalise CAADP Country Compact for signing as they were unable to secure meetings with Cluster Committees who are supposed to recommend the CAADP Compact before presentation to Cabinet. As part of preparations for the CAADP Compact, the Department reported that an FAO-funded Draft Final Report on Agriculture Public Expenditure Review was finalised and submitted to DAFF for comment.

This is the third consecutive year that the Department falls short of achieving a target that is linked to the Comprehensive Africa Agriculture Development Programme (CAADP) although the Department had previously reported to the Committee in February 2014 that consultations with provinces for the development of the country’s CAADP Compact were completed. CAADP is not just a NEPAD programme but a Pan-African Framework for accelerating long term agricultural development and growth among African countries and focuses on improving food security, nutrition and increasing incomes in Africa's largely farming based economies. Its overall goal is to eliminate hunger and reduce poverty in Africa through agriculture. For CAADP, the most notable achievement in terms of implementation, will be the development of an Investment Plan, which is supposed to be a well-consulted plan that has the buy-in of all relevant stakeholders. Given the Department’s budgetary constraints, this should be a priority. It is also a concern that the Department did not suggest a strategy on how to address underperformance in this area as it has done with other targets in some of its Programmes.

**Programme 5: Forestry and Natural Resources Management**

Out of 9 targets that were planned for 2015/16 under Programme 5, the Department achieved 6 targets (67%). Some of the targets were overachieved, namely, the number of hectares planted in temporarily unplanted areas (TUPs) due to good rainfall in the first two quarters of the financial year (2 279.79 ha versus planned 1 725 ha) and the number of hectares of agricultural land rehabilitated due to incentives from the Expanded Public Works Programme (EPWP) i.e. 25 207.29 ha versus planned 16 000 ha. The Department developed a Draft Agro-Forestry Strategy, which it is hoped, will be finalised in the current financial year. As part of the climate change mitigation and adaptation strategies, the implementation of the biogas production and integrated crop-livestock system in the Eastern Cape, Limpopo and North West provinces is commended.

In terms non-achievements under this Programme, the Department did not certify the Hlokozi Plantation as it did not meet some of the criteria during assessment by the Forestry Stewardship Council (FSC); and did not conclude an environmental impact assessment (EIA) in KwaZulu-Natal (KZN) citing delays due to drought and splitting of the applications for the EIA. The Department also failed to revitalise 250 ha in irrigation schemes and attributed this to unavailability of approved conversion certificate to reflect revitalisation work in irrigation schemes, which was done in metres and needed to be converted into hectares. In this regard, the Department reported that they reached an agreement with the Department of Planning, Monitoring and Evaluation (DPME) to change the variables from hectares to the number of projects for future reporting. This is a concern as the NDP and MTSF refer to hectares not number of projects. Besides number of projects can be misleading in terms of actual service delivery.

**Programme 6: Fisheries Management**

The Fisheries Management Programme had 9 planned targets for 2015/16 (as per its APP – page 72), it reported on 8 targets in the Annual Report and the 9th target (i.e. 26 planned operations for compliance, monitoring and surveillance and fisheries patrol/protection vessels) is reported in the MLRF Annual Report as part of the Integrated Fisheries Security Strategy (IFSS). Out of the 9 planned targets, the Department achieved 6 targets under Programme 6 (67%). The Department overachieved in the 2 targets that are linked to the IFSS i.e. compliance and enforcement measures and these were attributed to the functioning of the Fishing Protection Vessels and conducive sea weather.

The Department did not table the Aquaculture Bill as planned citing delays due to the requirement to complete a socio-economic impact assessment and postponement of task team meetings at the request of the Aquaculture Industry Association. It also did not allocate rights to 9 fishing sectors as planned due to extension of dates for submission of applications. As part of the implementation of the Smallscale Fisheries (SSF) Policy, the Department planned to allocate fisheries rights to registered smallscale fisheries cooperatives but did not achieve the target. This was attributed to delays in putting a Legal Framework in place.

**5.3 An Overview of the Performance of the Department’s Entities**

With the exception of the PPECB, OBP and the NAMC, which all received clean audits, the Department’s entities received financially unqualified audit reports with findings from the AG for the 2015/16 financial year. These also include the MLRF, whose activities are reported under Programme 6 (Fisheries Management). The PPECB, which is self-funded through service fees and levies, once again received a clean audit (financially unqualified with no material findings) as it has been the case in the past ten years. Regarding Ncera, the AG noted that it received an unqualified audit only because the entity has been using consultants to do its financial statements as it does not have an Internal Audit Function and an Audit Committee.

**5.3.1 Agricultural Research Council (ARC)**

**Financial Performance:** The ARC receives the largest share of the transfers to entities. For the year under review (2015/16 financial year), the ARC had a total budget of approximately R1.24 billion, which comprised the Parliamentary Grant (PG) of R782 million from DAFF and the Department of Science and Technology (DST); as well as R462 million from self-generated revenue. The PG has decreased by almost 15% from R919 million in 2014/15 due to Cabinet-wide budgetary reductions, which had a negative impact on how the entity carried out its mandate. Despite the increase in external revenue in 2015/16 (7% growth), the ARC ended the financial year with a R76 million deficit due to the reduction in the PG.

The ARC received an unqualified audit opinion with findings on non-compliance with legislation and deficiencies in internal controls in respect of leadership and financial performance and management. The AG highlighted that the ARC would have received a qualified audit opinion but was given an opportunity to make material adjustments to financial statements. The AG was concerned about the matter as similar adjustments have been made in the previous financial years for the entity to receive an unqualified audit opinion. As in the 2014/15 financial year, the misstatements were attributed to updating of the entity’s ICT system. In this regard, the AG recommended that the Department should hold the Accounting Authority accountable to address the challenges associated with the implementation of the ICT system. In response to the AG, the ARC reported that an Audit Improvement Plan is in place to address the AG’s concerns and findings; and these will be addressed by the end of October 2016.

**Targets achieved:** 32 out of 50 (64%). During the 2015/16 financial year, the ARC saw an almost 50% increase in the number of registered cultivars with Plant Breeders’ Rights (increase in intellectual property – IP) from 12 in 2014/15 to 23 in 2015/16. In Programme 5 (agroprocessing, food technology and safety), the ARC overachieved in all the set targets. During the year under review, the ARC also increased the number of farmers participating in the Kaonafatso ya Dikgomo (KyD) Scheme for improved animal husbandry; and developed an attenuated heartwater vaccine, which has been tested in 3 Angora goats farms in the Eastern Cape and was found to be safe for use. To address some of the food safety issues, the entity established a Next Generation Sequencing tool to detect species substitution and mislabelling in meat products.

**Targets not achieved:** 18 out of 50 (36%). Drought and financial constraints have been cited as some of the reasons that contributed in the ARC not meeting some of its targets in the year under review. However, the ARC’s performance in terms of proportion has been dropping in the past three years from 77.6% achievement of targets in 2013/14 to 74% in 2014/15 and 64% in the year under review. This is despite the review of the number of targets over the period e.g. from 85 in 2013/14 to 31 in 2014/15 and 50 in the year under review (i.e. 2015/16). In Programme 3 (natural resource management), the ARC underachieved in 3 out of 4 outputs. The ARC did not achieve most targets related to dissemination of information for Programmes 1 to 3, citing lower demand for reports and manuals; fewer field trials conducted due to drought and fewer farmers participating in animal improvement scheme.

**5.3.2 Onderstepoort Biological Products (OBP)**

**Financial Performance:** The OBP does not receive a Government grant but funds all its operations from self-generated revenue (mostly from sale of vaccines). The entity increased its revenue from R81.7 million in the 2014/15 financial year to R92.7 million by the end of 2015/16, due to changes in product lines of some of the vaccines produced. The positive outcomes were not only as a result of a gradual return to improved production after the modernisation of the manufacturing plant, but also the favourable international market conditions and the devaluation of the Rand against major trading currencies. The OBP saw slight growth in the market share within both the total animal health market and the vaccine market segment that it lost in the previous financial year. However, despite the growth in its market share, OBP experienced a 10% drop in domestic market sales, which was 38% short of what was budgeted for.

In the year under review, the OBP received a clean audit and an award from the AG for not having material findings. This being the first clean audit since the entity’s inception, it is an applaudable achievement from the previous year’s unqualified audit opinion with repeat findings. The OBP undertook to maintain the clean audit in the current and following financial years.

**Targets Achieved:** 25 out of 40 (62.5%). This is a commendable and significant achievement when compared to the previous financial year’s 30% target achievement. Some of the achieved targets include the alignment of organisational structure to new strategy; the increase in generated foreign revenue; maintenance of ISO accreditation; implementation of marketing strategy; recapturing lost markets; and support and training to cooperatives, smallholder and emerging farmers. During the year under review, the Committee resolved that Provinces should source their vaccines from OBP. This was because during the 2014/15 financial year, only 5 Provinces had signed Memoranda of Understanding (MoUs) with OBP for the supply of vaccines. During 2015/16, the volumes of vaccine doses to Provinces grew from 20 000 doses in 2014/15 to over 86 600 doses. In support of Government initiatives to support emerging farmers, the entity contributed 630 000 vaccine doses to Provinces, a significant increase from 130 000 vaccine doses in 2014/15 year. Similarly, the generated revenue grew from less than R1 million in 2014/15 to over R3.2 million during the year under review.

**Targets not achieved:** 15 out of 40 (37.5%). A significant portion of the targets that were not achieved relate to production and this is attributed to aged infrastructure, which results in frequent breakdowns and failures. Until the recent refurbishment of vaccine manufacturing plant from the once-off funding allocation of R492 million from National Treasury for the purpose during the MTEF period that started in 2012/13 and ended in 2015/16, the OBP has been using outdated equipment and facilities from the 1960s. The frequent breakdowns resulted in contamination of production batches, thus delaying the timeous availability of the products. The OBP is, however, reporting that the worst of production challenges are over and affirms that during the 2016/17 financial year, products that were unavailable or were in short supply will be timeously available. Similarly, the OBP reports that the capacity shortage that was named as one of the factors that resulted in production short-comings has been addressed by filling some of the critical and funded posts, and capacity was also supplemented with interns.

The OBP is commended for being the only entity that meets most employment equity targets, performing even better than the Department in this regard. Notwithstanding the increase in generated revenue, the production capacity in the entity remains a concern for the well-being of the national herd and subsequently, human health as certain vaccines that are associated with the prevention of diseases of economic importance are only manufactured by OBP locally. These include inter alia vaccines for Rift Valley Fever (RVF), Bluetongue, Brucellosis and African Horse Sickness.

**5.3.3 National Agricultural Marketing Council (NAMC)**

**Financial Performance:** For the 2015/16 financial year, the NAMC received a Parliamentary Grant of R34.6 million through the Department of Agriculture, Forestry and Fisheries (Vote 24) and approximately R26.19 million from income generated and sponsorship funding received. During the year under review, the NAMC also realised interest of R2.8 million, which gave it a total revenue of R63.6 million for the 2015/16 financial year, which is significantly higher than the R55.5 million revenue that was generated in 2014/15. The NAMC spent R61.9 million of its total revenue and was left with a surplus of approximately R1.7 million. The NAMC incurred no wasteful, fruitless or irregular expenditure in the year under review. Of the total expenditure, 48% was spent on personnel, 41% on operations and the rest accounted for administration and depreciation.

The NAMC also received a clean audit and an award from the AG for not having material findings in the year under review. In the previous financial year, 2014/15, the NAMC received an unqualified audit opinion with findings and just like the ARC, would have received a qualified audit opinion but was given an opportunity to make material adjustments to financial statements. Therefore, the clean audit in 2015/16 is an applaudable achievement.

**Targets Achieved:** 53 out of 54 (98.2%). In the 2015/16 financial year, the NAMC achieved all its planned targets for Programmes 1, 2, 4 and 5, while it exceeded some of the targets for two of the Programmes. In the year under review, statutory measures as recommended by the NAMC were approved for the deciduous fruit, milk, pecan nut and pomegranate industries, as well as the South African Grain Information Service (SAGIS) relating to grain and oilseeds. During the period under review, the NAMC collected a total of R427.8 million in statutory levies, which was 4.6% higher than the levies collected in 2014/15 (R409.1 million). Its National Red Meat Development Programme (NRMDP) operated 11 custom feeding facilities in Eastern Cape (7), KwaZulu-Natal (3) and in Northern Cape (1). The facilities handled 2 594 animals for feeding that were later sold through formal and informal markets, generating approximately R23.15 million in income for farmers.

In collaboration with the Northern Cape Department of Agriculture, Land Reform and Rural Development, 116 vineyards were developed through the Vineyard Development Scheme (wine, raisins and table grapes). With funding from the Western Cape Department of Agriculture, the NAMC provided technical support on production through the Supply Chain and Logistics Development Programme to 18 small producers of fresh fruit and vegetables in the Ceres and Grabouw regions of the Province. The objective of the programme is to assist small producers in accessing international markets particularly the European Union (EU). Five growers from the group were selected to attend Fruit Logistica in Berlin (Germany) with officials from the Western Cape Department of Agriculture and Hortgro. In collaboration with the Limpopo Department of Agriculture and the Rhodes Food Group, the NAMC also conducted soil analysis training for 29 farmers in Limpopo.

**Targets not achieved:** 1 out of 54 (1.8%). The only target that was not achieved was in Programme 3 where only I set of liaison minutes instead of 2 was produced for supply and demand estimates. This was attributed to the Crop Estimate Committee meeting only once during the financial year as there were no other matters to discuss.

**5.3.4 Perishable Products Export Control Board (PPECB)**

**Financial information:** Like the OBP, the PPECB does not receive a Government grant but a transfer from DAFF (R1.1 million in the year under review versus R2.39 million in 2014/15) specifically for skills development and training for technologists. The Departmental contribution is a minimal contribution towards the total revenue of approximately R286.1 million (up from R251 million in the 2014/15 financial year). The expenditure for operating expenses increased from R262.44 million in the previous financial year to R284.28 million in the year under review. Employee compensation and benefits account for R190.89 million (66.7%) of total expenses, while the balance is towards operational expenses and finances charges. The total expenditure left the PPECB with a R1.82 million surplus which reflects a vast improvement in the control of expenditure situation when compared to the R10.95 million deficit at the end of the 2014/15 financial year. The entity improved its expenditure on BBBEE compliant suppliers from 80% in 2014/15 to 87.2% in the 2015/16 financial year.

The PPECB is the only entity of DAFF that has been receiving and maintaining a clean audit outcome for more than 9 successive years and was congratulated and commended by the Committee.

**Targets achieved:** 13 out of 14 targets (93%). Eleven targets were exceeded by varying margins, while the other two were adequately achieved. The achieved targets included, inter alia, the percentage of money spent on BBBEE suppliers; staff retention; samples analysed using accredited methods; students graduated through the Agricultural Export Technologies Learnership Programme; number of smallholder farmers certified for export; and samples inspected. The expenditure of the PPECB on Corporate Social Investment as well as the amount of its budget that is spent on BBBEE clients has enabled the entity to move from a Level 4 BBBEE contributor to a Level 3 BBBEE Contributor. It is commendable that the entity, in partnership with other State organs, trained smallholder farmers about food safety, good agricultural practices, responsible use of pesticides, cold chain management and product quality training in preparation for food safety certification and market access.

During the 2015/16 financial year, the PPECB underwent scrutiny from a certification body and, once again, has successfully retained its ISO 9001:2008 accreditation. Another notable milestone was the PPECB Laboratory receiving official recognition from the Botswana Bureau of Standards as a food testing facility for its imports. During July 2015, the first Export Certificate for Citrus was generated using the Titan mobile technology system for a shipment destined for the European Union and ultimately achieving 30% of produce being inspected during the financial year. Furthermore, 18 exporters were loaded on the system. Citrus black spot (CBS) remains a challenge, despite PPECB recording a significantly reduced number of interceptions - from 28 in 2014 to 15 in 2015. In recognition of the effort made to control CBS, the Food and Veterinary Office of the EU is satisfied that South Africa has put adequate systems to manage incidents of CBS occurrence. The Perishable Products Export Control Bill consultation process has been completed with comments submitted to the Department, the Socio-Economic Impact Assessment has been completed and the PPECB has sought a date for the presentation of the Bill to NEDLAC.

**Targets not achieved**: 1 out of 14 (7%). The only target that was not achieved was the lower number of clients submitting requests using the mobile technology platform (Titan), which was beyond the PPECB’s control.

**5.3.5 Ncera Farms (Pty) Ltd**

The Committee has previously recommended that Ncera Farms (Pty) Ltd should be deregistered as it was not fulfilling its mandate. Therefore, the Department, as the caretaker of the entity, which does not have a Board of Directors, was asked to present a progress report on the deregistration of Ncera Farms (Pty) Ltd (aka Ncera).

The Department reported that the National Treasury has in principle agreed to sign off the deregistration of Ncera and an agreement is signed with the ARC, to which the Ncera will be transferred. It was reported that the decision to transfer the entity to the ARC was taken and supported by stakeholders. The Department further reported that shortfalls in wages and related benefits are being assessed to align with the ARC’s equivalent, and additional budget will be sourced for the MTEF to ensure equivalence of equal pay for equal work. In the meantime, the Internal Audit function at Ncera will be strengthened by appointing an Audit Committee.

Although the Annual Report of Ncera was not considered, the Committee highlighted its poor quality with lots of typographical errors and non-compliance with National Treasury Guidelines for the Preparation of Annual Reports. The Committee was also concerned with the R667 297 deficit for an entity that is not fulfilling its mandate and a 51% salary increase for Ncera’s Chief Executive Officer (CEO) and the implications on the transfer to the ARC.

**5.4 Briefing by the Department of Planning, Monitoring and Evaluation (DPME)**

The DPME presentation focused on Government progress in terms of achieving MTSF 2014-19 targets for Outcome 7 (rural development and food security), which is led by the Department of Rural Development and Land Reform (DRDLR) and where relevant, Outcome 4 (job creation); as well as DAFF’s results on the Management Performance Assessment Tool (MPAT). DAFF leads sub-outcome 3 of Outcome 7, which focuses on food security. The DPME reported that some progress has been made some progress has been made to ensure that utilised land in communal areas is cultivated. By August 2016, 236 154 hectares (ha) were cultivated in communal areas, which means that the target (an additional 1 million ha) might be reached by 2019 but the Department will need to strengthen coordination and monitoring of implementation in provinces. It was further reported that little progress has been made in the reduction of rural unemployment and the proportion of households that are vulnerable to hunger. The DPME further reported that their analysis also showed that newly acquired land by previously disadvantaged individuals (PDIs) remain fallow, which implies that farmer support programmes are either inadequate or not yielding the desired impact.

DPME also reported that Statistics South Africa (StatsSA)’s 2015 General Household Survey (GHS) revealed that the slight reduction in the proportion of households that are vulnerable to hunger from 11.5% in 2011 to 11.3% in 2015 was largely due to social grant (enabling purchasing of food) rather than food production initiatives as less than a fifth of South African households (16.9%) are involved in agricultural production. Access to food was reported to be most prevalent in the North West (39% of households), Mpumalanga (31.7%), Northern Cape (31.3%) and Eastern Cape (28.4%). The StatsSA Survey also revealed that only 12.1% of households involved in agriculture reported getting agricultural-related support from Government, with significant support provided for farming in Eastern Cape at 24.1%, KwaZulu-Natal (KZN) at 18.1% and Northern Cape at 12.9%. The Survey also showed that nationally, only 2.1% of households reported receiving appropriate training. The StatsSA’s Survey results are in contrast to the Department’s reports that show that the MTSF targets that relate to smallholder support will be achieved by 2019.

DPME noted that drought had a severe impact on the cultivation of land and food production during the year under review, and only 1 134 ha (6%) of the targeted 18 135 ha of underutilised land were cultivated for production. It was reported that The Department is not likely to meet the MTSF target to put an additional 1 250 ha of land under irrigation for smallholder production. In this regard, the DPME also reported that the NDP target, which is an additional 500 000 ha to be put under irrigation by 2030, will be revised to 80 000 ha as informed by research from the Water Research Commission (WRC). This will subsequently impact the MTSF targets, which are also going to be revised.

The DPME further reported that an Operation Phakisa for Agriculture and Rural Development was approved as an implementation model of the Agricultural Policy Action Plan (APAP) during 2015/16. It was reported that the Phakisa commenced on 25 September 2016 with 162 registered participants and will run over 5 weeks, concluding on 28 October 2016. As part of the Phakisa Programme, DAFF and DRDLR have been requested by the National Treasury and DPME to rationalise and refocus agricultural support and rural development initiatives, which comes on the backdrop of the current fiscal constraints faced by the country and the results of various implementation and impact evaluations conducted since 2013. This is to ensure streamlining of efforts to support smallholders to maximise efficiency and effectiveness and therefore, value for money. Further action will be to discuss the alignment of provincial and national organisational structures with the Department of Public Service and Administration (DPSA) and to address the implications for implementation. Following a concern repeatedly raised by DPME and the Committee, emphasising the need to conduct a baseline study to develop a database of smallholder producers, it was reported that DAFF plans to fund a full Agricultural Census that will include smallholder producers in 2017, a decision which is commended.

In terms of the Management Performance Assessment Tool (MPAT), it was reported that there has been some progress in some of the indicators for 2015/16 albeit slight as the Department’s scores were less than those of the country average, in respect of preparation of Annual Performance Plans, professional ethics, logistics and disposal management as well as fraud prevention. However, consistent with some of the AG’s findings, DAFF has regressed in terms of financial management (cash flow, unauthorised expenditure, payment of suppliers), monitoring and evaluation and human resources management (recruitment, organisational development, employee wellness and handling of disciplinary cases). As in the previous financial year, some of the reasons for the Department’s downgraded scores were absence or lack of evidence and late submission or feedback to policy departments (e.g. DPSA, DPME).

In terms of employment (Outcome 4), the CASP grant was commended as through its interventions in 2015/16, there was a significant number of jobs that were created although most of them were seasonal/temporary (i.e. 7 366 versus 1 997 permanent jobs). The DPME noted that that the slow growth and loss of jobs in the agricultural sector can be attributed in part to the global economic decline but DAFF has not been successful in addressing constraints to investment in the sector. DAFF’s interventions to stimulate production by smallholders did not show significant impact on key indicators such as transforming the sector through new entrants that become successful at a commercial scale; industry growth both in terms of contribution to the Gross Domestic Product (GDP), employment and household food security; as well as utilisation of agricultural land. The root causes for the poor performance in the year under review (2015/16) were attributed to weak relationships between Government and the industry as well as high number of vacancies at senior management level.

DPME also reported that Public Entities that report to DAFF are generally not functioning and performing as envisaged, and have also been criticised by industry players and academic institutions. However, there may be notable improvements in the ARC with the entity’s Vision 2035 document that is currently under consultation.

* 1. **Contribution to MTSF 2014-19 Outcomes**

The Committee has consistently requested the Department when reporting to indicate how its planned activities are linked to the NDP and its MTSF targets. In terms of Outcomes, the Committee should report on annual targets for each Outcome, as well as cumulative progress towards the achievement of the Outcome. This is important for both the Department and the Committee in tracking progress towards the achievement of the MTSF targets; and will assist the Department in identifying areas where it is experiencing challenges and may not meet targets e.g. area under irrigation, APAP and CAADP, so that it can plan accordingly and devise remedial or corrective measures.

In the 2015/16 Annual Report, the Department attempted to report on its contribution to Government Priority Outcomes i.e. Outcomes 4, 7 and 10. However, the report was not specific and was not aligned to the actual MTSF targets as indicates on sub-section 2.4 of this document. In some cases, for **Outcome 4** (job creation), the reports were contradictory to what has been reported elsewhere in the Annual Report (e.g. APAP targets) and it did not report on other targets (e.g. CAADP).

For **Outcome 7,** the Department has met the annual target of developing a Draft PDALF Bill, which is expected to be tabled in Parliament by the last quarter of 2016/17. However, the Department may not meet the MTSF target of ensuring that by March 2019, PDALF is a signed Act (not a Bill) that has already been implemented and being managed. It also reported on the number of hectares under irrigation, an annual target that it did not meet due to drought; and the number of smallholder producers and households that were supported but was not specific as per the MTSF. It also reported on the development of the Policy for smallholder development and support but did not specify the Policy; and did not report on the area of communal land that has been put under production.

For **Outcome 10,** the Department met the annual targets in respect of forests and agricultural land that has been put under irrigation; research reports on prioritised fish stock levels and a climate change adaptation project for the agricultural sector but not forestry and fisheries.

**5.6 Discussion on Service Delivery Performance and MTSF Outcomes**

The Committee commended the Department for the significant improvement in the layout of the Department and the Entities’ Annual Reports on the comprehensive information that has been provided and the presentation of Programme information, which is aligned with the information on their APPs for 2015/16. The Department was also commended for reporting on Outcomes even though in some cases, the information provided was not linked to the MTSF targets.

The Committee commented that Department’s performance in the 2015/16 financial year improved when compared to the previous years. However, there are still persistent challenges with vague indicators and/or targets, reliability of reported performance information particularly on conditional grants including the monitoring and evaluation (M & E) of grants. The Committee commended the Department and its entities for their efforts in aligning their Programmes with the MTSF Outcomes in order to respond to the NDP mandate although more still needs to be done in aligning the contribution of the Department and entities. With the assurance that has been provided by the Department’s Executive Authority, Accounting Officer and the Internal Audit Committee, as well as regular meetings with the Office of the AG, the Committee expects significant improvements to be realised in the coming years. As was highlighted by the FFC and the DPME, the Committee raised a concern with the non-alignment of resource use with actual service delivery as the Department spent almost 100 per cent of its budget but achieved less than 85% of its planned targets.

Given the results of StatsSA’s GHS and 2016 Community Survey on agricultural activity and household food security, the Committee was particularly concerned with the slow progress and the Department’s performance in achieving the MTSF Outcomes, most of which will not be achieved by the end of March 2019 as has been highlighted by the DPME. While some progress has been made in some of the MTSF targets, the Department has made minimal or no progress in some, e.g. additional area under irrigation, smallholder access to markets and targets related to CAADP.

Notwithstanding the Department’s limited funding, smallholder producers are the central focus of the NDP for the sector and the Committee is particularly concerned that the Department is not making significant progress in developing these producers whilst the NDP expects that a third of food surplus in the country should come from these producers by 2030. In addition, when reporting on smallholder support, the Department tends to combine interventions for Outcome 4 and Outcome 7 of the MTSF as one achievement. However, the MTSF is clear in this regard as Outcome 4 relates to market access (which has a direct impact on employment) and Outcome 7 is about production efficiencies to ensure food security (including at household level). Despite the Department’s reported interventions in the development of the smallholder sector as mandated by the NDP, there is no impact of such interventions as most of the households surveyed by StatsSA were producing in backyard gardens to meet household food demand but not for markets.

The Committee welcomes and commended the development of Operation Phakisa for Agriculture and Rural Development, which is expected to address the duplication of activities between DAFF and DRDLR and ensure effective coordination and pooling of resources between the two Departments, Entities, Provinces and the private sector. Phakisa is expected to play a significant role in ensuring the Revitalisation of the Agricultural and Agroprocessing Value Chain (RAAVC), in which the APAP is now an integral part.

StatsSA’s Surveys also highlight the importance of baselines and databases such as a Farmer Register and a clear definition of a smallholder producer, issues that has also been raised by Farmer Organisations including effective monitoring of interventions and the distribution of agricultural drought relief packages. In this regard, the Committee welcomes the Department’s plans to fund a full Agricultural Census (will include the smallholder sector) in 2017. However, it was concerned that the National Food and Nutrition Security Plan is still undergoing consultations. Given the challenge of food insecurity, which is also increasing in urban areas, and the rise in food prices, the Committee is of the opinion that the implementation of the Plan is a matter of urgency.

**6. COMMITTEE findings and OBSERVATIONS**

**Governance and Operational Issues**

* 1. DAFF has made significant improvements in terms of spending its budget although this is not aligned with the achievement of targets, for both the Department and some of its Entities. The Committee highlighted the following areas from the AG’s findings that still needs to be fully addressed within the Department and some of its Entities: prevention of unauthorised, irregular, fruitless and wasteful expenditure.
	2. It has been noted that the Department does not address root causes of audit queries but only focus on fixing the specific areas that are raised by the AG. The top three root causes that were highlighted by AG was slow management response in the M&E of quarterly reporting; lack of skills and competency in supply chain management (SCM) and non-adherence to SCM policies when appointing implementing agents; and inadequate process and procedures to ensure that financial statements submitted for audit are valid, accurate and complete.
	3. The filling of vacancies at SMS level during the year under review, including the appointment of the Accounting Officer during 2016/17 was commended as the vacancies negatively impacted the Department’s performance.
	4. The Committee has noted with appreciation the progress made on the management and operation of the Department’s fishing vessels including the Africana, which is now at sea.
	5. The slow pace of the full integration of the Fisheries Management Branch into the Department particularly the MLRF, in order to minimise duplication of roles, reduce administrative costs and ensure accountability, is still a concern as the Branch in some respects, operates as a separate entity and not a Department Programme.
	6. The slow pace at which the Department is processing the Preservation and Development of Agricultural Land Framework (PDALF) Bill and reviewing various outdated legislation including those through which its Entities operate, e.g. that of the NAMC and the PPECB.
	7. The slow progress in the deregistration of Ncera Farms (Pty) Ltd when the decision was taken by the Committee two years ago. The Committee was particularly concerned that the CEO of the entity received a 51 per cent salary increase during 2015/16 for an entity that has no capacity, no governance structures and was not fulfilling its mandate.
	8. The Department was not conducting proper oversight over its Entities given the situation at Ncera Farms (Pty) Ltd for which the Department is a Caretaker; irregular expenditure in the MLRF that was not investigated; reported vaccine shortages at OBP; and the ARC that has to do material adjustments to its financial statements for six consecutive years in order to receive an unqualified audit opinion.
	9. The Committee was concerned with the alignment of the Department’s structure (organogram) with its mandate and expected responsibilities. The Committee highlighted that critical skills such as veterinarians, researchers, economists, engineers, etc., were not prioritised and administrative posts got higher priority.

**Service Delivery Performance Observations/Findings**

* 1. Lack of intergovernmental collaboration and alignment of activities between the Department and its Entities remains a concern that impacts optimal delivery of services. However, the Committee commended the development of Operation Phakisa for Agriculture, Land Reform and Rural Development in which the Department and its Entities are also participating, which is expected to address some of the challenges associated with collaboration.
	2. The development of the Draft Policy on Comprehensive Producer Support and the planned Agricultural Census for 2017 were acknowledged and commended. The Policy is expected to be finalised soon while the results of the Census will assist in ensuring targeted and impact-based interventions for the smallholder sector, which is the focus of the NDP and the MTSF.
	3. Minimal progress has been made in achieving the MTSF targets particularly in respect of Outcome 4 (job creation) and Outcome 7 (rural development and food security). The major concerns in this regard are support to smallholder producers, job losses in the sector and food insecurity statistics that were revealed by StatsSA’s Surveys.
	4. Finalisation of the Mechanisation Policy by DAFF to ensure standardisation of mechanisation in Provinces. Notwithstanding the drought that affected production in the year under review, the lack of mechanisation standardisation might also be having an impact on the number of hectares that are put under production in communal areas.
	5. Conditions of farm workers, evictions and employment of foreign unregistered workers in some instances, remain a concern as these might also be contributing to the decline in agricultural employment statistics.

**7. COMMITTEE Recommendations**

The Committee recommends to the National Assembly that the **Minister of Finance** should consider the following:

7.1 Additional funding is proposed for the planned Agricultural Census for 2017 and the proposed Operation Phakisa for Agriculture, Land Reform and Rural Development, to which the Department of Agriculture, Forestry and Fisheries (DAFF) is expected to play a central role in collaboration with other Departments such as the Department of Rural Development and Land Reform (DRDLR). Lack of data on the smallholder sector were consistently raised as previous Agricultural Censuses focused on the commercial sector. Therefore, an Agricultural Census that will include the smallholder sector is long overdue and will play a significant role in the new Phakisa Programme; in directing resources and interventions to where they are needed; and to enable Government to easily measure impact of its interventions.

7.2 The agricultural sector is negatively impacted by climate change-induced natural disasters

such as droughts, veld fires and floods, and has not yet recovered from the recent drought. Therefore, the reduction in payments for capital assets, which was 31 per cent in 2015/16 and 4 per cent in 2016/17 and the impact the reductions will have on maintaining the sustainability and growth of the sector (job creation and contribution to economy) is a concern. In addition, the increase in staple food imports due to the drought impact on the sector will add to the constrained infrastructure capacity for agricultural bulk operations at the Ports. In this regard, the Committee recommends additional funding for the Department in respect of drought relief for the sector and infrastructure development to ensure timeous and efficient delivery of services including inspections of foreign consignment at the Ports.

The Committee further makes the following recommendations to the **Minister of Agriculture, Forestry and Fisheries:**

* 1. Consider outstanding previous recommendations of the Committee in the 2015 BRRR and 2016/17 Budget Vote Report as outlined in Section 3 of this report. Reports on these should be submitted to Parliament by the **end of January 2017**.
	2. Ensure that during Quarterly Performance briefings to Parliament, the Department also present progress on the implementation of its Audit Action Plan and those of Entities to address audit queries, root causes as highlighted in subsection 6.2 and previous findings by the AG for both the Department and its Entities. Additionally, the Audit Plans should include consequence management. Report on these **every Quarter**.
	3. Ensure that a progress report on the full integration of the Fisheries Branch’s duplicate functions to the Department is submitted to Parliament. It was previously reported that the integration will be finalised once an Accounting Officer (Director-General) is appointed. The progress report should be submitted to the Committee by the **end of February 2017.**
	4. Submit to Parliament a full Organogram of the Department inclusive of all levels not just the SMS level to show alignment with the Department’s mandate and strategic goals, by the **end of November 2016.**
	5. Fast-track legislative and policy review programmes to ensure the achievement of the MTSF Outcomes and economic transformation in the Agriculture, Forestry and Fisheries sectors and increased contribution to job creation and poverty eradication. Submit a progress report on the processing of the PDALF Bill and amendments to the Marketing of Agricultural Products Act (Act No. 47 of 1996) and the Perishable Products Export Control Act (Act No. 9 of 1983); and also submit a Legislative Review Programme to Parliament by the **end of February 2017**.
	6. Ensure that the Department and the Entities’ Reports and Plans that are presented to Parliament clearly show alignment and contribution to the specific MTSF Targets to which the Ministry of Agriculture, Forestry and Fisheries contributes. In addition, the Department and Entities’ Annual and Strategic Plans should show impact of each funded target and intervention. This should be indicated during **every Quarterly** and **Annual briefing** to Parliament.
	7. Ensure that the Draft Comprehensive Producer Support and Development Policy and the Draft Mechanisation Policy are finalised and implemented as a matter of urgency. Report on progress to Parliament by the **end of January 2017.**
	8. The Department should develop a Policy to ensure that 30% of its procurement and that of its Entities is sourced from small, medium and micro enterprises (SMMEs) as was highlighted by the President in the 2015 State of the Nation Address. Report on progress to Parliament by the **end of February 2017**.
	9. Ensure that the Department develops a deliberate transformation Policy that is aimed at fast-tracking the growth of young black scientists/researchers in the sector to replace aging specialist researchers, most of whom are close to retirement. The Policy should ensure that shadowing and mentoring of specialist researchers by young researchers constitute a critical element of their key performance indicators; and should be effectively enforced and monitored. The Department should report on progress in this regard by the **end of March 2017**.
	10. The Department should provide a detailed report on the formal inter-departmental law enforcement structure and its operations in ensuring proper protection of marine fisheries resources and general maritime law enforcement. Report to Parliament by the **end of November 2016.**
	11. Facilitate collaboration with the Departments of Rural Development and Land Reform, Labour, Health and Cooperative Governance and Traditional Affairs; as well as relevant Sector Education and Training Authorities (SETAs) to address the challenges facing farm workers, which include tenure security and evictions; working conditions; food security and skills. A report in this regard should be submitted in Parliament by the **end of March 2017.**

Report to be considered.