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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT

PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

Agricultural Grants Expenditure Trends Report

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1. Introduction

The agriculture sector, although in decline in most developed and middle-income economies, still play a major role in terms of trade and job creation.

The National Development Plan acknowledges the role of the agricultural sector, particularly its contribution to job creation and food security. With this in mind, this paper aims to review the effectiveness of agricultural grants in the current grant system. These are, the Comprehensive Agricultural Support Programme Grant (CASP), Ilima/Letsema Project Grant and Land Care Programme Grant: Poverty Relief and Infrastructure Development.

The three grants, namely, CASP, Ilima/Letsema and Land Care plays an important contributory role with respect to national priority outcomes four, seven and ten. Outcome four focuses on decent employment through inclusive economic development, Outcome seven aims to create vibrant, equitable, and sustainable rural communities with food security for all and Outcome ten is aimed at protecting and enhancing environmental assets and natural resources.

This paper will report on the expenditure performance of the three agricultural grants for the period 2006/07 to 2016/17. This paper specifically provides a national perspective of agricultural grant expenditure performance. An annexure providing a breakdown of agricultural grant expenditure performance per province is attached. This paper will further report on the challenges in assessing the effectiveness of agricultural grant expenditure.

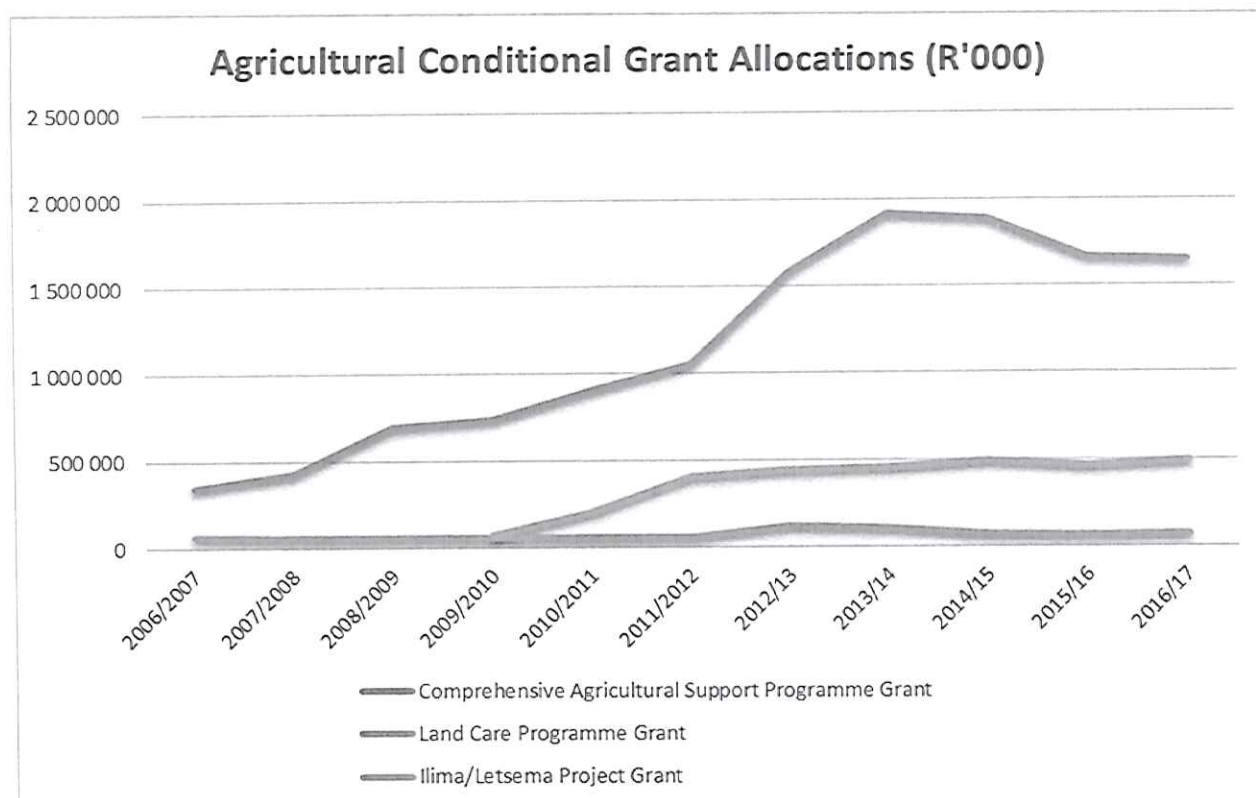
2. A National Perspective of Agricultural Conditional Grant Allocations and Expenditure

This section provides an analysis of agricultural grant allocations and expenditure trends.

2.1 Allocations

Figure 1 below provides a graphical illustration of agricultural grant allocation growth. Agricultural grant allocations are growing at an increasing rate but at varying degrees.

Figure 1: Agricultural Grant Allocations



Source: National Treasury (2007-2017)

The Comprehensive Agricultural Support Programme Grant is the largest of all the agricultural grants in terms of the total Rand value. Followed by the Ilima/Letsema Grant and the Land Care Grant allocations.

In 2006/07, the Comprehensive Agriculture Grant amounted to R341.9 million and increased at a nominal average rate of 17 per cent to R1.7 billion in 2016/17.

Land Care Grant allocations amounted to R61.8 million in 2006/07 and reached a high of R118.1 million in 2012/13. As of 2013/14, the Land Care Grant allocations declined and amounted to R69.3 million in 2016/17. The average growth rate for this grant allocation for the period under review is 1.1 per cent.

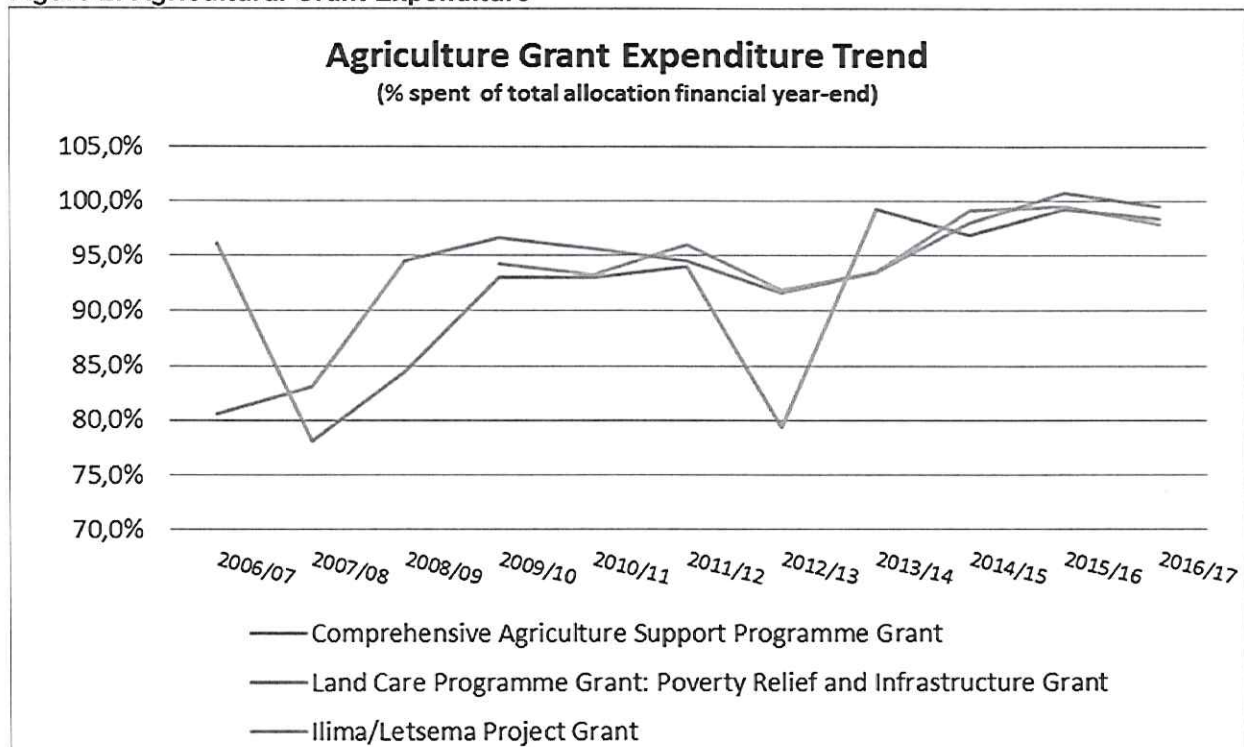
The Ilima/Letsema Grant disbursement commenced in 2009/10 with an amount of R70.9 million. This grant allocation grew to R491.5 million in 2016/17 at a nominal average rate of 19.0 per cent.



2.2 Expenditure

Figure 2 below provides a graphical illustration of agricultural grant expenditure over the period 2006/07 to 2015/17.

Figure 2: Agricultural Grant Expenditure



Source: National Treasury (2007-2017)

The zigzag-outline of the expenditure trends in figure 2 actually conceal the fact the agriculture grant expenditure grew at an increasing rate for the period 2006/07 to 2015/17.

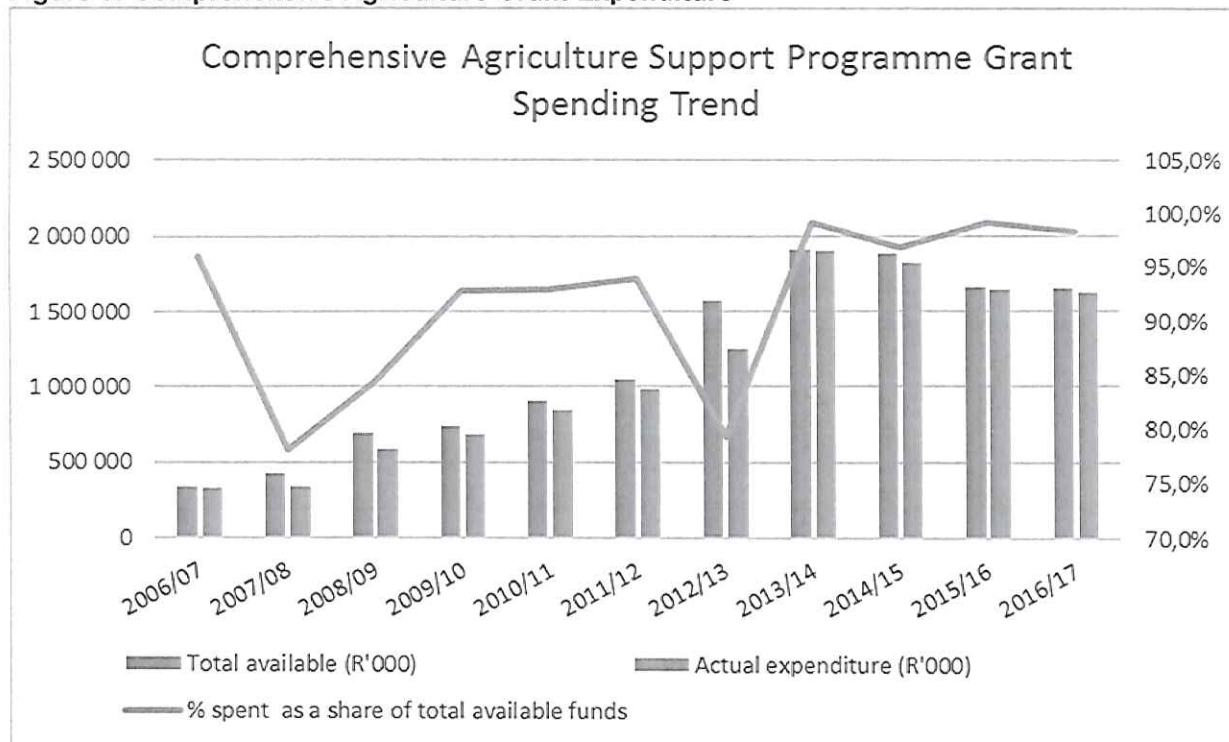
The Ilima/Letsema Grant expenditure grew the fastest at an average of 32.6 per cent, followed by the Comprehensive Agriculture Grant expenditure at an average rate of 17.3 per cent and the Land Care Grant expenditure at an average rate of 3.3 per cent.

Agricultural Grant expenditure growth kept pace with the growth in allocations for the period under review.



Comprehensive Agriculture Support Grant Spending Trend

Figure 3: Comprehensive Agriculture Grant Expenditure



Source: National Treasury (2007-2017)

As can be observed in figure 3, the Comprehensive Agriculture Grant expenditure closely tracked grant allocations for the period under review.

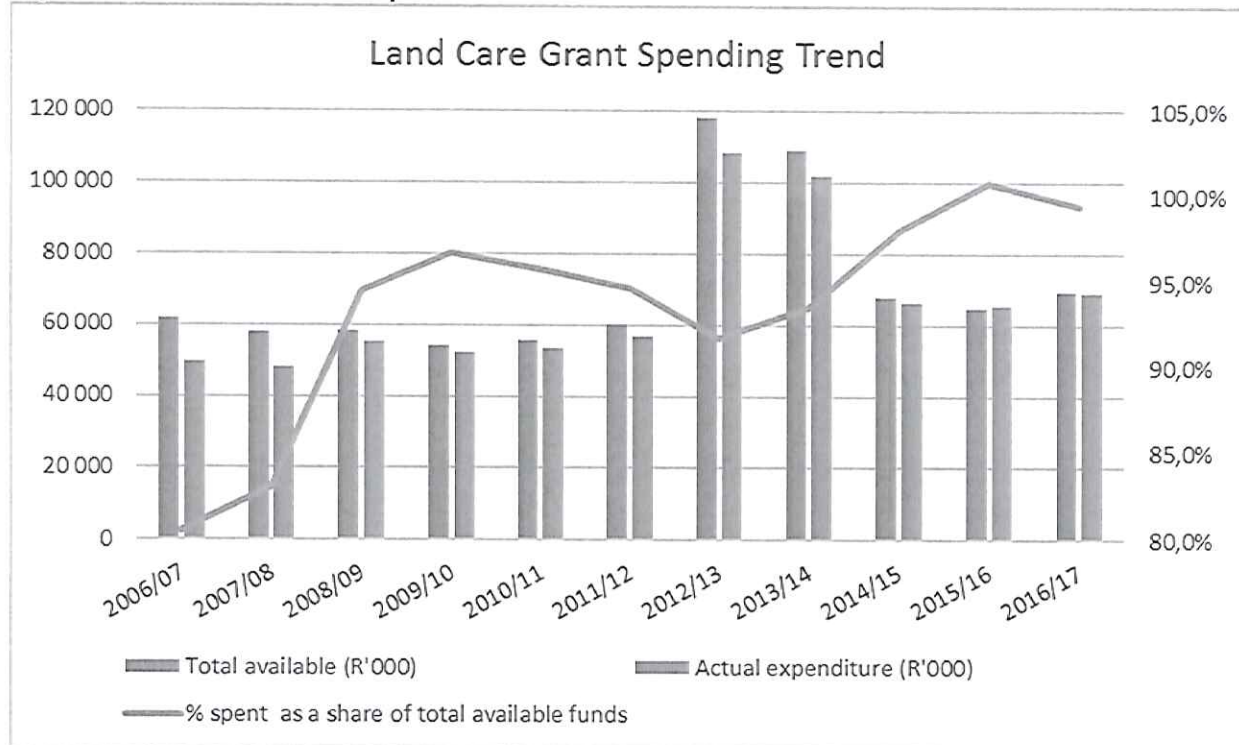
The exceptions are the 2007/08, 2008/09 and 2012/13 financial years. Under-expenditure of 21.9 per cent (i.e. R93.8 million), 15.5 per cent (i.e. R107.3 million) and 20.7 per cent (i.e. R325.1 million) was incurred, respectively.

As of 2013/14, expenditure recovered to 99.3 per cent (i.e. R1.89 billion spent of a total allocation of R1.9 billion). CASP expenditure continues to improve and registered expenditure of 98.4 per cent (i.e. R1.62 billion spent of a total allocation of R1.65 billion) by the end of the 2016/17 financial year.



Land Care Grant: Poverty Relief and Infrastructure Grant

Figure 4: Land Care Grant Expenditure



Source: National Treasury (2007-2017)

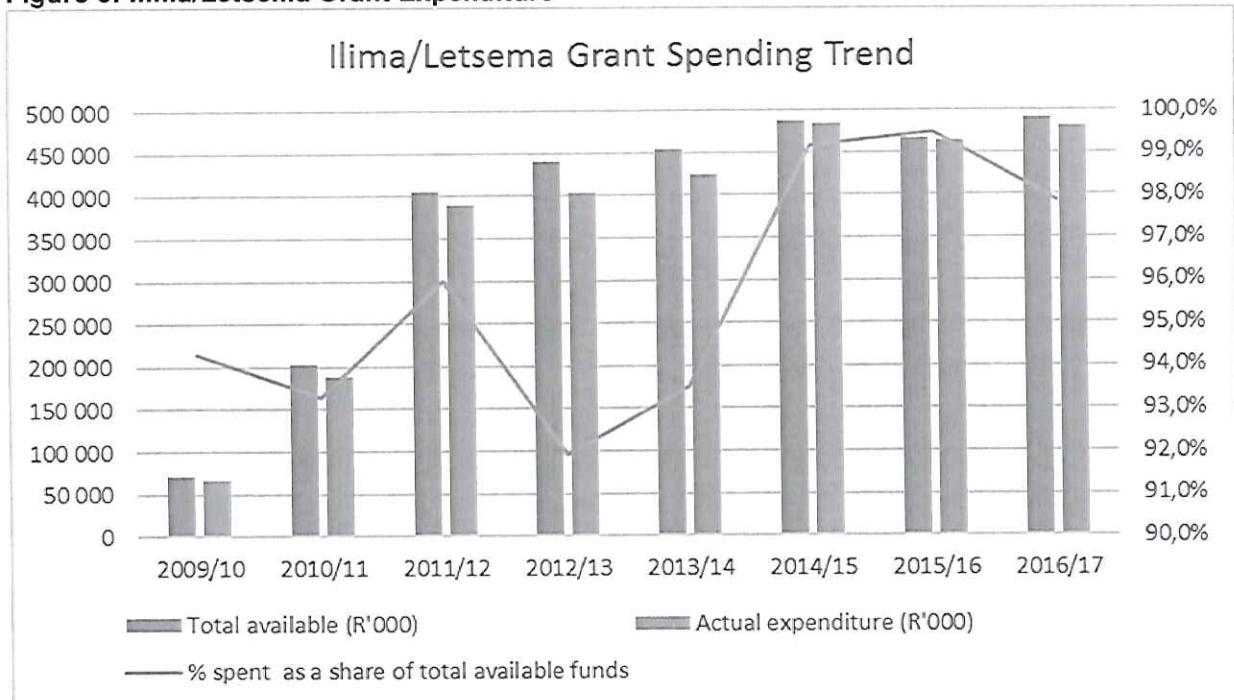
In the first two years of grant implementation, the Land Care Grant registered expenditure of only 80.6 per cent and 83.1 per cent, respectively. In terms of Rand value, this under-expenditure amounted to R12.0 million in 2006/07 and R9.8 million in 2007/08.

Grant under-expenditure decreased as of 2008/09 and started increasing again in 2010/11, as can be observed in Figure 3. In 2012/13, under-expenditure spiked at R9.8 million and thereafter decreased to R7.0 million in 2013/14 and R1.3 million in 2014/15. In 2015/16, the grant allocation was spent in full, achieving a rate of 100 per cent. At the end of 2016/17, the Land Care grant registered expenditure amounted to R68.9 million or 99.5 per cent, a slight decline from the previous financial year.



Ilima/Letsema Project Grant

Figure 5: Ilima/Letsema Grant Expenditure



Source: National Treasury (2010-2017)

Ilima/Letsema Grant registered expenditure of 94.3 per cent (i.e. under-expenditure of R4.1 million) in 2009/10, the first year of implementation.

Under-expenditure amounted to R13.6 million in 2010/11 and continued to increase over the years following. In 2011/12, under-expenditure amounted to R16.2 million, R35.6 million in 2012/13 and R29.5 million in 2013/14.

In 2014/15, the grant under-expenditure decreased to R4.1 million and in 2015/16 to R2.4 million. At the end of 2016/17, under-expenditure increased again to R 10.5 million (i.e. 2.1 per cent)).

2.3 Effectiveness of Agricultural Grant Expenditure

This section summarises the findings of a review on the effectiveness of agricultural grant spending completed by the Research Unit in 2016.

The review findings show that Agricultural Grant expenditure has kept pace with the growth in allocations over the period 2006/07 to 2015/16. The Ilima/Letsema Grant expenditure grew the fastest at an average of 38.1 per cent, followed by the Comprehensive Agriculture Grant



expenditure at an average rate of 19.1 per cent and the Land Care Grant expenditure at an average rate of 3.1 per cent.

Despite, Agriculture grant expenditure growing at an increasing rate for the period under review, the grants continue to register significant under-spending.

Before we discuss the effectiveness of agricultural grant expenditure, it is important to note what the purpose is of each grant¹:

- The purpose of the CASP Grant is to provide assistance and support to land restitution and redistribution beneficiaries. The nature of the support to these beneficiaries involves assistance with processing plants, market access, and any other related infrastructure and services to enable these beneficiaries to increase their value chain and productivity and business. CASP services are for those who are already involved in agricultural production and value adding.
- The Ilima/Letsema Grant's main purpose is increasing production with emphasis placed on food security within a community setting. Through this grant infrastructure investment also occurs, as well as the provision of working materials and training.
- The Land Care Grant's is aimed at promoting the sustainability of natural resources, specifically ensuring that natural resources are productive and can be used for food security and ultimately improve the well-being of land-users.

Both CASP and the Ilima/Letsema grants seek to improve the income generation of grant beneficiaries and maximise sustainable job opportunities. While, the Land Care Grant outcomes are more concerned with the conservation of the environment through partnerships, community projects and enhancing ecosystem services. Table 1 below shows the desired outcomes of each grant.

¹ Cwele, F. and Brown, Y. (2016), p. 10



Table 1: Grant Outcomes

CASP	Ilima/Letsema	Land Care
Broadened access to agricultural support for subsistence, smallholder and previously disadvantaged commercial farmers.	Increased production efficiency.	Improved veld carrying capacity and livestock productivity.
Improved household and national food security.	Increased agricultural production at both household and national level.	Improved production potential of arable land leading to increased yield.
Improved farming efficiency.	Improved farm income.	Improved youth participation in the agricultural sector and intergenerational transfer of skills.
Increased wealth creation, and sustainable employment in rural areas.	Maximised job opportunities.	Improved custodianship and stewardship of natural resources through community based ownership.
Increased access to markets by beneficiaries of Comprehensive Agriculture Support Programme (CASP).	Reduced poverty.	Improved livelihoods of rural communities within the ambit of the green economy.
	Rehabilitated and expanded irrigation schemes.	Improved partnerships with private, public and community sectors that are responsible for natural resources.
		Improved knowledge and skills base in the sustainable use and management of natural resources.
		Enhanced ecosystem services for current and future generations.

Source: Division of Revenue Act 2015: Conditional Grants Framework

Assessing the effectiveness of agricultural grant spending proved to be challenging, for the following reasons²:

- Grant evaluation reports are not readily available from the national Department of Agriculture, Forestry and Fisheries. It should be noted that not all the evaluation reports were made available upon request and some reports were provided long after the deadline for submission. Annual evaluation reports were requested for all three grants for the period 2006/07 to 2014/15. The Research Unit only received evaluation reports for the year 2014/15;

² Cwele, F. and Brown, Y. (2016), pp. 73-74



- The Department must evaluate the performance of programmes funded or partially funded by conditional grants and must submit annual evaluation reports to National Treasury as per Clause 9 (f) and Clause 10 (8) of the Division of Revenue Bill [B2-2016]. It would appear that the national Department of Agriculture, Forestry and Fisheries has some challenges in drafting and submitting annual evaluation reports with respect to the various grants under its administration;
- Reporting formats are not standardised and therefore does not allow for comparative analysis of grant outputs/outcomes from one year to the next;
- Accuracy of reported data/ performance information is not reliable, as acknowledged by the Department of Agriculture, Forestry and Fisheries;
- Evaluation reports contain many information gaps, such as a lack of reporting on planned targets for the year under review, as well as, as a lack of reporting on the achievement rate of targets in previous financial years. This hinders the evaluation and performance review process as it is impossible to determine actual performance and to what extent targets have been achieved within the year under review and whether target achievement has improved over the years; and
- Performance indicators that do not adhere to SMART (specific, measurable, attainable, relevant and time-bound) principles and therefore not appropriate and inadequate for monitoring and evaluation purposes.

The poor quality of the performance information does not allow for concrete findings regarding the effectiveness and the impact of grant expenditure in terms of grant purpose, goals and desired outcomes. The performance information is fragmented and in some instances is not coherent and therefore linkages between reported performance and some indicators are tenuous at best.

Despite the challenges in performance reporting, the following was observed as it relates to the achievement of grant objectives:

- An evaluation of CASP by the Department of Monitoring and Evaluation revealed that CASP has made progress in achieving some of its objectives (i.e. enhancing access to support services, increasing agricultural production and increasing income for beneficiaries). However, insufficient progress has been made in promoting commercialisation, market access, employment and achieving food security.³
- The CASP and Ilima/Letsema Grants are contributing to job creation. However, these jobs are mainly of a temporary nature. The national Department of Agriculture, Forestry and Fisheries will have to relook its job creation strategies to increase both the number of job opportunities and full time employment opportunities, if agricultural grant

³ Department of Monitoring and Evaluation (2015)



programmes are to have any meaningful impact and contribution towards the national priorities of job creation and improved livelihoods.

- The Land Care Grant, on the other hand, has not been effective in reversing agricultural land degradation and at best have only slowed down the degradation process due to conservation measures not being maintained upon closure of projects.
- The national Department of Agriculture, Forestry and Fisheries will need to address the issues of limited funds for the implementation of conservation technologies and the lack of exit strategies with respect to the maintenance and sustainability of conservation measures implemented during the course of Land Care projects in future business plans.

3. Conclusion

The review findings reveal a number of implementation challenges that are both specific and common across the three agricultural grants. Some of the common challenges that need to be addressed as a priority are as follows:

- The need to improve the quality of performance information data and monitoring and reporting systems.
- Projects should be designed in a manner whereby project activities ultimately results in the desired grant outcomes of food security, increased food production, job creation and the sustainable use of land resources.
- The participation of women, youth and people with disabilities should be better targeted by agricultural grant projects/programmes.
- Agricultural activity should be viewed as a policy priority in terms of its contribution to job creation and economic growth and therefore the three agricultural grant programmes need to place more emphasis on the creation of permanent jobs.

In conclusion, the effectiveness of agricultural grant expenditure cannot be determined with any certainty as there are many information gaps currently in the reporting of agricultural grant expenditure and performance. This is a matter of critical importance, when taking into account scarce public resources and the need for Government to achieve value for public funds spent. The national Department of Agriculture, Fisheries and Forestry must account for agriculture grant expenditure and therefore must improve their monitoring and evaluation practices.



3.2 Recommendations

Key issues for the consideration of Parliament⁴:

- Parliamentary Committees should formally request the national departments responsible for administering conditional grants to table conditional grant business plans at the beginning of the financial year and annual evaluation reports at the end of the financial year for the purpose of oversight.
- Parliament through the relevant committees should do more vigorous oversight over conditional grant spending and grant outcomes by ensuring that national departments report on grant expenditure and outcomes on a quarterly basis.
- National Treasury and the Department of Agriculture, Forestry and Fisheries should ensure transparent and accurate reporting on these three grants through the issuing of standardised reporting templates. Furthermore, the two Departments should build capacity within provinces to ensure that the reporting templates are completed accurately.
- The availability and accuracy of performance (i.e. non-financial/service delivery) information is a major challenge across all three agricultural grants, which in turn affects the ability to monitor and evaluate the effectiveness of grant funding. National Treasury and the Department of Agriculture, Forestry and Fisheries must build capacity within provinces with regard to the development of SMART indicators, realistic target setting, the collection of performance data and the implementation and management of monitoring and evaluation systems.

References

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National Treasury (2007-2016), *Agricultural Grants: Funds Received and Payments Made by Provinces as at financial year end*. Available on request from National Treasury.

⁴ Cwele, F. and Brown, Y. (2016), pp.74-75.

