**6. Report of the Portfolio Committee on Agriculture, Forestry and Fisheries on the 2018/19 Annual Performance Plan and the Budget of the Department of Agriculture, Forestry and Fisheries (Vote 24) and its Entities, dated 08 May 2018**

The Portfolio Committee on Agriculture, Forestry and Fisheries (hereinafter referred to as the Committee) examined Budget Vote 24: Agriculture, Forestry and Fisheries including the Annual Performance Plan of the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as DAFF or the Department) for the 2018/19 financial year and budget projections for the Medium Term Expenditure Framework (MTEF) period ending in 2020/21.

During the process, the Portfolio Committee also examined the 2018/19 Annual Performance Plans (APPs) and Budgets for the MTEF period, of the following DAFF Public Entities:

* Marine Living Resources Fund (MLRF)
* Onderstepoort Biological Products (OBP)
* Agricultural Research Council (ARC)
* National Agricultural Marketing Council (NAMC)
* Perishable Products Export Control Board (PPECB)

The APP of the MLRF was considered in conjunction with that of the Department (DAFF) as the MLRF is responsible for funding operational activities of the Department’s Programme 6, i.e. Fisheries Management. Having considered the APPs and Budget Vote 24, which includes the Department and its entities, the Committee reports as follows:

**1. Introduction**

The Strategic Plans, APPs and Budgets of DAFF and its Entities were tabled in Parliament as required in terms of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999), on 12 March 2018. All the tabled plans were referred to the Portfolio Committee on Agriculture, Forestry and Fisheries for consideration and report on 14 March 2018. In preparation for the briefings by the Department and entities on their Annual Performance Plans, on 13 February 2018, the Committee engaged with the Department on its draft APP and on 13 March 2018, it engaged with the Auditor-General of South Africa (AGSA) and the Department of Planning, Monitoring and Evaluation (DPME) on DAFF’s final APP.

In performing its constitutional mandate, the Committee held briefings with DAFF and its entities to consider the 2018/19 APPs of DAFF and its Entities on 20 and 22 March 2018, respectively, taking into account their alignment with the objectives of the National Development Plan (NDP): Vision 2030 and the Medium Term Strategic Framework (MTSF) 2014-2019.

The Committee, in considering the Department and its Entities’ 2018/19 APPs and Budget Vote, wanted to determine whether the funds that are allocated to the Department and its entities through different programmes translate to actual service delivery, particularly in rural and underserviced areas. In this regard, the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), grants Parliament the power to reject, recommend or amend budgets of departments and entities.

**2. Consideration of the 2018/19 Annual Performance Plans (APPs) and Budgets of the Department of Agriculture, Forestry and Fisheries and its Entities**

The Department of Agriculture, Forestry and Fisheries strategic planning process was largely informed by the MTSF Outcomes (Outcomes 4, 7 and 10), the Department contributes to the realisation of the goal of the National Development Plan (NDP) to eliminate poverty and reduce inequality by 2030. In response to Vision 2030 (NDP), the Nine Point Plan’s Revitalisation of Agriculture and Agroprocessing Value Chain (RAAVC) and the MTSF, DAFF identified priority areas and developed short to medium and long term strategies. The 2018/19 Annual Performance Plan of DAFF is also informed by the two Operation Phakisa interventions namely, the Oceans Economy and Operation Phakisa for Agriculture, Land Reform and Rural Development. The 2018/19 APP of DAFF outlined actions, indicators and targets that will be pursued over the medium term to accelerate service delivery within agriculture, forestry and fisheries sectors through promotion of food security, creating decent jobs, sustainable growth of the country’s economy and contribution to the Gross Domestic Product (GDP).

The budget allocation of the Department (Budget Vote 24) for the 2018/19 financial year is R7.2 billion, a slight increase of R358 million from 2017/18. The budget has been allocated according to the six programmes of the Department, namely, Programme 1: Administration; Programme 2: Agricultural Production, Health and Food Safety; Programme 3: Food Security and Agrarian Reform; Programme 4: Trade Promotion and Market Access; Programme 5: Forestry and Natural Resources Management and Programme 6: Fisheries Management.

Approximately 76% of the Department’s total budget for 2018/19 will be allocated to three Programmes, namely, Programmes 2, 3 and 5. As indicated on Table 1, the largest share is allocated to Programme 2 (Agricultural Production, Health and Food Safety), which constitute 33 per cent of the total budget, followed by Programme 3 (Food Security and Agrarian Reform) with 28.4 per cent and then Programme 5 (Forestry and Natural Resources Management) with 15 per cent.

The Department’s budget allocation to these Programmes is aligned with its stated priority foci for the MTEF period, which are, increasing food security, creating jobs and improving the contribution of agriculture to the GDP. In addition, the three Programmes are responsible for Parliamentary Grant transfers to Entities and disbursement of conditional grants to provinces e.g. CASP through Programmes 3 and 5; Ilima/Letsema through Programme 2; and CASP (flood-damaged infrastructure) and LandCare through Programme 5. Budget allocation to Programmes 2 and 3, which are priority programmes in terms of the Department’s focus for the MTEF, will increase at an average of 5 per cent and 7 per cent, respectively, over the MTEF period.

 **Table 1. Budget Allocation per Programme for the MTEF Period (2018/19 – 2020/21)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **2018/19 allocation** | **2019/20** **allocation** | **2020/21****allocation** | **Proportion of the total Vote for 2018/19** |
| **R Million** |  |  |  |  |
| **1.** Administration  | R 923.2 | R 931.5 | R 938.0 | 12.9 % |
| **2.** Agricultural Production, Health & Food Safety | R2 367.1 | R2 507.7 | R2 596.2 | 33.0% |
| **3.** Food Security & Agrarian Reform | R2 037.9 | R2 305.0 | R2 369.1 | 28.4% |
| **4.** Trade Promotion & Market Access | R 273.9 | R 291.3 | R 309.6 | 3.8% |
| **5.** Forestry & Natural Resources Management  | R1 075.1 | R1 046.0 | R1 047.4 | 15.0% |
| **6.** Fisheries Management | R 487.8  | R 519.7 | R 553.2 | 6.8% |
| **Total**  | **R7 165.0** | **R7 601.2** | **R7 813.5** | **100%** |

 Adapted from National Treasury (Estimates of National Expenditure, 2018)

Approximately R2.4 billion (33 per cent) of the total budget is transferred to provinces and municipalities as conditional grants, which is equivalent to 60 per cent of the R4 billion that is allocated to transfers and subsidies in 2018/19. Approximately 73 per cent (R1.75 billion) of the total conditional grants budget is allocated to the Comprehensive Agriculture Support programme (CASP); and the rest to Ilima/Letsema and LandCare grants. The CASP grant transfers are made through Programme 3 and Programme 5 for infrastructure, extension recovery planning, agricultural colleges and disasters. The Ilima/Letsema grant is transferred through Programme 2 and focuses on increasing food production, rehabilitating irrigation schemes and other value adding projects. An amount of R522.4 million will be transferred to provinces through the grant in 2018/19. For the LandCare programme, an amount of R77.8 million will be transferred through Programme 5.

As indicated in Table 2, in terms of Public Entities, the Department’s budget transfers for the 2018/19 financial year will constitute R1 billion to the Agricultural Research Council (ARC) through Programme 2; R259.7 million to the Marine Living Resources Fund (MLRF), which is responsible for all operational activities for Programme 6; R43.2 million to the National Agricultural Marketing Council (NAMC) through Programme 4; R6.6 million to Ncera Farms (Pty) Ltd through Programme 3 and R600 000 to the Perishable Products Export Control Board (PPECB) specifically for skills development and training of smallholder farmers.

 **Table 2. Budget Allocation to Entities for the MTEF Period**

|  |  |  |  |
| --- | --- | --- | --- |
| **Entity** | **2018/19 allocation** | **2019/20** **allocation** | **2020/21****allocation** |
| **R Million** |  |  |  |
| **1.** Agricultural Research Council  | R932.1  | R984.1 | R1 038.1 |
| **2.** Onderstepoort Biological Products | - | - | - |
| **3.** Marine Living Resources Fund |  R259.7 | R274.3 | R289.4 |
| **4.** National Agricultural Marketing Council |  R43.2 | R45.7 | R48.2 |
| **5.** Perishable Products Export Control Board  | R0.6  | R0.5  | R0.5  |
| **6.** Ncera Farms (Pty) Ltd | R6.6  | R7.0 | R7.4 |
| **Total**  | **R1 242.2**  | **R1 311.6** | **R1 383.6** |

 Adapted from National Treasury (Estimates of National Expenditure, 2018)

The Onderstepoort Biological Products does not get any transfer from the Department. It received a once-off allocation of R492 million for the 2013/14 to 2015/16 MTEF period from National Treasury for revamping of its aged vaccine manufacturing plant. The allocation, which it was highlighted even then that it was not sufficient for the revamp and modernisation of the facility as OBP buildings were built in the 1960’s, has since been depleted. The Department allocated R162.5 million to the Land and Agricultural Development Bank of South Africa (Land Bank) through Programme 3 and Programme 4 to support smallholder farmers.

**3. Overview of Committee Deliberations and Observations on the 2018/19 APP and MTEF Budget of DAFF including the MLRF**

The Committee welcomed the presentations that were made by the AGSA and DPME on DAFF’s APP and budget over the MTEF. The AGSA commended DAFF for the improvement in its APP, while DPME raised some pertinent issues that DAFF did not consider when drafting its final APP. The Committee raised a concern regarding the level and manner of engagements between DAFF and DPME during the drafting and finalisation of the APP. A need for a better alignment of conditional grant objectives and allocation, as well as monitoring of grants as previously raised by the Committee was still of great concern to the Committee.

**Committee Observations**

The Committee further welcomed the presentation by DAFF, which included the MLRF, on the Department’s objectives in relation to its 2018/19 APP and budget. The Committee was generally satisfied with the presentation that was made by DAFF on its APP as some of the key sectoral matters that were highlighted by the DPME which were previously raised by the Committee in its engagement with DAFF on the draft APP, were partly incorporated in the final 2018/19 APP. During the engagements and discussions with the Department including the MLRF, the Committee made comments and raised the following for the Department’s attention:

* 1. The Department outlined the planned policies which are key for sector development with no provision for timeframes as some of the policies have been under development for the past 3 years or more, for example, Policy on Comprehensive Producer Support, National Policy on Extension and Advisory Services, Development Finance Policy, and the Policy for the Sustainable Management of Range and Forage Resources.
	2. Delays in the development and finalisation of key legislation such as the Preservation and Development of Agricultural Land Framework (PDALF) Bill, which is one of the most important Bills for the sector that is also targeted in the Medium Term Strategic Framework (MTSF). The Bill is expected to be submitted to the Minister only in 2019/20, which means that the Bill will not be implemented by 2019 as it was stated in the 2017/18 APP and is expected in the MTSF. The Aquaculture Bill, which is also a sectoral priority in terms of aquaculture development, which was planned to be submitted to Cabinet in the 2017/18 but there is no indication of when the Bill is expected to be tabled in Parliament.
	3. Finalisation of the agreement with Statistics South Africa (StatsSA) for conducting the Agricultural Census, which has been budgeted for since 2017/18; and status of the Department’s Famer Register, which Stats SA highlighted as essential for conducting an inclusive Agricultural Census to ensure focused support to smallholder and subsistence producers.
	4. Monitoring and evaluation (M & E) of the implementation and impact of conditional grants and other Department’s interventions still remains a challenge that needs to be addressed.
	5. The APP did not clearly reflect targets on the rehabilitation and maintenance of harbours while there are fees that are collected for harbour maintenance purposes.
	6. A concern about the Department’s insufficient budget including the level of human capacity and qualifications of some of its personnel to carry out its legislated mandate.
	7. Inadequate progress and lack of articulation in the APP, of how the Department plans to radically transform the agriculture, forestry and fisheries sectors.
	8. Delays in the development of the Fisheries Sector Transformation Charter, the use of fishing rights allocation as a tool to address transformation and finalisation of the process to appoint the Fishing Transformation Council as provided for in the Marine Living Resources Act (MLRA).
	9. Value for money regarding the R1.6 million that has been used to train Extension Officers in the previous year.

**4. Overview of Committee Deliberations and Observations on the 2018/19 APPs and Budgets of DAFF Entities**

The Committee acknowledged the budgetary constraints experienced by the ARC, which are directly linked to the inadequate national budget allocation to the Department of Agriculture, Forestry and Fisheries.

Having examined and discussed the 2018/19 APPs and budgets of the Entities, the Committee raised the following:

* 1. The OBP and ARC’s views on the vaccination of poultry against Avian Influenza (bird flu) as they are the institutions that deal with the development of animal vaccines.
	2. Given the numerous challenges that the agricultural sector face, up to date research and innovation cannot be overemphasised and the Committee raised a concern about the impact that the ARC’s continuing budget cut (Parliamentary Grant) will have on its research activities and ability to raise external revenue; and on possible retrenchments and closure of some research facilities.
	3. It was further noted that the ARC’s budget cut will also impact the completion of the foot-and-mouth disease (FMD) Vaccine Production Facility, which is expected to play a significant role in the prevention of FMD, a disease of economic importance that severely affects livestock farmers and can cost the red meat industry billions of rands in lost export revenue.
	4. The Perishable Products Export Control Board (PPECB) was commended for its continued good work that saw a financial recovery from the losses that happened six years ago notwithstanding climatic challenges that affect export volumes and therefore, the entity’s revenue generation.

**5. Committee Recommendations**

After discussions and deliberations on the Department and the Entities’ 2018/19 Annual Performance Plans (APPs) and Budget Vote 24, the Portfolio Committee on Agriculture, Forestry and Fisheries makes the following recommendations to the National Assembly (NA) for the attention of the Minister of Agriculture, Forestry and Fisheries regarding Budget Vote 24:

***Funding related matters***

* 1. Ensure that the Minister engages with the National Treasury for additional funding to address the continuing underfunding of DAFF, the impact of the budget cuts to the sector, 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; as well as the limitations that are imposed by underfunding on DAFF’s Public Entities. Report on progress on the engagements to Parliament by the end of August 2018.
	2. DAFF should submit to the Committee the applications that have been submitted to the National Treasury, motivating for additional funding for the ARC to ensure timeous completion of the FMD Facility and other research activities that are responsive to inter alia climate change, disease outbreaks, food security and sector competitiveness as well as promotion of indigenous knowledge. DAFF should submit the documents to Parliament before the end of June 2018.
	3. Strengthen intergovernmental relations for aligned activities between DAFF, provinces and other departments such as the DRDLR, Department of Trade and Industry (the dti), the Department of Small Business Development (DSBD) and the Department of Water and Sanitation (DWS) to ensure containment of costs, avoid duplication of activities and to maximise service delivery. In this regard, the Minister should continue engagements with the relevant Ministries including the National Treasury while ensuring that the Integrated Agricultural Development Finance Policythat aims to consolidate agricultural development funding into one comprehensive fund, is finalised. A detailed progress report in this regard should be submitted and presented to joint Parliamentary Committees by the end of September 2018.

***Performance and operational matters***

* 1. Ensure that the ARC and OBP submit to the Committee a research-based analysis and opinions on the vaccination of poultry against Avian Influenza. The report in this regard should be submitted to Parliament by the end of October 2018.
	2. Develop an Action Plan to fast-track policy development and legislative review as these have negative impact on the pace at which DAFF execute its mandate. Submit the Plan and updated and detailed Policy and Legislative Programmes of the Department with timeframes by the end of August 2018.
	3. A detailed Action Plan with timeframes should be submitted to Parliament on how DAFF plans to monitor the use of conditional grants in provinces, also indicating shortfalls in areas where these grants will be redirected to other programmes and/or services such as Fetsa Tlala, drought relief and Operation Phakisa. The Action Plan should be submitted to Parliament by the end of August 2018.
	4. Engage the Department of Rural Development and Land Reform (DRDLR) to develop an Implementation Plan for Agri-Parks and Operation Phakisa for Agriculture, Rural Development and Land Reform and other overlapping mandates between the two Departments. A report on progress, highlighting commitments and each Department’s responsibilities, should be submitted to Parliament by the end of August 2018.
	5. Develop a Policy Framework with an Action Plan on the commercialisation of black farmers and submit to Parliament by the end of August 2018.
	6. Develop a Strategy with an Action Plan to mitigate the impact of disease outbreaks in the sector including subsequent job losses, to strengthen disease management and to revolutionise veterinary services. Submit the Strategy and Action Plan to Parliament by the end of August 2018.
	7. Develop a Policy for the empowerment of women, youth and people with disabilities to ensure their full participation in the agriculture, forestry and fisheries value chains. The Policy should be linked with the performance agreements of senior managers in the Department and a progress report on its development should be submitted to Parliament by the end of August 2018.
	8. DAFF should priorities the processing and tabling of the Preservation and Development of Agricultural Land Framework (PDALF) Bill by the end of the 2019/20 financial year.
	9. Submit to Parliament a progress report on transformation activities and their impact in all three sectors including how the Department is addressing slow progress in all sectors; as well as delays in the development of the Fisheries Sector Transformation Charter and the finalisation of the process to appoint the Fishing Transformation Council. Progress report should be submitted by the end of August 2018.
	10. Submit and present to the Committee the reviewed full Organogram of the Department inclusive of all personnel levels and indicating filled, abolished and vacant positions to show its alignment with the Department’s mandate and strategic goals, by the end of June 2018.
	11. Ensure finalisation of the disciplinary processes against the Department official(s) who approved and authorised an irregular 51% salary increase to the Chief Executive Officer of Ncera Farms (Pty) Ltd during 2015/16; and progress report on the transfer of personnel and budget that has been allocated to Ncera Farms (Pty) Ltd for the medium term expenditure period, to the Agricultural Research Council. Submit reports on these matters to Parliament by the end of June 2018.
	12. Submit to the Committee the memorandum of understanding (MOU) that was signed with Statistics South Africa for undertaking the Agricultural Census including a progress report on the development of the national Farmer Register by the end of June 2018.
	13. Develop a Policy on Peri-urban and Urban agriculture to address food insecurity and poverty in urban areas while ensuring productive use of agricultural land such as municipal commonages in these areas. Submit progress on the development of the policy to Parliament by the end of September 2018.

*Report to be considered.*