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ANALYSIS OF DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT'S (VOTE 29) ANNUAL REPORT FOR THE 2020/21 FINANCIAL YEAR

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1. INTRODUCTION

In terms of the Public Finance Management Act (PFMA, Act No.1 of 1999) and National Treasury Regulations, all government departments and entities must table their annual reports in the National Assembly within six months after the end of the financial year. In line with the PFMA, the Department of Agriculture, Land Reform and Rural Development (DALRRD, hereafter referred to as the Department) tabled its 2020/21 Annual Report on 30 September 2021. This is the first annual report of the Department since the merger of the former Department of Rural Development and Land Reform (DRDLR) and the agriculture component of the erstwhile Department of Agriculture, Forestry and Fisheries (DAFF).

This annual report analysis provides a tool for the Portfolio Committee on Agriculture, Land Reform and Rural Development (hereafter referred to as the Committee) to assess and evaluate the performance of the Department against its set priorities, as presented in its 2020-2025 Strategic Plan and 2020/21 Annual Performance Plan (APP), which are linked to Government priorities. According to the Department, the main challenge experienced in the year under review was the continued battle with the COVID-19 pandemic. This meant reprioritisation of the budget to provide needed support to farmers to deal with the impact of Covid 19. As a result, the Department tabled two APPs in the 2020/2021 financial year. The first APP was tabled in March 2020 and the revised one was tabled in August 2020 to consider the implications of COVID-19. An addendum affecting some indicators and targets for programmes 2 and 3 was also tabled in November 2020. Accordingly, this brief highlights key issues on the annual performance of the Department as per its medium-term strategic and annual performance plans, as well as its financial management for the 2020/21 financial year. It also proposes issues that the Committee might consider when engaging with the Department.

2. GOVERNMENT PRIORITIES

The overarching policy framework that directs Government priorities is discussed in detail below (*viz.* National Development Plan (NDP), the Medium Term Strategic Framework (MSTF) 2019-2024, and the State of the Nation Address (SONA)).

2.1 National Development Plan and Medium Term Strategic Framework (MSTF)

The vision of the NDP with regard to rural development is that “there should be integrated rural areas, where residents will be economically active, have food security, access to basic services, health-care and quality education”. The NDP views agriculture as critical to job creation and food security. Therefore, it is estimated that agriculture will create 1 million jobs by 2030. The NDP also envisages the creation of 300 000 smallholder farmers by 2030.¹

¹ The Presidency (2012).



The 2019-2024 MTSF is structured around seven priority outcomes, which cover focus areas identified in the NDP. The Department contributes to the following MTSF priorities:

- Priority 2: Economic Transformation and Job Creation
- Priority 3: Education, Skills and Health
- Priority 5: Spatial Integration, Human Settlements and Local Government
- Priority 6: A Capable, Ethical and Developmental State

The NDP also sets out a broad vision of eliminating poverty and reducing inequality by 2030. This vision is supported by Priority 2 (Economic transformation and job creation) and Priority 4 (Spatial integration, human settlements and local government) of Government's 2019-2024 Medium-Term Strategic Framework (MTSF). All departments are required to align their strategic objectives and plans with these government priorities, in particular, departments should indicate how they contribute to addressing the triple challenge of poverty, inequality and unemployment. As such, over the Medium-Term Expenditure Framework (MTEF) period, the Department intends to focus on improving food security; creating jobs; increasing the contribution of the agriculture sector to Gross Domestic Product (GDP); enhancing primary animal health care services, and enabling trade in the global economy. Through pursuing these objectives, the Department contributes towards the realisation of the goal of the NDP to eliminate poverty and reduce inequality by 2030.

2.2 State of the Nation Address

The pronouncements made in the State of the Nation Address (SONA) become part of Government's programme of action for the year (i.e. Government national priorities). Therefore, it is important that the Department and its entities align their annual plans with SONA pronouncements. In the 2020 State of the Nation Address (2020 SONA) President Ramaphosa highlighted the following issues that relate to agriculture, land and rural development:²

- Implement the key recommendations of the Presidential Advisory Panel on Land Reform and Agriculture (hereafter referred to as the Panel) to accelerate land redistribution, expand agricultural production and transform the industry. It should be noted that one of the recommendations of the Panel is the need to establish a Land and Agrarian Reform Agency;
- Finalise and implement master plans in vital parts of the economy, which includes the Poultry Master Plan and Sugar Master Plan;
- Formulate policy and regulate the commercial use of hemp products and provide opportunities for small-scale farmers [through the Cannabis Master Plan];
- Government is ready, after completion of the parliamentary process, to table the Expropriation Bill that outlines the circumstances under which expropriation of land without compensation would be permissible;
- Release 700 000 hectares of state land for agricultural production in 2020/21;
- Prioritise youth, women, people with disabilities and those who have been farming on communal land and are ready to expand their operations for training and allocation of land; and

² Information below is sourced from Ramaphosa (2020).



- Ensure that the new beneficiary selection policy includes compulsory training for potential beneficiaries before land can be allocated to them.

3. NON-FINANCIAL PERFORMANCE REPORT – KEY ISSUES

This section will highlight some of the key issues reported by the Department as part of Part B: Performance Information in its annual report.

3.1 Overview

Release of State Land for Land Reform

As indicated above, the 2020 SONA announced that 700,000 ha of state land would be released for agricultural production in 2020. According to the progress report of the Department, more than 700 000 ha of land was identified for release in different provinces and applications were received. However, some of the farms were identified as being “occupied” in various forms, which means there is a need for a Land Rights Enquiry Process. Since the announcement in the 2020 SONA, the Department has released 135 117 hectares of land to 275 farmers. Of this amount, 160 (58.2%) were women, 114 (41.5 %) were men and only a single person living with disability (0.03%).³ However, the Department does not indicate how many young people have benefited from state land release.

District Development Model

In December 2019, 1 001 youth from the OR Tambo & Waterberg Districts and eThekweni Metro were recruited into the National Rural Youth Service Corps (NARYSEC) programme, as a contribution of the Department towards the District Development Model (DDM). It is reported that a total of 644 youth were selected to be trained in agricultural related learning programmes, which concluded in April 2021. A total of 319 DDM youth were selected to do non-agricultural training.⁴ While it is appreciated that young people got agricultural and non-agricultural training, an important consideration is whether they got placement, considering the challenges that were faced in the past with regard to placement of NARYSEC graduates.

Progress made on some recommendations by the Presidential Advisory Panel on Land Reform and Agriculture:⁵

- The Comprehensive Producer Support Policy was presented to Cabinet and provides for support for different categories of farmers.
- A National Policy for Beneficiary Selection and Land Allocation was developed and published for public comment on 3 January 2020 and was approved by Cabinet for implementation in December 2020. The aim of the policy is to prioritise allocation of land to the most marginalised and the vulnerable groups, especially smallholder producers, women, youth

³ DALRRD (2020).

⁴ DALRRD (2021).

⁵ DRDLR (2020a)



and people living with disabilities. In particular, the policy proposes that not less than 50% of agricultural land for smallholders be allocated to women, 40% to youth, and 10% to people living with disabilities. The policy also provides for compulsory training for potential beneficiaries before land can be allocated to them.

- Cabinet approved the Land Donations Policy for implementation on 4 December 2020. The main aim is to accelerate land donations as one of the ways to respond to the slow pace of land reform.
- The Draft National Spatial Development Framework was published for public comment in March 2020.

Issues for Consideration

- In terms of the directive in SONA 2020, it is important that the Department prioritises youth, women, and people living with disabilities in its programmes and land allocation. Therefore, the Department should indicate how many young people have benefited from state land release.
- The Committee might consider requesting a briefing from the Department on other initiatives besides NARYSEC undertaken to contribute towards the DDM.

COVID-19 Support Initiative

As part of the R500 billion relief package by Government, a total of R763.6 million was allocated to the Department for COVID-19 relief interventions in order to mitigate the effect of the pandemic on smallholder and communal farmers. The farmers whose applications were approved received support in the form of specific agricultural inputs to enable them to complete the 2020 winter production cycle. The total number of approved applications were 15 681, and were funded to the value of R563 million. The farmers received vouchers up to a maximum of R50 000, while farmers on Proactive Land Acquisition Strategy (PLAS) farms were supported in line with the business plans that had already been approved. A transfer in the amount of R100 million was also made to the Land and Agriculture Development Bank to assist farmers in distress as a result of the COVID-19 pandemic.

Issues for consideration

- Given the conclusion and outcomes of the AGSA Special Audit on the COVID-19 relief interventions⁶, the Department should indicate to the PC how some of the findings were addressed; as well as if any consequence management has been initiated.
- The Department should indicate how the funds transferred to the Land Bank were utilised for the intended purpose.

⁶ The AGSA undertook a real-time audit of some of key Covid-19 initiatives, which included Farmers Relief for financially distressed small-scale farmers. The research briefs on the outcomes of these audits have been distributed to Members previously, and can be made available again if the need arises.



Biosecurity Issues

During the period under review, the Department had to deal with the urgent and threatening brown locust outbreak in some parts of the country (viz. Western Cape, Northern Cape, Eastern Cape and Free State provinces). Other diseases of economic importance that were under surveillance include Oriental fruit fly (*Bactrocera dorsalis*), citrus greening virus, and Banana Bunchy Top Virus (BBTV).

Issues for consideration

- The Department should indicate the extent to which the Covid-19 lockdown restriction on the movement of people impacted its ability to conduct routine surveillance on plant pests and animal diseases.
- The Department should indicate risks that might result from such a lapse in biosecurity measures and how these can be mitigated.

Drought

The Northern Cape, Eastern Cape, and some regions in other provinces of South Africa continued to experience their longest drought in 100 years. The seven year drought, starting with lack of rains in February 2013, continued well into the 2020 summer rain season and continued to wreak havoc on livestock farmers in some of these areas. In March 2020, the Department of Cooperative Governance and Traditional Affairs, through the National Disaster Management Centre (NDMC), availed R138 489 000 for agricultural drought relief. Seven provinces, the Western Cape, Eastern Cape, Northern Cape, KwaZulu-Natal, North West, Limpopo and Mpumalanga, received a share of this funding support.

Issue for consideration

The Department should indicate progress in its implementation of the drought relief funds, and provide a report that indicates the specific metrics on the type of support provided to farmers.

3.2 Performance against pre-determined objectives

Programme 1: Administration

Under this Programme, the Department achieved one of the two planned annual targets. It achieved the target to obtain an unqualified audit opinion. It did not achieve the target to pay all valid invoices within 30 days upon receipt by Supply Chain Management (SCM). In the year under review, it managed to pay 86% of valid invoices against the target of 100%. The explanation given for not achieving this target is the delays in the processing of these invoices due to delays in submission of delivery notes and automotive for bulk procurement of laptops, causing delays in the verification of IT equipment before processing of invoices. It should be noted that payment of all invoices within 30 days has been a recurring challenge for the former Department of Rural Development and Land Reform.



Issues for Consideration

- It is of concern that the Department failed to pay 14 per cent of invoices within 30 days of receipt due to delays in the processing of invoices due to the verification process, something that should have been planned for (within the 30 days). This shows a lack of commitment by the Department to ensure that all valid invoices are paid on time. It should be noted that the late payment or non-payment of invoices negatively impacts small businesses' cash flow that depend on payment of invoices for their survival. While the Acting Director General (DG) has indicated that the Department is making good strides to ensure payment of invoices within 30 days, what is important are the measures that have been taken to ensure it can meet the target of paying all valid invoices within 30 days.
- While it is appreciated that the Department has achieved its target of obtaining an unqualified audit opinion with findings from the Auditor General of South Africa (AGSA), what is important is a plan towards getting a clean audit.
- The Department should provide a progress report on the policies and Bills that it planned to process in the year under review. This includes the Communal Land Tenure Bill.

Programme 2: Agricultural Production, Health, Food Safety, Natural Resources and Disaster Management

This programme plays a very significant role in a regulatory environment and offers essential services to the country in that it oversees programmes in livestock production, game farming, animal and plant health, natural resources and disaster management. Some of the deficiencies in performance are highlighted below:

- Number of targeted plant taxa conserved Ex situ – indicator has been dropped from the APP owing to budget reprioritisation.
- Number (two) of animal improvement schemes for prioritised value chain commodities implemented – Only one (poultry) was achieved as the farmer mobilisation process for Kaonafatso ya Dikgomo was put on hold.
- Cannabis Master Plan implemented – the development of a Cannabis Master Plan was not completed, approved, or implemented.
- Number of provincial (five, revised down from nine) agricultural bio-security coordinating structures established – Coordinating structures were not established.
- Laboratory accredited (one) – No laboratory was accredited. Number (100) of approved new plant varieties registered - 180 New plant varieties have been registered for the 2020/21 financial year

Issues for consideration

This programme forms part of the core, technical, and regulatory competence of the Department in so far as agricultural production is concerned. It is important to indicate that the performance indicators under this programmes are crucial towards creating an enabling environment for the agricultural sector to thrive.



Programme 3: Food Security, Land Reform and Restitution

The purpose of Programme 3 is to acquire and redistribute land, and promote food security and agrarian reform programmes. It contributes to priority 2, 3 and 5 of the 2019-2024 MTSF. Most targets in this programme were revised after Quarter 1 in line with reprioritisation of the budget and deliverables to respond to the Covid-19 pandemic. The Department achieved five of the 13 targets under this Programme, representing a performance rate of 38.5 per cent. It is reported that the targets that were not achieved in the 2020/21 financial year were carried over to the 2021/22 integrated operational plan so that they can still be reported on and monitored.

Issues for Consideration

- It is reported that the National Policy on Comprehensive Producer Development Support was not compiled as planned in the year under review due to delays in the NEDLAC engagement process. Since the Policy is critical to ensure equitable access to producer support to land reform beneficiaries, the Committee might consider getting an update from the Department on progress in ensuring that the Policy is finalised.
- It is appreciated that the report on graduates placed in the agricultural sector was compiled as planned. This will ensure that there is capacity to support farmers. However, it is important that the deployment of extension officers is widely spread to all provinces and cover all commodity groups, especially emerging farmers. Therefore, the Committee should consider requesting a report on graduates placed in the agricultural sector to assess the deployment of extension officers. The Committee should also consider requesting a progress report from the Department on the review of the extension policy.
- It is appreciated that the target on the number of hectares acquired for farm dwellers and/or labour tenants was exceeded by 1 270.5 ha in the year under review. However, the target was exceeded because projects that were not finished in the 4th quarter-of 2019/20 were carried over to 2020/21, which may imply that the target for 2020/21 was not achieved. While it is appreciated that the target for land acquisition was exceeded, the concern is whether land reform beneficiaries were provided with post-settlement support to enable them to use the land productively.
- It is of great concern that not a single subsistence farmer was supported in the year under review, although the target was to assist 50 000 subsistence farmers. It should be noted that this target was specifically introduced as part of the President's Stimulus Package of R500 billion for the Covid-19 Relief Fund in order to ensure food security. The reason given for the dismal failure to achieve this target is that the intervention started late and a lot of planning and verification had to be carried out to ensure efficient use of the funds. The Department should report on the progress made so far and indicate whether the budget of R688 million meant for the project was rolled over to 2021/22, as there is a critical need to support subsistence farmers who are greatly affected by Covid 19.
- It is of great concern that the Department only managed to allocate 55 167 ha of state land against the targeted 401 787 ha, which was revised downward from the original target of 525 330 ha. The reasons given for not achieving this target is the delay in the



advertisement of state land allocated for land reform due to COVID-19. The advertisement went out in October 2020 and was closed in November 2020. The Department should clarify how posting of adverts for applications could be delayed by lockdown restrictions. It is reported that a total of about 300 000 ha have been allocated and are currently undergoing a verification process. The Department should provide an update on this process and the plan to allocate state land.

- It is appreciated that for four consecutive years, the target on the number of hectares allocated to smallholder farmers, farm dwellers and/workers and or labour tenants has been exceeded, as it reflects the Department's commitment towards the NDP and its strategic objective of allocating land to people living and/or working on farms. However, of great concern is the support provided to those farmers to ensure they use the land productively. The Department should indicate the kind of support given to each beneficiary and the current status of the land acquired.
- It is of concern that the target on the number of labour tenants' applications settled was not achieved by a variance of 254, as 196 applications were settled against the revised target of 450. This is so, despite the appointment of the Special Master for Labour Tenants to work with the Department on expediting the settlement of labour tenants' land claims. The Department ascribes this to delays in finalising settlement agreements through the Proactive Land Acquisition Strategy (PLAS) and approximately 250 applications have to be referred to Court. The Department should provide details on the 250 applications that were referred to Court. The Committee might consider getting a briefing from the Special Master for Labour Tenants on progress made and challenges faced in dealing with labour tenants' applications.
- The Department reports that 26 156 smallholder producers were supported against the target of 23 117. The Committee might consider requesting from the Department a detailed list of the smallholder farmers that received support indicating the location, the kind of support and the current status of the farms.

Programme 4: Rural Development

The purpose of the Programme is to initiate, facilitate, coordinate and act as a catalyst for the implementation of a comprehensive rural development programme, leading to sustainable and vibrant rural communities. Under this Programme, the Department achieved the two revised annual targets for the 2020/21 financial year. However, it should be noted that the original number of targets were revised downward due to budget reprioritisation in line with the need to respond to the impact of Covid-19 (informed by DPME Circular of 2020). The target to complete 130 infrastructure projects was removed from the APP for 2020/21.

Issues for Consideration

- While it is appreciated that the Department exceeded the two revised targets under this Programme for the 2020/21 financial year, the concern is whether these have brought about substantial changes in the lives of people in rural areas in line with the strategic goal to promote sustainable rural livelihoods. Further, a number of targets that would have led to economic



growth and improved livelihoods of the people in rural areas were removed from the Programme in 2020/21.

- The target on the number of infrastructure projects was exceeded by 21 in the year under review because the Department completed projects that were supposed to be completed in Q1 of the 2020/21 earlier. Since these projects were not planned to be done in 2019/20 and, therefore, not budgeted for, the Department should indicate the impact this had on the budget.
- It is of concern that the Department did not create enough jobs for women, youth and people with disabilities in the year under review. It is reported that 9% of the jobs under rural development initiatives created were for women, 30% were for youth and nothing for people with disabilities. The Department should provide an explanation why few jobs were created under this Programme for the vulnerable groups and indicate what measures will be taken to ensure more job opportunities are created for women, young people and people with disabilities. This is important considering the undertaking made in the 2020 SONA to prioritise women, youth and people with disabilities in all Government programmes or initiatives.
- The Department should provide an explanation as to why none of the Farmer Production Support Units (FSPUs) in Eastern Cape received support during the year under review.

Programme 5: Economic Development, Trade and Marketing

This programme contributes to the promotion of economic development, trade and market access for agricultural products; as well as to foster international relations for the sector. Some of the performance highlights are listed below:

- Number (148) of cooperatives supported/trained – No cooperative was supported (The indicator was removed from the APP due to budget reprioritisation);
- Percentage (100 %) of AgriBEE Fund applications finalised – 100 % achievement (37)- as per re-tabled APP;
- Marketing of Agricultural Products Act reviewed – The development of the Marketing of Agricultural Products Amendment Bill was not concluded;
- Number of agropreneurs capacitated on food manufacturing standards – 0 achieved (The indicator was removed from the APP due to budget reprioritisation);
- Trade agreements implemented, negotiated - Consolidated report on the implementation of 6 trade agreements was compiled;
- Multilateral and Bilateral agreements implemented - Consolidated report on multilateral and bilateral engagements was compiled;
- Number (24) of farmer production support units (FSPUs) functional – 0 achieved (The indicator was removed from the APP due to budget reprioritisation); and
- Number (265) of rural enterprises supported - 4 Rural enterprises were supported during the period under review (The indicator was removed from the APP due to budget reprioritisation).



Programme 6: Land Administration

The purpose of Programme 6 is to provide geospatial information, cadastral surveys, deeds registration and spatial planning in addition to technical services in support of sustainable land development. Under this Programme, the Department achieved three of the six revised annual targets, which means a performance rate of 50 per cent. It should be noted that the target on Land Administration Legislative Framework to be approved was removed due to budget reprioritisation. The target on Communal Property Associations (CPAs), which was misplaced in this Programme, was moved to Programme 3.

Issues for Consideration

- It is of concern that the target on the Land Administration Policy Framework to be approved was removed as a target for 2020/21 while the Land Administration Framework Bill is supposed to be approved in 2021/22 in terms of the 2021/22 APP. The Department should provide an explanation for removing this target in 2020/21 and considering that, whether it will possible to approve the Bill in 2021/22. It should be noted that the Land Administration Legislative Framework is critical for an integrated land administration system recommended by the Presidential Panel on Land Reform.
- It is reported that the target to complete e-DRS phase 1 was not achieved due to unavailability of funds and did not get a guarantee from National Treasury. This means that although the Electronic Deeds Registration System Act was signed into law on 2 October 2019, its implementation process will be delayed, which will impact negatively on the transition from a manual to an electronic deeds registration system.
- The Committee might consider requesting a report on the 25 District Development plans, which should have been linked to the District Development Model.

4. HUMAN RESOURCE

The merger of the former Departments of Rural Development and Land Reform and Agriculture, Forestry and Fisheries into a new Department of Agriculture, Land Reform and Rural Development was finalised in April 2020. The approved structure of the DALRRD consists of 9 207 posts. By the end of March 2021, the post establishment of the Department was 8 732 posts, with 7 359 positions filled, creating a vacancy rate of 15.7 per cent and 509 employees appointed additional to the post establishment. The actual spending on compensation of employees amounted to R3.8 billion, compared to the available budget of R4.1 billion.⁷

Employment Equity

During the year under review, the Department had a staff complement of 48 per cent men and 52 per cent females. People with disabilities constituted 1.5 per cent of the Department's staff complement. This means that the majority of employees were females, and the Department has

⁷ National Treasury (2021)



almost reached the required rate of 2 per cent for employees living with disabilities in the Public Sector. The Department has reportedly entered into partnerships with organisations of people living with disabilities to fast track the appointment of people living with disabilities.

Issues for Consideration

- It is of great concern that during the year under review, the vacancy rate was 15.7 per cent, which is more than the accepted 10 per cent vacancy rate as prescribed by National Treasury. The Department should indicate an action plan developed to fill posts, especially priority posts, to reduce the vacancy rate.
- In the year under review, seven of the 12 senior managers were in acting positions, which include the positions of the Director General (DG) and Deputy Director General (DDG). This is of great concern because it creates uncertainty in leadership and to some extent poor accountability. The Department should indicate how many of the acting positions have been filled with people in permanent positions.



5. FINANCIAL PERFORMANCE REPORT – KEY ISSUES

The Section presents some of the key highlights of the financial performance of the Department.

5.1 Overview

The Department of Agriculture, Land Reform and Rural Development spent almost R14.1 billion or 92.4 per cent of the total available budget of R15.2 billion by the end of March 2021. This represents 7.6 per cent underspending, mainly under programme 3: Food Security, Land Reform and Restitution due to slow payment to beneficiaries of the Presidential Employment Stimulus Initiative. There was also significant underspending (17.9 per cent) in Programme 5: Economic Development, Trade & Marketing owing to transfers, subsidies, and payments to international organisations.

Table 1: Appropriation and Expenditure in 2020/21

Approp. Programme	Per Adjus Appr. R'000	Virement R'000	Final Appr. R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of Final Appr. %
Administration	2 817 077	302 572	3 119 649	3 119 503	146	100,0%
Agricultural Prod., Health, Food, Safety, Natural Resources & Disaster Management	2 960 049	-4 751	2 955 298	2 828 021	127 277	95,7%
Food Security, Land Reform and Restitution	6 986 096	-218 831	6 767 265	5 915 425	851 840	87,4%
Rural Development	770 405	-45 279	725 126	715 087	10 039	98,6%
Economic Development, Trade & Marketing	656 900	-1 541	655 359	538 049	117 310	82,1%
Land Administration	1 057 086	-32 170	1 024 916	976 946	47 970	95,3%
Total	15 247 613		15 247 613	14 093 031	1 154 582	92,4%

Source: Adapted from DALRRD (2021)

The Department received a final allocation of R15.25 billion in 2020/21 and spent R14,09 billion or 92,4% of the final budget, leaving the total of unspent funds at R1,15 billion. Unspent funds were recorded on the compensation of employees due to vacant posts, and on the allocation to goods and services, which were funds earmarked for the Presidential Employment Stimulus Initiative (PESI) approval by National Treasury in September 2020. The Department requested National Treasury to grant approval for a rollover of R757 million unspent PESI. These funds were meant to support subsistence farmers with food production and relieve the current pressure on the State because of high unemployment levels.



5.2 Programme 2: Agricultural Prod., Health, Food, Safety, Natural Resources and Disaster Management

Spending on this programme was R2.82 billion of the available budget of R2.95 billion at the end of 2020/21, indicating lower than expected expenditure of R127 million (4.3 per cent). The significantly lower spending was mainly under the Animal Production and Health sub-programme due to vacancies and goods and services. This was as a result of Covid-19 pandemic restrictions, which caused delays in the mobilisation of farmers and data collection for implementation of Kaonafatso Ya Dikgomo and Poultry Schemes.

Table 2: Appropriation and Expenditure for Programme 2 in 2020/21

Sub-Programme	Adjus Appr. R'000	Shifting of Funds R'000	Virement R'000	Final Appr. R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of Final Appr. %
Inspection and Quarantine Services	573 355 22 853		(4 584)	591 624	582 325	9 299	98,4
Plant Production and Health	540 534 5 005		-	545 539	544 313	1 226	99,8
Animal Production and Health	327 624 (17 303)		-	310 321	203 919	106 402	65,7
Natural Resources and Disaster Management	268 616 (10 555)		(167)	257 894	247 544	10 350	96,0
Agricultural Research Council	1 249 920	-	-	1 249 920	1 249 920	-	100.0
Total for sub-programmes	2 960 049	-	(4 751)	2 955 298	2 828 021	127 277	95,7

Source: Adapted from DALRRD (2021)

5.3 Programme 3: Food Security, Land Reform and Restitution

During the year under review, the final allocation to Programme 3 was R6.77 billion, of which R5.91 billion was spent, leaving R851.8 million or 12.6 per cent unspent. Poor expenditure was mostly under the Food Security Sub-Programme, which spent 64.8 per cent of the total final allocation while other sub-programmes have spent more than 90 per cent or up to 100 per cent of their allocated budgets. The explanation given for under-expenditure in the Food Security Sub-programme is that the Department received the allocation of R1 billion for the Presidential Employment Stimulus Initiative (PESI) late in September 2020 and had to verify a significant number of farmers who applied, resulting in issuing vouchers to beneficiaries late.

Table 3: Appropriation and Expenditure for Programme 3 in 2020/21



Sub-Programme	Adjus Appr. R'000	Shifting of Funds R'000	Virement R'000	Final Appr. R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of Final Appr. %
Food Security	2 068 071	179 988	-24 000	2 224 059	1 440 239	783 820	64,8%
Land Tenure Reform	454 903	-3 625	-17 396	433 882	432 280	1 602	99,6%
Land Acquisition & Redistribution	699 364	-3 905	-19 133	676 326	628 036	48 290	92,9%
National Extension Services & Sector Capacity	573 678	-193 070	-20 000	360 608	359 257	1 351	99,6%
Farmer Support	9 459	-8 763	0	696	696	0	100,0%
Property Management & Advisory Support	258 282	91 187	-47 309	302 160	302 160	0	100,0%
Restitution	2 922 339	61 812	-90 973	2 769 534	2 752 757	16 777	99,4%
Total	6 986 096		-218 811	6 767 265	5 915 425	851 840	87,4%

Source: Adapted from DALRRD (2021)

5.4 Programme 4: Rural Development

In the year under review, R715.1 million of the budgeted R725.1 million for Programme 4 was spent, resulting in under-expenditure of R10 million (1.4 per cent). This was influenced by minor under-spending in the Rural Social Infrastructure and Technology Research and Coordination sub-programmes. The sub-programme provided limited training and development of rural youth due to temporary closure of Technical and Vocational Education and Training colleges as a result of COVID-19 pandemic imposed regulations.

Table 4: Appropriation and Expenditure for Programme 4 in 2020/21

Sub-Programme	Adjus Appr. R'000	Shifting of Funds R'000	Virement R'000	Final Approp r. R'000	Actual Expend R'000	Variance R'000	Expenditure as % of Final Appr. %
National Rural Youth Service Corps	294 641	-13 661	0	280 980	280 979	1	100,0%
Rural Social Infrastructure Coordination	453 780	21 070	-45 279	429 571	420 161	9 410	97,8%
Technology Research & Coordination	21 984	-7 409		14 575	13 947	628	95,7%
Total	770 405		-45 279	725 126	715 087	10 039	98,6%



5.5 Programme 5: Economic Development, Trade and Marketing

Under this programme, spending was R538.1 million of the available budget of R6544 million at the end of 2020/21. The programme underspent by R117.3 million, which translates to 8.1 per cent underspending. The lower spending was under compensation of employees, transfers and subsidies and payment for capital assets due to vacancies; and pending membership subscriptions of the United Nation's Food and Agriculture Organisation; and delay in finalising procurement of capital assets, respectively.

Table 5: Appropriation and Expenditure for Programme 5 in 2020/21

Sub-Programme	Adjus Appr. R'000	Shifting of Funds R'000	Virement R'000	Final Appr. R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of Final Apropr. %
International Relations and Trade	184 642	22 092	(1 131)	205 603	191 055	14 548	92,9
Cooperatives Development	33 019	(2 928)	14 000	44 091	43 836	255	99,4
Agroprocessing Marketing and Rural Industrial Development	439 239	(19 164)	(14 410)				
Total for sub-programmes	656 900	-	(1 541)	655 359	538 049	117 310	82,1

Source: Adapted from DALRRD (2021)

5.6 Programme 6: Land Administration

Under this programme, the Department received a final allocation of R1.02 billion and spent R976.94 million, leaving unspent funds of R47.97 million or 4.7 per cent. The underspending was due to delays in the filling of vacant posts pending the finalisation of the Department's micro-organisational structure; and delay in the implementation of national geomatics services, spatial planning and land use management projects.

Table 6: Appropriation and Expenditure for Programme 6 in 2020/21

Sub-Programme	Adjus Appr. R'000	Shifting of Funds R'000	Virement R'000	Final Appr. R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of Final Apropr. %
National Geomatics Management Services	524 372	26 075	-27 925	522 522	483 846	38 676	92,6%
Spatial Planning & Land use	166 312	-21 884	-4 245	140 183	131 032	9 151	93,5%



Registration of Deeds Trade Account	358 034	0	0	358 034	358 033	1	100,0%
SA Council of Planners	4 035	0	0	4 035	4 035	0	100,0%
SA Geomatics Council	4 333	-4 191	0	142	0	142	0,0%
Total	1 057 086		-32 170	1 024 916	976 946	47 970	95,3%

Source: Adapted from DALRRD (2021)

Issues for Consideration

- It is of great concern that R1.15 billion (7.6%) of the total allocation of R15.24 billion to the Department was not spent in the year under review. the Department should indicate the gaps in service delivery as a result of significant under-spending in some of the sub-programmes and the impact on the medium term objectives and goals affected.
- The Department should indicate whether the request for the roll-over of unspent funds allocated from the PESI was successful and the impact of unspent funds on service delivery. This would have helped to improve food security, especially in the time of the Covid-19 pandemic.
- Almost half of the funds to be transferred to households under Programme 3, which is R1.13 million of the budgeted R2.65 million, was not transferred. The Department should provide an explanation and indicate the impact this had on service delivery.
- The Department should provide an update on the expenditure of the allocated R1 billion for the Presidential Employment Stimulus Initiative (PESI), indicating the farmers who have received their vouchers and those that have not yet received their vouchers and plans made to ensure that all deserving farmers get their vouchers. It should also include those farmers whose application to get assistance have been declined and provide reasons why their applications were declined.



6. TRADING ENTITIES

6.1 Agriculture Land Holding Account

The Agriculture Land Holding Account (ALHA) was established in terms of the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993). It is responsible for the acquisition of strategically located land for agriculture productivity under the Proactive Land Acquisition Strategy (PLAS). Funds for the Entity are appropriated under Programme 5 for executing PLAS.

- For the past five years, ALHA has been spending 100% of its transfers from the Department. Transfers from the Department to ALHA has drastically decreased from R1.68 billion in 2019/20 to R448.04 million in 2020/21, a decrease of 73.4%.
- The actual total revenue has decreased by R2.4 million compared to the final budget amount in 2020/21 while the expenditure increased by R41.53 million. As a result, in the year under review, the Entity recorded a deficit of R669.09 million.

Fruitless and wasteful Expenditure

Fruitless and wasteful expenditure increased from R95.675 million to R95.682 million. This includes grants amounting to R94.838 million that was provided to rescue the Strengthening Relative Rights (SRR) project. It is reported that an investigation was conducted by the Forensic Investigation Unit (FIU) on the project and the recommendations of the full audit have been finalised towards the end of the financial year. The balance of the fruitless and wasteful expenditure was recorded under the One Hectare One Household (1H1H), which relates to the payment of professional fees amounting to R754 000 to the Accountant and Site Management paid to the Farmers for services not rendered and where the quality of the services rendered was deficient.

Irregular Expenditure

Irregular expenditure increased from R304 million in 2019/20 to R317.9 million in 2020/21. Irregular expenditure was incurred in the Strengthening Relative Rights (SRR), Land Development Support Programme and Recapitalisation and Development Programme for drought, which was incurred in 2016/17 but the forensic investigation was concluded in the year under review.

6.2 The Deeds Registration Trading Account

The Deeds Registration Trading Account (DRTA) is a trading entity established in terms of the PFMA. It is responsible for the registration of deeds and maintains public registers of land. The Trading Account's main source of funding is fees charged on the registration of deeds and the sale of deeds information.

- Actual total revenue from non-transactions has increased by R99.97 million compared to the final budget. This is due to the fact that deeds revenue estimates were projected based on the COVID-19 pandemic and national lockdown regulations that had adversely affected economic growth and sales of property. The positive variance is due to improvement of



revenue generated during alert level one of the National lockdown when all sectors of the economy were opened.

- The entity was budgeted to receive total Grants of R358 million in the year under review for operational costs but the amount was drastically decreased to R138 million, which is a difference of R220 million. However, it should be noted that during the year under review, R208 million was reclassified as a conditional grant for implementation of e-DRS in the next two to three years. Of this amount, R12 million has been allocated for departmental activities that deeds are required to pay for.
- In the year under review, the Entity has recorded a surplus of R93.35 million compared to the previous financial year where it recorded a deficit of R80.9 million.

Issues for Consideration

- The Department should provide a list of farms that have been acquired through PLAS in each province in the year under review and indicate if they have been leased to farmers.
- The Committee might consider getting an update on the case reported in the Annual Report of a farmer that had unlawfully removed movable assets to the value of R1.59 million from a farm.
- The Committee might consider getting a briefing from the Department on the e-DRS project, which is critical for improving service delivery in the Deeds Registration Office, as it means a transition from a manual to an electronic deeds registration system. The project has seemingly been delayed, which will impact on the original plan.

7. REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

7.1 Department of Agriculture, Land Reform and Rural Development

The Department received an unqualified opinion from the Auditor General of South Africa (AGSA), with emphasis of matters. The findings raised for the Department relate to material misstatements in the submitted financial statements and non-compliance with legislation. Findings highlighted by the AGSA include:

- Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R203.84 million.
- Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R44.54 million.
- Payments were not made within 30 days or an agreed period after receipt of an invoice, as required by treasury regulation.
- On procurement: Some of the invitations for competitive bidding for procurement of commodities designated for local content and production were not advertised for the stipulated minimum period, as required by treasury regulation and some bidding documentation did not stipulate the minimum threshold for local production and content.
- Consequence management: Disciplinary steps were not taken against the officials who had incurred and/or permitted irregular, fruitless and wasteful expenditure.



- Management did not implement effective monitoring of compliance with applicable legislation. Non-compliance with legislation and supply chain management processes could have been prevented if compliance had been properly reviewed and monitored.
- The high number of ongoing investigations and the delays in finalising the investigations resulted in appropriate disciplinary actions and enhancement of internal controls not being timeously implemented. Where investigations were completed with recommendations for consequence management, disciplinary steps were not implemented.
- Management is slow in responding to audit queries, and there were inadequate oversight and review of the financial statements.

7.2 Agricultural Land Holding Account

ALHA received a qualified opinion from the AGSA in the year under review, which means it has received a qualified opinion for three consecutive years. The qualified audit outcome in 2020/21 relates to inadequate processes to assess and account for grants paid to farmers through the Land Development Support Programme (LDSP) and used for the Recapitalisation and Development grant.

Matters of Emphasis: ⁸

- Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R13.87 million incurred in land development support projects.
- Payments were not made within 30 days after receipt of invoices, as required by treasury regulations.
- There were no adequate monitoring and oversight to ensure compliance with legislation, to prevent irregular expenditure from being incurred and to ensure that payments are made within 30 days from the date of receipt of invoice.
- Management did not effectively exercise its oversight responsibility over financial reporting, compliance and related controls; as evidenced by material misstatements in the financial statements.

7.3 Deeds Registration Trading Account

The Deeds Registration Trading Account (DRTA) received an Unqualified opinion from the AGSA.

Issues for Consideration

- The AGSA has made several recommendations to address internal control deficiencies, poor record-keeping, non-compliance with legislation and SCM prescripts in the former DRDLR's 2019/20 Annual Report. It seems that the same weaknesses have led to the current Department receiving an unqualified audit opinion with findings and the ALHA getting a qualified audit

⁸ The following information is sourced from DALRRD (2021).



opinion. This implies a lack of commitment to resolving findings made by the AGSA. The Department should report on measures taken or that will be taken in response to the AGSA's recommendations and indicate what would be done differently to ensure those action plans are effective and, therefore, able to address repeat findings that should have been addressed.

- Although the necessary committees and processes are in place to detect risk and prevent irregular and fruitless and wasteful expenditure, this has continued and had in fact increased during the year under review. The Department should provide more details on fruitless and wasteful expenditure and irregular expenditure and indicate what effective measures have been taken or will be taken to prevent such expenditure.
- According to the AGSA, disciplinary steps were not taken against officials who incurred and/or permitted irregular, fruitless and wasteful expenditure. The Department should explain why disciplinary actions were not taken against officials who incurred or permitted irregular, fruitless and wasteful spending. It should be noted that this has been a recurring challenge, and the Committee has regularly requested the former DRDLR to implement consequence management. In addition, the PFMA requires that measures should be taken to recover any financial losses from the responsible officials and that formal investigations should be instituted. Furthermore, if there is any indication of fraud, corruption, and other criminal conduct, further action should be taken, such as reporting the matter to the South African Police Service (SAPS).
- The Committee may consider getting a detailed report from the Department on unspent conditional grants given to farmers under the Land Development Support Programme.
- The Committee may consider getting a detailed report from the Department on the concluded investigation and/or legal assessment for the projects funded with grants under the recapitalisation and development programme. It should indicate steps taken against those found guilty and funds that have been recovered, if any.

8. CONCLUSION

The period under review proved challenging for the Department in several respects due to the impact of the COVID-19 lockdown restrictions on its operational environment. There were several initiatives that the Department was involved in (over and above the programmes tabled in the annual performance plans), such as the Farmers' Relief Packages and the Presidential Employment Stimulus Initiative (PESI). It is also important that the year under review exposed the harsh vulnerabilities of rural communities, subsistence, and smallholder farmers. Programmes and interventions put in place by the Department must have tangible and verifiable outcomes in the lives of such communities and the sector at large.



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