



agriculture, forestry & fisheries

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2020 MEDIUM TERM EXPENDITURE FRAMEWORK BUDGET

Kindly receive herewith the Department of Agriculture, Forestry and Fisheries (DAFF)'s Medium Term Expenditure Framework (MTEF) submission for 2020/21 to 2022/23 to comply with the Treasury Guidelines:

1. MTEF BUDGET SUMMARY

MTEF allocation	2020/21	2021/22	2022/23
	R'000	R'000	R'000
Administration	899 341	955 955	991 634
Agricultural Production, Health and Food Safety	2 654 889	2 831 682	2 803 124
Food Security and Agrarian Reform	2 352 542	2 499 859	2 617 101
Trade Promotion and Market Access	299 841	317 591	329 320
Forestry	996 406	1 058 049	1 097 292
Fisheries	535 547	567 493	588 409
Total	7 738 566	8 230 629	8 426 880

2. KEY PROGRAMME REPORT

2.1 Agriculture, Forestry and Fisheries sectors continue to be critical areas for sustainable development through job creation, poverty alleviation, and equitable distribution. In the President's State of the Nation (SONA) address on 20 June

2019, he mentioned that the new administration will focus on seven priorities which include economic transformation and job creation. He further mentioned that the focus will also be on substantially expanding the agriculture and agro-processing sector by supporting key value chains and high value agricultural products with export potential such as fruit, wine and vegetable industries, as well as poultry and red meat; developing new markets and reducing reliance on agricultural imports.

Despite this potential, increased mandate and increase in net farm income, the investment of government and private sector in agriculture has declined. Furthermore due to changing global financial dynamics, rising debt stock and concerns about long term fiscal sustainability, the National Treasury (NT) imposed the Compensation of Employees (CoE) ceilings in the 2016/17 MTEF period with significant cuts (2016/17 R69,7 million; 2017/18 R223,4 million and R258,6 million for 2018/19).

In addition the department is expected, through the National Development Plan (NDP), to contribute to the creation of 1 million jobs by 2030; improve food security and contribute to the Gross Domestic Product (GDP). The department is also expected to implement Operation Phakisa, Agriculture Policy Action Plan (APAP) and Revitalisation of Agriculture and Agro-processing Value Chains (RAAVC).

- 2.2 In the 2020 MTEF period the CoE for the department will be cut by R168,0 million for 2020/21; R179,0 million for 2021/22 and R243,9 million for 2022/23. Further cuts of R15,8 million for 2020/21; R15,4 million for 2021/22 and R25,0 million for 2022/23 have been imposed in the Goods and Services budget of the department.

Furthermore the National Treasury has proposed in the 2020 MTEF guidelines the baseline reductions of 5% (R386,9 million); 6% (R493,8 million) and 7% (R589,9 million). These reductions, which will be effected mostly in the Comprehensive Agricultural Support Programme (CASP) conditional grant budget, will affect the implementation of the blended funding programme.

- 2.3 In the 2019/20 budget speech the Minister of Agriculture, Land Reform and Rural Development emphasised that programme 2 will see some reorientation in that focus will be to prioritise biosecurity in order to mitigate risks of animal and plant diseases. The department will ensure that budget support goes towards stepping up surveillance of the Foot and Mouth Diseases (FMD) red line zone which cuts across three provinces, Limpopo, Mpumalanga and KwaZulu-Natal. However, the budget required to achieve biosecurity measures is insufficient. These measures are required to mitigate against biosecurity threats that will be brought about by the opening of new markets and increased agricultural production linked to market access to enable the sector to make contribution to the economy as expected. The opening up of markets in countries such as the Republic of China for beef and fruits are just some examples of the growth opportunities that can be maximised but will need increased biosecurity measures.

- 2.4 Together with the Department of Trade and Economic Development the department will also focus on:

- (a) Engaging trading partners such as the Republic of China to increase commodities for their markets where South Africa has a comparative advantage;
- (b) Developing an agribusiness master plan;
- (c) Re-look at the poultry industry; and
- (d) Preparing for the implementation of the Africa Continental Free Trade area.

2.5 The department's focus will be to sustain biosecurity in respect of livestock industry, which will be achieved by recruiting veterinary doctors and animal health specialists and working with provinces to ensure that dipping services and other veterinary services are undertaken at large scale.

3. COMPOSITION OF SPENDING

3.1 The CoE for DAFF has been reduced by R168,0 million for 2020/21; R179,0 million for 2021/22 and R249,0 million for 2022/23. These new cuts follow on the previous reductions of R368,2 million for the 2015/16 to 2017/8 MTEF period. Further reductions amounting to R284,6 million in 2018/19 to 2020/21 MTEF period were also effected.

3.2 The reductions in the CoE budget for the 2020 MTEF period have resulted in the department not filling critical posts including the regulatory posts in programme 2.

3.3 Other impacts on performance and service delivery due to reduction of CoE budget are as follows:

- Increased reliance on overtime by inspectors at ports of entry;
- DAFF shutting down service points at some ports of entry (borders) earlier than other Departments (Department of Health, Department of Home Affairs, South African Revenue Services and South African Police Service) and thus escalating biosecurity risks to South Africa;
- Personnel shortages at other ports of entry have resulted in litigations against the department since imports that are standing uninspected cost lots of money to importers;
- The department had to outsource services to other critical market such as citrus market to the European Union (EU), losing over R10 million in revenue and a huge risk of losing the EU citrus market itself;
- The department also operates the Sedupe K9 Unit at OR Tambo and Cape Town International Airports. Each dog is allocated a handler, and as such all posts in this unit ought to be filled at all times, otherwise dogs would be stressed and inactive;
- Delays in processing registrations have resulted in litigations in the past owing to the fact that the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act (Act 36/1947) compels DAFF to render certain regulatory services that enable agro-trade;
- Personnel shortages negatively impact the South African National Prosecution Authority's cases that rely on Agricultural Act 36/1947.

- 3.4 The Goods and Services budget of DAFF has been reduced by R15,8 million for 2020/21; R15,4 million for 2021/22 and R25,8 million for 2022/23. Previously the Goods and Services budget was reduced by R457,9 million over the 2015/16 to 2017/18 MTEF period. Further reductions of R70,7 million were effected in the Goods and Services budget of DAFF in the 2017/18 to 2019/20 MTEF period.
- 3.5 Payments for capital assets were reduced by R10,3 million in the 2015/16 to 2017/18 MTEF period.
- 3.6 Transfer payments have been reduced by R66,3 million for 2019/20; R30,0 million for 2020/21 and R10,0 million for 2021/22. Previously transfer payments were reduced by R657,6 million over the 2015/16 to 2017/18 MTEF period and R212,2 million for the 2018/19 financial year.
- 3.7 The reductions in the budget of DAFF have impacted on the achievement of the set targets for the department across the Agriculture, Forestry and Fisheries sectors.
- 3.8 The department through programme 2 has a duty to conduct diseases surveillance, which will be hugely impacted. The number of graduates deployed for compulsory services for the animal health care programme will also be negatively impacted.

4. REALLOCATIONS

The department has proposed to the National Treasury to reallocate funds from the Ilima/Letsema conditional grant in programme 2 to Goods and Services under programme 3 to conduct a National Food and Nutrition Security Survey during the 2020 financial year. The amount to be reallocated from Ilima/Letsema conditional grant to provinces in programme 2 to the indirect grant under the Goods and Services of programme 3 is R45,3 million for the 2019 AENE and R35,9 million for the 2020/21 financial year.

Furthermore, the department is in the process of implementing the National Macro Organization of Government (NMOG) where the Forestry and Fisheries functions will be transferred to the new Department of Environment, Forestry and Fisheries and the Agriculture function will be transferred to the new Department of Agriculture, Land Reform and Rural Development. This follows the announcement by the President of the new departments for the sixth administration. The department will therefore not reallocate any expenditure pending the finalisation of the new organisational structure of the new Department of Agriculture, Land Reform and Rural Development.

5. BASELINE REDUCTIONS

- 5.1 The baseline reductions of R386,9 million for 2020/21 (5%); R493,8 million for 2021/22 (6%) and R589,9 million for 2022/23 (7%) have been effected on transfers and subsidies payments as follows:
- R918,4 million will be reduced from CASP grant in the 2020/21 MTEF period;
 - R131,3 million will be reduced from Ilima/Letsema programme in the 2020/21 MTEF period;
 - The Land Care programme will be reduced by R46,6 million over the MTEF period; and
 - R142,1 million from the Land Bank for the blended funding.
- 5.2 Further reductions were effected on the transfers to the Food and Trees for Africa of R181 000 and on research funds to the National Research Foundation of R10,3 million.
- 5.3 The rationale for the baseline reductions on transfers and subsidies payment is based on the fact that transfers contribute 57% of the DAFF budget with CoE being 31%. This leaves only 12% allocated to Capital Payments and Goods and Services.
- 5.4 The reduction in Division of Revenue Act (DORA) payments will impact on the implementation of the Operation Phakisa, APAP and the RAAVC. It will also have an impact on the support provided to subsistence and smallholder farmers. The implementation of the blended funding with the aim of increasing black commercial farmers by 450 will also be impacted by the reductions.
- 5.5 The reduction in the budget of Ilima/letsema programme, which supports vulnerable households with starter packs and production inputs, will be severely impacted. The targets for increasing production for hectares in underutilized communal areas will also be reduced in the 2020 MTEF period.
- 5.6 Continuous reduction of the budget of Land Care compromises the opportunities identified by the Operation Phakisa associated with Fortified Veld Management. In addition the reduction will also negatively affect the number of hectares to be rehabilitated as part of outcome 10. Agricultural industry will be at risk if the natural resources are degraded and not available nor in good productivity state to enhance production. Support provided to farmers in terms of soil conservation works, farm planning etc. will be limited thus affecting service delivery.

The programme needs to keep up with ongoing critical strategic interventions necessary to improve measures and mechanism to ensure long term sustainability on the state of our natural resources which has the impact to food production. Some of the needs include monitoring and compliance, surveys to confirm soil and veld potential thus job creation.

- 5.7 (a) The budget cut, on research funds will have serious repercussion for the agricultural sector. Agricultural research is very important for the country's national and international competence, it is necessary for food security, economic development and job creation. With the impending extreme weather conditions, the only way the country will survive is through investment in research and development.
- (b) Therefore if the budget is cut the following programmes will not be delivered: investigations regarding transboundary diseases and pest (i.e. Fall Army Worm, fruit fly, Tuta absoluta, maize lethal necrosis, etc.), research geared toward climate change preparedness(i.e. drought tolerance breeding, alternative pastures). The Fall Army Worm research programme is a commitment made by South Africa to the Southern African Development Community (SADC). South African farmers will have to wait for another 10 years before there is a solution for the current problems, thus unable to take advantage of the market opportunities globally and even reducing poverty within the rural space. South Africa is a signatory to the United Nation Framework Convention on Climate Change (UNFCCC) and is expected as a country to mitigate against the changing climate within the agriculture space through development of technologies, reducing the already limping budget will show no commitment to the agreements as a country.

6. VALUE – FOR – MONEY

6.1 DAFF implemented the following cost containment measures:

- All Departmental meetings, including strategic planning sessions are held on departmental premises;
- Video conferencing between offices in Pretoria and Cape Town is encouraged instead of travelling to meetings;
- Limits have been placed on official trips and the number of delegates going on trips including trips to foreign countries;
- The provision of catering during meetings with stakeholders is limited to R80 per person and catering is only provided for meetings longer than 5 continuous hours and on condition that 50% of the attendees are from outside the department;
- A threshold of R1,5 million per event was introduced for Ministerial Stakeholder Events; and
- Reduction on use of consultants.

6.2 Furthermore, the department is participating in the following transversal contracts:

- RT -15 -2016 contract: Mobile communication services;
- RT46-2014 – Appointment of a service provider for the provision of maintenance and administration of the pool vehicle fleet to the State;
- RT3-2015 – Supply, delivery, installation, commissioning and maintenance of office equipment and labour saving devices to the State;

- RT12-2015 – Supply, delivery and off-loading of pesticides, herbicides, veterinary vaccines and other biological products to the State;
- RT50-2016 – Supply and delivery of industrial compressed, medical compressed, industrial bulk and petroleum gases to the State;
- RT59-2017 – Supply and delivery of footwear and leather products to the State; and
- RT64-2017 – Supply and delivery of clothing to the State.

The department annually compiles a procurement plan for all procurement above R500 000. An open bid process is followed and bid prices are therefore market related. The department also negotiate bid prices with recommended bidders in cases where bid prices are above the market benchmark or budgeted amounts.

7. HUMAN RESOURCES

- 7.1 Due to the current budget constraints in the department all the vacancies, except 229 of the Forestry branch are unfunded. In the Human Resource Budget Plan (HRBP), the department indicates, as a headcount reduction strategy, the number of posts to be reduced through retirements. The establishment will be down sized over the MTEF period through retirements and natural attrition.
- 7.2 The following headcount reductions will assist in the strategy to reduce the headcounts in the next few years:

2019/2020 - 34 early retirements, 52 natural attritions and 48 normal retirements.
 2020/2021 - 37 early retirements, 51 natural attritions and 64 normal retirements.
 2021/2022 - 33 early retirements, 19 natural attritions and 57 normal retirements.
 2022/2023 - 34 early retirements, 52 natural attritions and 56 normal retirements.

2020 MTEF HRB plan	2020/21 R'000	2021/22 R'000	2022/23 R'000
MTEF ceiling	2 368 922	2 523 180	2 615 413
Persal (all filled posts & funded vacant posts.	2 369 081	2 510 163	2 615 644
Shortfall/Surplus (all posts)	(159)	(13 017)	(2 310)

8. COST PRESSURES

- 8.1 The 2019 SONA speech by the President and the 2019/20 budget speech by the Minister of Agriculture, Land Reform and Rural development both emphasised the need to focus on export led economy that will contribute to economic growth and job creation. However, the 2020 MTEF budget of the department is severely constrained due to continuous budget cuts experienced since 2015/16 MTEF period and continues to 2022/23. These budget reductions coupled with the increasing service delivery expectations in respect of the agriculture, forestry and fisheries sectors poses an additional burden on the department's budget over the MTEF period. Another priority of SONA mentioned by the President is education, skills and health which has a potential to enable young people to gain paid

workplace experience through work-based internships for graduates of technical and vocational programmes.

- 8.2 Furthermore, the opening of international markets in 1994, has led to increased exports and imports of agricultural products, as well as increased movement of goods and people. This requires increased vigilance for possible introductions of animal and plant diseases and other undesirable unsafe food and feed including agricultural remedies.
- 8.3 DAFF is increasingly experiencing difficulty to deliver on its regulatory mandate.

In view of the 7 priorities of expanding the export market and the critical service delivery of programme 2, therefore special focus will be on strengthening biosecurity measures in the ports of entry.

Furthermore, the department has not been able to revitalize some of the colleges such as Grootfontein Agricultural Development Institute (GADI) due to budget constraints and is at the risk of losing the accreditation status and shutting down.

Therefore, in order to implement the colleges revitalisation plan which was developed to improve compliance with the Norms and Standards and the Governance and Financing Framework for Agricultural Training Institutes with full alignment to the Higher Education Sub-qualification frameworks, the department will prioritize funding for GADI accreditation over the 2020 MTEF period.

8.4 Rationale for funding proposal for Programme 2: Agricultural Production, Health and Food safety:

- 8.4.1 The Branch Agricultural Production and Health has quite a complex mandate and is responsible for the administration of most pieces of legislations in the department.
- 8.4.2 The current budget constraints are limiting the ability of the branch to perform and also to improve on the services provided. The department's focus is to prioritise biosecurity in order to mitigate risks of animal and plant diseases. Budget support is required towards stepping up surveillance of the Foot and Mouth Disease (FMD) in the high risk areas in three provinces, Limpopo, Mpumalanga and KwaZulu-Natal. The strengthening of biosecurity processes at the ports of entry is also critical to sustain food security.
- 8.4.3 The branch funding model also needs to be reviewed taking into consideration the fact that there is constant growth in trade as well as a growing demand of meeting the regulatory requirements and to ensure that the provision of public services is improved. The branch also needs to be sufficiently resourced in order to be able to successfully implement the various production strategies that will contribute towards ensuring productive use of land.

8.4.4 In 2019, South Africa lost its FMD free status simply because of lack of financial resources to purchase vaccine. This loss of FMD status has led to multiple problems including loss of international markets for beef, wool, skins and hides and pork. The live animal exports to many destinations including neighbouring countries were also effected.

Impacts of budget shortfalls on the programme outcomes are:

- Control of Foot and Mouth Disease (stepping up surveillance);
- Control of other diseases such as Rabies and TB;
- Disease monitoring and surveillance;
- Disease surveillance for early detection;
- Implementation of veterinary strategy;
- Securing market access for animal products, conducting risk analysis;
- Inability to release new varieties timeously has a much more serious impact as it affects competitiveness and productivity of the agricultural sector (in that farmers would not have access to new and improved pant varieties); and
- All sea and airports' agricultural regulatory services will not be sufficiently performed leading to illegal importation of agricultural goods risking introduction of quarantine pests and diseases.

8.4.5 Lack of resources will make it impossible to render the new mandates, which emanate from the constitutional court judgements and this may result in more court actions against the department. The requests for additional funding are also cognisant of the new challenges related to export facilitation.

The summary for additional funding for programme 2 is as follows (refer to the attached Annexure 1 for details):

2020 MTEF	2020/21	2021/22	2022/23	Total
	R'000	R'000	R'000	R'000
Strengthening animal production and health	156 000	162 000	168 000	486 000
Strengthening plant production and health	49 300	57 700	66 100	173 100
Strengthening inspection and quarantine services	99 250	94 100	88 150	281 500
Total	304 550	313 800	322 250	940 600

The total additional funding requested for programme 2 is therefore R940,6 million for the 2020 MTEF period.

8.5 Rationale for funding proposal for Programme 3: Food Security & Agrarian Reform

- 8.5.1 Grootfontein Agricultural Development Institute (GADI) is one of the 11 Agricultural Training Institutes in South Africa that offer training programmes in both the Higher Education and Vocational Technical Training bands in agriculture and forestry qualifications and skills development programmes. As part of quality improvement and assurance mechanisms as prescribed in the Norms and Standards with full alignment to the Higher Education Sub-Qualification Frameworks, the Agricultural Training Institutes (ATIs) were subjected for evaluation to the Council for Higher Education (CHE). Most colleges were therefore reaccredited in 2012 and some in 2013 by the CHE and their qualifications were registered with the Higher Education Quality Council (HEQC) except for registration with the South African Qualification Authority (SAQA).
- 8.5.2 Concurrently the department developed Colleges Revitalisation Plan for the Agricultural Training Institute (ATIs) to improve their compliance with Norms and Standards and the governance and financing framework for ATIs. The Colleges Revitalization Plan focuses on revitalising the following critical sections of the institutes; improvement of infrastructure and equipment, curriculum review with emphasis on value addition, accreditation and registration of colleges, leadership development and change management and strengthening of Information and Communication Technology including Colleges Governance.
- 8.5.3 The NDP calls for improvement and extension of skills development and training in the agricultural sector, including entrepreneurship training. This calls on the ATIs to train a new cadre of extension officers that will respond effectively to the needs of smallholder farmers and contribute to their successful integration into the food value chain.
- 8.5.4 Currently, all the Institutes are in principle administered by the respective Provincial Departments of Agriculture, except for GADI in Middleburg, which is a fully fledged directorate of the department. As such, this college does not benefit from college support grants that are administered under CASP like the College Revitalisation Plan which focuses mainly on infrastructure improvement. This has impacted negatively on the college due to budget cuts and escalation of costs. At present, the college runs a high risk of losing its accreditation status and a total shut down. The college has lost most of its capacity and of its original 232 posts only 137 are still filled. With its Compensation of Employees allocation for 2020/21, only 142 of the original 232 posts are funded. Furthermore, the college is severely under-resourced in terms of Goods and Services as well as Capital Assets. The situation painted above has left the college with the following undesirable conditions:

- Off-campus farmer training program was terminated;
- No capacity to teach several subjects of the college higher education curriculum;
- Drastically scaled down research program;
- Dysfunctional organisational structure;
- Functional laboratories and Library were closed down; and
- Inability to maintain infrastructure.

8.5.5 Funding is therefore required to maintain the accreditation status of GADI and to comply with the Norms and Standards and the governance and financing framework for the ATIs as follows (refer to Annexure 2 for motivated proposal for GADI):

2020 MTEF Budget Shortfall (R'000)	2020/21	2021/22	2022/23	Total
Compensation of Employees	31 188	33 371	35 707	100 266
Goods & Services	11 800	12 626	13 510	37 936
Equipment	2 500	2 675	2 862	8 037
Capital works	2,000	5,000	18,000	25 000
Total	47,488	53,672	70,079	171 239

9. PUBLIC INSTITUTIONS

9.1 The department transfers funds to Agricultural Research Foundation (ARC), Marine Living Resources Fund (MLRF) and National Agricultural Marketing Council (NAMC) from its baseline allocation. The ARC and NAMC has been experiencing budget pressures due to continuous budget reductions and decreasing revenue sources, which impact on their operations.

9.1.1 The Agricultural Research Council (ARC)

- (a) Over the MTEF period, the Council will be developing the Foot and Mouth Disease (FMD) vaccine production facility, which will be situated in Onderstepoort, north of Pretoria. The facility is aimed at bridging the gap that is created by the lack or limited supply of FMD vaccines. South Africa is currently relying on vaccines from Botswana Vaccine Institute (BVI). The Council has been allocated R400 million (vat inclusive) over the MTEF period to develop the facility. The tender process for appointing the service provider to design and manage the project during the construction phase is expected to be completed in the first half of the 2019/20 financial year. The actual construction of the facility is expected to take 4 years.
- (b) Operating Expenditure over the MTEF period amounts to R4.6 billion, with personnel costs accounting for 59.9% of the expenditure. The Council is anticipating a flat staff complement of 2 719 employees, comprising of a combination of permanent employees and

temporary/contract employees. As part of cost saving measures, the ARC has been reducing a number of temporary employees over the years. Vacancies have also been frozen (except those that are critical), in an effort to improve the financial position. Personnel cost is expected to increase by an average of 6% over the MTEF period. Salaries for executives, senior management and middle management have been kept flat over the MTEF period.

- (c) Other operating expenditure account for 36.9% (R1.7 billion) of the total MTEF period operating expenditure. Other operating expenditure relates to the fixed costs (electricity, security) and variable cost relating to achieving the Councils's mandate (research materials, training costs). The Council anticipate increasing operating cost by an average of 6.3% over the MTEF period which is below the average 8% increase in external income, indicating that strict cost containment will continue to be implemented.

Due to the deficits that were experienced in the past 3 years, the council will require financial injection in order to continue operating as a going concern.

9.1.2 The Marine Living Resources Fund (MLRF)

The MLRF receives transfers from the department and generates revenue from levies on fish and fish products, application fee, licenses and permit fees, fines and confiscations and harbour fees. The fund receives transfers from the department for Vessels Operating Costs and Expanded Public Works Programme Incentive: Working for Fisheries (EPWP).

The MLRF will in the 2020 MTEF period be transferred to the new Department of Environment, Forestry and Fisheries. The MLRF budget which will be transferred with the Fisheries function is R289,0 million for 2020/21; R305,0 million for 2021/22 and R316,0 million for 2022/23.

9.1.3 The National Agricultural Marketing Council (NAMC)

- (a) The NAMC mainly depends on the annual grant received from the Department of Agriculture, Forestry and Fisheries (DAFF). The annual grant received from DAFF for the current financial year 2019/20 amounts to R45,2 million.
- (b) These limited budget increases throughout the years have led to several serious challenges. Salary increases (even after the wage freeze was imposed) amounted to 6% while employee benefits were reviewed.
- (c) Planning and commitment are always risky because of the uncertainty of availability of funding in the next financial year. Considering increases in overall expenditure, travelling, accommodation, salaries, audit fees,

printing and editing, contractual obligations and research costs, the NAMC faced difficult budget challenges.

- (d) The NAMC has developed a cost containment plan which is approved and implemented by the Council. The plan addresses the issue of value for money and some cost saving measures which have been put in place in order to save costs. For the current financial year (2019/20) the NAMC also participated in transversal contracts to assist in cost containing cost whereby two photo copying machines were procured through this arrangement.
- (e) The NAMC as coordinator of SIP 11 is required in terms of the law to set up structures to coordinate and facilitate the implementation of SIP 11 projects. The NAMC therefore requires funding of R4,8 million for 2020/21; R4,9 million for 2021/22 and R4,9 million for 2022/23 for the implementation of SIP 11 as outlined in Annexure 3.

9.1.4 Perishable Products Export Control Board (PPECB)

- (a) Over the MTEF period the total expenditure for the PPECB, is expected to increase by an average of 8.4% per annum from R499,0 million in 2020/21 to R554,0 million in 2022/23. The projected growth relates to increases in operational activity expenditure in employee, accommodation, subsistence and travel costs to accommodate growth in export volumes as well as expenditure acceleration in ERP (Enterprise Resource Planning) and Mobile Application project costs.
- (b) Mobile devices expenses will increase by an average of 15% due to the introduction of electronic export certification, which will replace paper based inspection/verification approach with mobile technology. The PPECB intends to capacitate inspectorate with mobile devices (tablets) for carrying out their duties more efficiently.
- (c) The PPECB will over the MTEF period be relocating the current laboratory to bigger premises in order to accommodate increased sample volumes, provide value added services to clients, be a one-stop shop for clients and to increase and improve its competitive advantage.

To fund the expansion of the laboratory the PPECB will require additional funding of R28 million from the National Treasury.

9.1.5 Onderstepoort Biological Products (OBP)

- (a) In 2013/14 financial year, the organisation was allocated R492,4 million to upgrade and modernise its vaccine production facility which was old and in a state of decay. The first phase of modernisation was allocated R130 million dedicated to keeping the plant running by upgrading the current facility with procurement of new equipment, upgrading certain parts of the facility and modernising existing equipment where possible from 2014/15 to 2016/17.

- (b) The balance of R362,4 million was ring-fenced for the second and final phase of facility upgrade and modernisation which included construction, installation of new production equipment, research laboratory upgrades and conversion to new production technology. These activities will improve vaccine production yields, which will make it possible for the organisation to respond quickly to disease outbreaks while being able to provide both commercial and smallholder farmers with the required vaccines.
- (c) Furthermore, the tender process has been finalised and the tender has been issued with a commitment of R353,0 million. Construction commenced in December 2017 and is currently underway with some major equipment already delivered to OBP and others already shipped to South Africa from abroad. It is expected that work will be completed in the 2020/21 financial year. As at 30 June 2019 a total of R188 million has been spent.
- (d) The organisation generates revenue from the sale and supply of livestock vaccines, and uses it to fund the operations of its business. Revenue is projected to increase from R282 million in 2020/21 to R336 million in 2022/23, at an average annual rate of 10%.

10. CONDITIONAL GRANT CHANGE PROPOSAL

The department has proposed to National Treasury to reallocate funds from the Ilima/Letsema conditional grant allocated to provinces to the department as indirect grant allocation to conduct a National Food and Nutrition Security Survey during the 2020 MTEF period. The amount to be reallocated from Ilima/Letsema conditional grant to provinces in programme 2 to the indirect grant under the goods and services of programme 3 is R45,3 million for the 2019 AENE and R35,9 million for the 2020/21 financial year to be included in the 2020 ENE.

11. 2019 NATIONAL MACRO ORGANIZATION OF GOVERNMENT (NMOG)

11.1 The department is in the process of implementing the National Macro Organization of Government (NMOG) where the Forestry and Fisheries functions will be transferred to the new Department of Environment, Forestry and Fisheries and the Agriculture function will be transferred to the new Department of Agriculture, Land Reform and Rural development. This follows the announcement by the President of the new departments for the sixth administration. The department will therefore not reallocate any expenditure pending the finalization of the new organizational structure of the new Department of Agriculture, Land Reform and Rural Development

11.2 The department has identified the preliminary budget for Forestry and Fisheries which is under programmes 1, 4, 5 and 6 of the current DAFF budget to be

transferred with the functions to the Department of Environmental Affairs as follows:

NMOG FISHERIES + FORESTRY

PROGRAMMES	2019/20 NMOG	2020/21 NMOG	2021/22 NMOG	2022/23 NMOG
	R'000	R'000	R'000	R'000
Programme 1	68 210	72 028	76 035	80 378
Programme 2	-	-	-	-
Programme 3	-	-	-	-
Programme 4	4 935	5 206	5 492	5 756
Programme 5	712 849	722 096	767 360	794 383
Programme 6	384 216	406 007	428 921	447 439
Total	1 170 210	1 205 337	1 277 808	1 327 956

12. DATA SUBMISSIONS

The relevant data workbooks are submitted electronically:

- 12.1 2020 MTEC submission workbook;
- 12.2 2020 Human Resource Budget Plan workbook; and
- 12.3 2020 Data and Costing workbook.


Mr MM Mlangana
DIRECTOR-GENERAL
DATE: 19 JULY 2019