

# **REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT ON AN OVERSIGHT VISIT TO THE AGRICULTURAL RESEARCH COUNCIL (ARC) AND ONDERSTEPSPOORT BIOLOGICAL PRODUCTS (OBP), GAUTENG PROVINCE ON 19 – 22 APRIL 2022, DATED 24 MAY 2022.**

The Portfolio Committee on Agriculture, Land Reform and Rural Development (hereinafter referred to as the Committee) having undertaken an oversight visit to the Agricultural Research Council (ARC) and Onderstepoort Biological Products (OBP) in Gauteng Province on 19 – 22 April 2022, reports as follows:

## **1. INTRODUCTION**

The oversight activities of the Committee take cue from section 55(2) of the Constitution which provides that “The National Assembly must provide for mechanism - (a) to ensure that all executive organs of the state in the national sphere of government are accountable to it; and (b) to maintain oversight of - (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state”. From these provisions, it is quite clear that the Executive is obliged to account on its actions. Oversight visits, therefore, constitute a myriad of mechanisms available to the Committee for exercising its constitutional mandate as discussed above.

### **1.1. Terms of reference for the oversight visit**

In terms of Section 43(3) and 55(2) of the Constitution as stated above, the Portfolio Committee, as an extension of the National Assembly, holds the Executive accountable through a range of oversight mechanisms. These sections empower Parliament to scrutinise and oversee Executive action as well as ensuring accountability of all executive organs of state. As the Committee is overseeing a large Department (i.e. the Department of Agriculture, Land Reform and Rural Development, hereafter referred to as the Department) with different and complex subject areas, in order to further strengthen its oversight mandate, it realised that briefings were not sufficient to fully understand the mandates and roles of the Department’s various entities. It thus identified the need to physically visit the various entities of the Department to get a

better understanding of their operational environments including operational and other challenges.

The Agricultural Research Council (ARC) is the principal agricultural research institution in the county, established in terms of section 2 of the Agricultural Research Act, 1990 (Act No.86 of 1990). It provides agricultural research and development, technology and support to the agricultural community. In addition, the Council is the custodian of the country's national collections of public goods assets. The Onderstepoort Biological Products (OBP) is a bio-technical company manufacturing vaccines and related products for the global animal health care industry, the company was established in terms of the Onderstepoort Biological Products Incorporation Act, 1999 (Act No. 19 of 1999).

The objectives of the oversight visit were to assist the Committee in getting first-hand experience and enhancing its understanding of the operational environment and challenges that are faced by the two entities, as well as the impact of their activities on service delivery, agricultural sector development and sector transformation.

## **1.2 The Objectives of the Oversight Visit**

The Committee's objectives for the visit were to:

- Strengthen its oversight mandate by gaining an insight into the operational environment and technical operations of the ARC and OBP.
- Enhance its understanding of the different institutes of the ARC including the difference between the activities of the ARC's Onderstepoort Veterinary Research Institute (OVR) and the OBP.
- Monitor progress in the establishment of the Foot-and-mouth Disease (FMD) Facility at the ARC.
- Monitor progress in the construction of the Good Manufacturing Practice (GMP) Project to modernise the OBP's vaccine manufacturing plant.
- Get a better understanding of the OBP's challenges regarding availability of animal vaccines and shortages.
- Understand the contribution and impact of the services provided by both the ARC and OBP on service delivery, the broader agricultural sector development and sector transformation.

### 1.3 The delegation and attendance by the Executive

The delegation to ARC and OBP comprised of the Members of the Portfolio Committee on Agriculture, Land Reform and Rural Development as illustrated on Table 1 supported by the Committee support officials responsible for committee secretarial duties, content support and advice, research and logistics. Also in attendance were relevant officials from the Department of Agriculture, Land Reform and Rural Development; ARC and OBP's Executive Management and Board Members.

Table 1: Delegation to the ARC and OBP (Members of the Portfolio Committee)

<b>Members of the Portfolio Committee</b>	
<b>Name</b>	<b>Political Party</b>
MP Mandela, Nkosi ZMD (Chairperson/Leader of the delegation)	African National Congress (ANC)
MP Tlhape, Ms MME	
MP Tshwete, Ms B	
MP Mahlatsi, Ms KD	
MP Capa, Mr N	
MP Steyn, Ms A	Democratic Alliance (DA)
MP Masipa, Mr N (Alternate Member)	
MP Montwedi, Mr M	Economic Freedom Fighters (EFF)
MP Breedt, Ms T	Freedom Front Plus (FF PLUS)

## 2. SUMMARY OF PROCEEDINGS OF ENGAGEMENTS WITH THE PORTFOLIO COMMITTEE

To make optimal use of the time with the entities, the Committee decided to also hold physical briefings for the entities' Strategic and Annual Performance Plans (APPs) and as well as budget allocations for the 2022/23 financial year. This section summarises the engagements that the Committee held with the Agricultural Research Council (ARC) and the Onderstepoort Biological Products (OBP).

## **2.1. VISIT TO THE ARC**

### ***2.1.1. DAY 1: ARC's presentation on the Annual Performance Plan and Budget allocation for the 2022/23 financial year***

The delegation was welcomed at the ARC's Transboundary Diseases Facility at Onderstepoort by the Chairperson of the Board, Ms Joyene Isaacs and the Chief Executive Officer (CEO), Dr Litha Magingxa. The visit to the ARC started with the presentation of the Annual Performance Plan and Budget allocation for the 2022/23 financial year. The presentation by Dr Hilton Vergotine can be summarised as follows:

- The ARC in the 2022/23 financial year plans to offer scientific solutions that address profitability, sustainability and resilience of entire food systems.
- Offer scientific solutions that address deficiencies in quality of produce, inconsistent volumes, transformation of the various crops industries through the continued development of improved cultivars and product development from ARC genetic resources.
- The use of new breeding technology and biotechnology application remains key.
- Development of smart farming systems using modern technology that will optimise propagation, planting and production of crops including organic production, biological conservation - precision, soilless and vertical farming. This includes soil, water and plant health management and water management and irrigation intercropping systems.
- Development of bioprospecting pipelines e.g. bio-pesticides and fungicides, bio-fertilisers and bio-stimulants.
- Development of new cultivars/varieties with improved desired characteristics, namely high yield, improved quality and improved nutritional quality, resistance/tolerance to biotic and abiotic stresses and adaptation to different environments and growing conditions, considering the needs of producers, processors and consumers.
- Support to commercial farmers by provision of growth and feed efficiency services through ARC centralised on-farm and off-farm services, national herd genetic improvement services delivered through the national database – INTERGIS, advisory services through information dissemination events e.g. farmer's days, workshops, etc.
- Support to smallholder producers by providing training of farmers on production and processing to enhance active participation in formal livestock value chains (Kaonafatso ya

Dikgomo (KyD)), facilitate market access through auctions and facilitate animal recording and improvement through INTERGIS.

- Genomics used to support smallholder agriculture through inferring on breed composition and suitability of breeds for different environments, inferring parentage and manage problems like inbreeding and genetic disorders in herds and select for the right phenotypes for traits of importance.
- The received a Parliamentary Grants of R1.2 billion that constitutes baseline allocation for operational expenditure and capital expenditure. The Parliamentary Grant (PG) has been declining over the years and in the current medium term period ending in 2025, the entity will realise a 7 per cent decline in the PG.
- Due to the constrained national fiscus, from the previous financial year onwards, the ARC has not been expecting the additional funding it used to receive from the Department of Science and Innovation (DSI).
- The entity's budget process is based on zero-based budgeting principles i.e. all expenses must be justified for each new period and every function is analysed for its needs and costs.

### ***Committee comments and questions on the APP of the ARC***

The Committee Members raised the following comments and questions to the ARC:

- What is happening with underutilised ARC campuses and farms.
- Relationship between ARC research and demands of the Department including the uptake of the ARC's research outputs by the Department.
- How the ARC decides on crop cultivar development and genetic improvement in livestock.
- The impact of crop cultivars that farmers receive from the Department and the training programmes that the ARC offer on organic farming.
- Improvement of animal genetics for smallholder farmers so that they can generate their own revenue and the need to introduce training of black farmers on horse breeding/farming.
- Plans to increase the ARC footprint to other provinces and the involvement of ARC in the Cannabis Master Plan development.
- Status of Ncera Farms (Pty) Ltd, whose facility was transferred to the ARC following deregistration as an entity of the Department.
- ARC footprint around the country and plans to reach people in rural areas with its E-platform programme.

- A detailed report on the farmers that were assisted by the ARC with soil testing and other services.
- Relationship between the ARC and traditional leaders who manage communal lands on behalf of communities to assist in managing the spread of animal diseases such as foot-and-mouth disease (FMD).

### ***Response from the ARC***

- The process to consolidate ARC campuses is constrained by availability of funding.
- The ARC has not been receiving the support that is required from the Department regarding the uptake and promotion of its research and technological innovations to provinces.
- Research on cultivar development and livestock improvement is informed by the needs of its clients, who includes the agricultural industry that mostly pays for some of the ARC research; and is also determined by other research on socio-economic needs of the country and the region.
- Facilities at Ncera form part of the Animal Production Institute of the ARC.
- The mandate of the ARC, as a Science Council is research and innovation. The results of its research are communicated to relevant stakeholders including the Executive. Therefore, it is not its responsibility to take research results to local communities, that is the responsibility of the Department and provinces through extension services.
- The ARC has contributed in the development of the Cannabis Master Plan through its research and will continue to do so during the Plan's implementation once it is finalised.
- Reports on farmers or communities that have benefitted through the ARC's training programmes and analytical services will be submitted to the Committee.

### ***Overview of the ARC's Onderstepoort Veterinary Research, FMD Research and the Biotechnology Platform***

Following the briefing on the APP, the ARC also gave short presentations on the overview of the ARC's Onderstepoort Veterinary Research (ARC-OVR) and FMD research by Dr Livio Heath and the Biotechnology Platform by Dr Farai Muchadeyi, before visiting the facilities. The CEO highlighted that the FMD Facility is being prioritised and the ARC Board has established a Task Team to address FMD challenges. The Deputy Chairperson of the Board,

Dr Mono Mashaba highlighted that the budget plan for the FMD Facility was done in 2010. Therefore, the available budget may not be enough to finalise the FMD Facility project. After responses to questions on the overviews, the delegation visited the ARC-Biotechnology Platform (ARC-BTP) and the Virology Unit that are located within the ARC-OVR campus.

### ***2.1.2. Visit to the Biotechnology Platform***

The biotechnology platform was established in 2010 as a major strategic priority of the ARC. The role of the ARC-BTP is to create the high-throughput resources and technologies required for applications in genomics, quantitative genetics, marker assisted breeding, genetic sequencing and bio-informatics within the agricultural sector. The BTP's Genomics Laboratory houses technological equipment of various sizes that allows digital processing (next generation sequencing, genotyping and optical mapping) and storage of biological information; and also generates and analyses data for research purposes. The Laboratory is involved in the testing of biological samples for paternity tests, stock theft, micro-genetic traceability including cultivars and has also done testing for Covid-19.

The BTP also runs Workshops and Training Programmes; and most of its clients are ARC personnel, students and researchers from other institutions or universities. It also recruits Professional Development Programme (PDP) students to do MSc and PhD studies on genomics and bio-informatics. The focus of the ARC-BTP is to establish itself as both a research and service-driven institution, providing an environment in which highly skilled researchers can be hosted and trained. The technologies established within the Platform are accessible to, and provide services to the ARC, collaborators, companies, science councils and researchers across the Continent.

### ***2.1.3. Visit to the Virology Unit***

The Virology Unit has seven (7) reference laboratories that specialise in 7 diseases. Four of the reference laboratories are located at the Virology Building that was visited and specialise on African horse sickness (AHS), Rift Valley fever (RVF), lumpy skin disease and bluetongue. Three other reference laboratories that are located elsewhere at OVR specialise on FMD, African swine fever (ASF) and smallstock pox. The Virology Unit offers full service laboratories that perform molecular methods, rapid antigen testing, tissue culture and serology.

The ARC Virology Unit has one of the best laboratories on virus testing and also has mice facilities for inoculation. In 2017, the viral laboratory assisted in the identification and isolation of the Avian influenza virus. Every six months the Facility, which holds and handles dangerous material (for research purposes), is assessed for compliance by the South African National Accreditation System (SANAS), to which it is accredited. However, the main challenge that was highlighted was the aged infrastructure.

As much as the Virology Building is operational and accredited by SANAS, in future, the building needs to be renovated to meet current standards for laboratories that handle dangerous material. Otherwise, the ARC may lose accreditation. Current standards require that when anyone enters a Laboratory (Lab) that handles dangerous goods they must first go through a dirty area, after which a semi-dirty area and then a secure area. The cost of renovating the Lab is estimated at US\$47 million (approximately R755 million).

#### ***2.1.4 Visit to the Experimental Animal Holding Pens***

The delegation also visited the holding pens for animals that are used for experimental research at OVR. The delegation had a look around the cattle holding pens where a number of Hereford cattle were held and housed for research purposes.

### **DAY 2: Briefings on other ARC Institutes and Research Foci, Exhibitions and Visits**

#### ***2.1.5 Presentation on the ARC-Vegetables, Industrial and Medicinal Plants (ARC-VIMP)***

The presentation by the Senior Manager, Dr Sonia Venter, highlighted the focus and key projects of the ARC-VIMP Institute. The ARC-VIMP Institute's research activities directly contribute to 7 of the Sustainable Development Goals (SDGs) – SDG 1, 2, 3, 11, 12, 13 and 15. Its research focus areas are addressing challenges with food and nutrition insecurity, mitigating effects and risks of climate change and climate variability, management and conservation of natural resources, sustainable use and management of biodiversity and increased agricultural productivity and production.

The Institute's research disciplines are breeding and cultivar development; genetic resources management; crop production and production systems; crop protection (integrated pest-and disease management); agroprocessing, product development and post-harvest technology development. The Institute also conducts research on industrial and medicinal crops such as

cotton, tobacco, kenaf and Cannabis (hemp and medicinal dagga). It also provides analytical services; farmer support, training and commercialisation as well as school nutrition programmes in Gauteng and Eastern Cape.

#### ***2.1.6 Presentation on ARC-Plant Health and Protection Unit and National Public Goods Assets***

The Senior Manager for Plant Health and Protection Unit as well as National Public Goods Assets, Dr Ansa van Vuuren, highlighted that the unit area of expertise for Plant Health and Protection Unit is on weed research – the biological control of alien invasive plants to protect natural resources such as water and grazing land; biosystematics – the custody of the natural collections of insects, spiders, mites, fungi, nematodes, bacterial and plant virus antisera; plant microbiology – applied plant and soil health protection practices and science; applied pest control – science of pest control to mitigate agricultural risks such as locusts; insect ecology – applied ecology of important agricultural pests and their natural enemies. The Institute also provides diagnostic testing to farmers and assist them with new cultivar development and production guidelines. This also assist new emerging farmers and provides them with plant material.

The ARC manages, maintains and stores the country's National Public Good Assets (NPGAs), which are located in various ARC Institutes in Gauteng, Limpopo, Mpumalanga, Free State, Eastern Cape, KwaZulu-Natal and Western Cape. The NPGAs include Facilities, Biodiversity Biobanks, Databases, Living Collections and Natural Science collections. The NPGAs are important in supporting and driving agricultural research and innovation; and its clients include national departments and agencies, municipal planners, the public, educational and research institutions, private sector, agricultural sector and other agro-industries, international organisations and international governments. The NPGA Depository is available to the public except for CITES species or quarantined species/organisms.

The impact of NPGAs spans across a number of sectors, namely, agriculture, environment, biodiversity, education, advisory, disease control and safety/security. One of the practical examples of the impact of NPGAs is the Corridor disease; by developing a sensitive and accurate diagnostic test for Corridor disease in buffaloes over many years, the ARC succeeded in reducing the number of reports on the outbreak of the disease in the country. The ARC is

also selected as a Training Centre of Excellence for fall armyworm (FAW) and the tomato leaf miner due to its wide ranging expertise and experience. In 2020, it trained SADC representatives on the two diseases.

### ***2.1.7 Presentation on ARC-Natural Resources and Engineering Institute***

The presentation by the Senior Manager for the ARC-Natural Resources and Engineering Institute, Dr Mphokgo Maila highlighted the Institute's research and development focus areas, which are agrometeorology, geoinformatics science, soil science, agriculture infrastructure engineering, irrigation and drainage engineering, water science, renewable energy, mechanisation and agroprocessing, as well as analytical services. The Institute also manages National Public Goods Assets on soil testing information system, climate monitoring system, irrigation test facility, renewable energy demonstration centre, tractor test facility and satellite imagery-coarse resolution imagery database. The soil science analytical services expertise is on soil, water, plant analysis, fertiliser recommendations and microbiological analysis.

### ***2.1.8 Presentation on Climate Change and Impact on the Agricultural Sector***

The Research Team Manager for climate change research, Dr Mokhele Moeletsi, presented the observed and projected long-term climate trends; and highlighted the impact of climate change on the agricultural sector. From observed climatic trends dating back from the 1950s, there might be an increase in precipitation in the western and eastern parts of Southern Africa. Increases in extremely hot events have been observed for most of the Continent with medium to high confidence that these are related to anthropogenic (i.e. human-induced) climatic forces. Temperatures are expected to increase significantly under low mitigation scenarios and later into the 21<sup>st</sup> century while rainfall is expected to decrease over the western parts of South Africa. The increases in temperatures are going to be particularly larger in the northern parts of South Africa, Botswana and Namibia.

The rainy season is expected to be more concentrated over the summer rainfall regions of the country, with drier conditions during spring. Maize production and summer crop saw favourable conditions over much of the summer rainfall regions during summer. There is an expectation of above normal maize yields due to above normal rainfall between April and June

except in winter rainfall areas. For wheat, the wet conditions stretching into April in the central interior will be supportive of production.

### ***2.1.9 Exhibitions***

The delegation was also exposed to various exhibitions and posters from all ARC Institutes where it interacted with ARC researchers who fielded questions on their research work and technological innovations. The exhibitions also showcased producer support initiatives, research on Cannabis and medicinal plants, cultivar development (sweet potatoes, cassava, etc.), dairy and other livestock products processing (cheeses, yoghurts, wool, etc.), and Post-Harvest and Agroprocessing Technologies – PHATs (jams, honey, dried fruit, teas, juices, dried yeast, wines). ARC wines are part of the Wine Arc, which is a brand home for black-owned wine brands and entrepreneurs.

### ***2.1.10 Visit to the Agroprocessing and Medicinal Plants Unit***

The Agroprocessing and Medicinal Plant Unit does processing on food, medicinal plants, pharmaceuticals and beauty products. The Unit has a successful pilot project on moringa with smallscale farmers in Limpopo; and also another project in Mpumalanga. At the Agroprocessing and Medicinal Plant Unit, the delegation was given a demonstration of the teabag making machine, where farmers can bring their products for processing at a cost. In terms of Cannabis, although it is categorised as an agricultural crop, the South African Health Products Authority (SAHPRA) and the Department of Justice and Constitutional Development do not recognise it as such. Therefore, Agriculture has no control of Cannabis use at policy level.

During engagements the ARC also highlighted the challenge of monopoly in the potato industry in South Africa, where 3 bodies that are responsible for certification are running the industry. It was highlighted that for potatoes, South Africa is the only country where certification and phytosanitary risks issues, which are the function of government, are carried out by the private sector. The ARC was previously involved in the industry bodies until it was pushed out and its accreditation cancelled in the 1990s when it made noise about inclusivity and transformation. The lack of inclusivity in the potato industry needs policy intervention. It

was reported that the situation is different and much better in the sweet potato industry as the ARC has been involved in the development of systems.

#### ***2.1.11 Visit to the Biosystematics Centre and the Mobile Plant Health Clinic***

In the Biosystematics Centre that is within the Plant Health and Protection Unit, there was a showcase of various National Public Goods Assets (NPGAs) from different ARC campuses including books that have been authored and co-authored by ARC researchers. There were various collections of specimens (dead and alive) on display from insects, fungi, microscopic organisms, biological control agents, spiders, plants, weather forecasting equipment and soil types including processed soil candies.

The delegation was also shown the fully-equipped Mobile Plant Health Clinic that enables the ARC researchers to reach rural and remote areas for research purposes and to facilitate plant health diagnostic services to smallholder farmers on site. The Mobile Plant Health Clinic has a wide outreach (in terms of farmers and plants) and a potential role to play in local pests and disease surveillance. The Mobile Clinic is also used by the Natural Resources and Engineering Institute for on-site soil testing activities; and is available for use by anyone at a cost.

### ***2.2 VISIT TO THE ONDERSTEPSPOORT BIOLOGICAL PRODUCTS (OBP)***

The delegation was welcomed by the Chairperson of the Board, Ms Rene Kenosi and Interim (Acting) Chief Executive Officer (CEO), Mr Luvuyo Mabombo, who is also a Board member of the OBP. The delegation was first taken for a site inspection of the OBP facilities, which included the following units:

#### ***2.2.1 Packaging Unit***

The area is part of the OBP's modernisation project for the Good Manufacturing Practice (GMP) Facility and includes the cold storage area. The sterile area (called the Germany) is also located within the Unit. The area handles liquid products including blood vaccines. The liquid nitrogen machine was broken and it was reported that a new one has been procured for the 2022/23 financial year at a cost of approximately R500 000. There were also some new machines in the area that were not operational at the time of the visit e.g. the viral washer and

steriliser. Two of the freeze driers were not in use, one has a crack in the chamber and has been standing idle since 2016 and needs to be replaced. It was reported that the other one was in the process of being replaced. The new capping machine was operational.

### ***2.2.2 The Good Manufacturing Practice (GMP) Facility***

There were was not much to see in terms of the GMP Facility except unfinished and empty halls. There was a lot of new GMP equipment that was stored in one of the empty buildings. It was reported that some of the equipment was delivered during 2019/20 and there was a lot of other equipment that was discovered lying around in some of the entity's buildings and store room. This was a serious concern to the delegation as the GMP Facility building was nowhere near completion, which may mean that by the time it is completed, some of the machines may not be working, some may be outdated and out of warranty. The Board reported that since it took over in November 2020, it struggled to get the necessary paperwork for the GMP Facility including the equipment that has been bought and delivered.

### ***2.2.3 The Bacterial Products Unit***

The OBP reported that the Unit had challenges with the old machinery from 2017 to 2020, which has negatively impacted production and product availability. However, that has since been resolved and the Unit is fully operational. The remaining challenge is shortage of personnel. It currently runs with 7 officials when it is supposed to have 9 officials.

### ***2.2.4 Presentation on the OBP's 2022/23 APP and Budget***

The Marketing, Sales and Business Development Officer, Dr Jacob Modumo and the Chief Financial Officer (CFO), Ms Elspeth Govender presented the APP. In terms of their APP presentation, the company reported that it experienced some challenges on the production of vaccines, which was mostly due to aged equipment breakdowns; and need funding assistance from government to enable it to operate at an optimal level. Most of the machines were not in good working condition and some were not working at all. Additional to the old/aged infrastructure that breaks down regularly (fermenters were bought in 1969 and freeze driers are 31 years old), other reported challenges that impacted production is the ongoing labour dispute, safeguarding of the OBP competitors that are entering markets with unregistered vaccines,

water and electricity interruptions, leakage and theft of information and documents, delays in the completion of the Good Manufacturing Practice (GMP) project and outdated policies and procedures.

The OBP has potential to produce over 60 million doses per annum, however, it has been experiencing disruptions due to several reasons, namely, between 2014 and 2016, it had a major contamination due to water plant not functioning at its full capacity, between 2017 and 2019, fermenters broke down and from 2019 to date filling lines and freeze-driers were broken. Over the medium term ending in 2025, the OBP plans to spend R280 on procurement of equipment relating to the production of vaccines. A further R50 million is expected to be spent on sales and marketing vaccine products. In the previous financial year, the OBP managed to generate income to the tune of R190 million, which was less than what was projected due to equipment breakdowns. The entity will continue with its operations in the 2022/23 financial year with a budget of R166 million focusing on financial sustainability, continuous improvement of business processes, customer services as well as human resource management and development. The OBP also presented a flow process of the GMP Project since inception including responsible personnel.

***Committee comments and questions on the APP of the OBP***

- The difference between research that is done by the ARC's OVR to that of the OBP.
- Working relationship between the OBP and ARC.
- Plans to digitise and secure the OBP's intellectual property (IP).
- Consequence management for stolen IP.
- The entity's disposal plan for old equipment.
- Whether the OBP has internal capacity to maintain its equipment.
- Proportion of revenue that comes from local or international markets.
- Terms of reference for the GMP Project – reasons for procurement of equipment before the buildings were completed and passed.
- Period that the interim CEO has been acting and plans to appoint a CEO.
- The availability of vaccines that are currently required by farmers and whether there are any shortages.
- How the entity plans to address its numerous challenges that negatively impact vaccine production.

- Whether there is a Plan with time lines and cost estimates for the completion of the GMP Project.

### ***Response from OBP***

- The ARC-OVR does basic veterinary research on animal diseases including vaccine development while the OBP does near-market research on vaccines that have been already developed by the OVR.
- The relationship between the OBP, ARC and the Department have broken down over the years and the focus of the OBP Board is to rebuild those relationships.
- The OBP has finalised internal disciplinary processes in respect of losses incurred and cases have been handed over to the South African Police Service (SAPS).
- The Board has developed a Code of Conduct and Declaration of Interests Policy to address IP issues and information leakages while it is in discussion with the State Security Agency (SSA) to vet all personnel.
- Approximately 55% of the OBP's revenue comes from international markets and 45% from domestic markets.
- The Board, which struggled to obtain personnel job descriptions and evaluations, has approved a new Organisational Structure following the finalisation of a skills audit.
- The OBP did not have capability on equipment maintenance but this has been included in the new Organogram. The entity currently has a 12-month Plan until the end of March 2023.
- The dismissal of the former CEO has been completed by the OBP and the CCMA hearings are on the 9<sup>th</sup> and 10<sup>th</sup> May 2022.
- The contract of the Interim CEO was for 6 months until the end of May 2022 and the Board is setting up a Selection Committee to appoint a new CEO. It has informed the Minister in this regard and may have to extend the Interim CEO's contract for a further 3 months while finalising the appointment of a new CEO.
- As the OBP does not keep vaccines but sends them to distributors (cooperatives or veterinarians), part of the problem with reports about unavailability of vaccines is communication breakdown within the OBP as well as between the OBP and its distributors. The OBP has started engagements with distributors to develop a real-time application (App) on vaccine availability.

- The OBP has instituted an investigation through the Special Investigating Unit (SIU) of all funds dating back from 2012 including funds that have been utilised for Phase 1 of the GMP Project.
- There was a realisation that some line managers were not adequately trained to deal with labour issues and training has been arranged for line managers in this regard.
- Most policies are outdated; and the OBP plans to have revised and developed new policies by January 2023.
- The entity has developed a 7-year CAPIN Plan to address delays in the GMP Project. It also made a request to National Treasury for R1 million to address some of the emergencies related to equipment break downs but has not received a response at the time of visit.

### **3. COMMITTEE OBSERVATIONS**

The Portfolio Committee delegation, having interacted with the ARC and OBP including site visits to the different sections of the two entities of DALRRD, made the following observations:

- 3.1.** There is a need for the country to invest more in science, engineering and manufacturing fields to minimise risks associated with use of imported and costly equipment. Both the ARC and the OBP highlighted limited capacity to maintain some of the equipment that is used in their research and production activities. For example, the ARC personnel had to get interpreters and training on the use of the tea bag making machine. The machine was manufactured and imported from China, therefore, everything including the Manual was in Chinese, which required the entity to hire an interpreter and someone to train them on the use of the machine. The OBP also highlighted challenges with maintenance of their equipment, some of which has been imported from Germany.

#### ***The ARC***

- 3.2.** The appointment of the new CEO was acknowledged to ensure stability at the entity; and the appointment is expected to fast track the filling of other vacant executive management positions, which include the CFO position.

- 3.3. The slow progress in the development of the FMD Vaccine Facility for which funding was allocated in 2018/19 and in light of the frequency and ongoing FMD outbreaks in the country.
- 3.4. The run down state of some of the campuses and the risks that are posed by old buildings and research laboratories at OVR to the ARC's accreditation and future research activities. For example, the Virology Laboratory, although it is still accredited and in working order, it will need to be upgraded to meet the current standards for a laboratory that handles and stores dangerous material.
- 3.5. The recognition of the excellent research and technological innovations that are developed by the ARC despite its financial constraints.
- 3.6. The minimal support that the ARC receives from the Department regarding the uptake of its research results and innovations for use and application to the wider agricultural community.
- 3.7. A major concern with the reported monopolisation of the potato industry and the government functions that are carried out by the private sector.
- 3.8. The development of the Commercialisation Strategy was seen as a step in the right direction as there is a great need for the ARC to vigorously market its research outputs and technological innovations in order to attract more external revenue.

### ***The OBP***

- 3.9. The visit enlightened the Committee to the extent of the challenges at OBP, which are quite alarming for a National Key Point that plays a very crucial role in overall animal health and animal disease prevention through the production of vaccines.
- 3.10. Appreciation for the interventions of the Board of the OBP in addressing the entity's numerous challenges that it encountered when it started its term in November 2020; and the measures put in place to address the continuing challenges.
- 3.11. The aged infrastructure and the subsequent frequent equipment break downs, which have a serious impact on vaccine production continue to be a concern. Most importantly, the lack of progress on the modernisation of the vaccine production plant (GMP Project) to address challenges with aged infrastructure and to ensure that the OBP is GMP-compliant, was a serious and an unacceptable setback.
- 3.12. The procurement of equipment as far back as 2016 before the completion of the GMP building(s) was a major concern. The Committee was particularly concerned about the

state of the equipment by the time the building is completed; and whether it will still be under warranty when it is time for its use.

- 3.13.** There was a serious concern about the ongoing disputes and the involvement of some OBP personnel in the leakage of information and acts of sabotage. It noted the measures put in place to address these through policy review, consequence management measures and investigations that have been instituted into some of the challenges.
- 3.14.** Poor communication on vaccine availability within the entity including breakdown in communication between the OBP and its vaccine distributors. The serious impact of timeous unavailability of vaccines to the livestock industry was highlighted. Plans to develop an App to improve communication on vaccine availability was seen as a step in the right direction but the OBP needs to ensure that the App is also accessible to smallholder farmers.
- 3.15.** The 7-year Plan to address delays in the completion of the GMP project was welcome.

#### **4. RECOMMENDATIONS**

In view of the observations recorded above, the Portfolio Committee makes the following recommendations to the Minister of Agriculture, Land Reform and Rural Development:

- 4.1.** Advocate for additional funding from the National Treasury to address the ARC's funding constraints for some of its strategic projects; and to address infrastructure challenges such as the modernisation of the Virology Lab.
- 4.2.** Ensure that the ARC receives the necessary support from the Department in respect of facilitating the uptake and utilisation of its research products and technological innovations by provincial departments and communities at large; and further support the ARC through policy interventions to address the monopolisation and lack of transformation in the potato industry. Report on interventions to Parliament on a quarterly basis.
- 4.3.** Ensure that the ARC fast tracks the completion of the construction of the FMD Facility and the Task Team that has been established by the ARC Board to address FMD challenges, provides updates on a quarterly basis.

- 4.4. Strengthen oversight over the OBP and ensures that the entity provides updates on a quarterly basis, on all investigations regarding procurement and utilisation of funding that was allocated for the GMP Project since its inception, as well as investigations into acts of sabotage and leakage of information within the entity.
- 4.5. Advocate for a funding allocation to the OBP, specifically to address the emergency issues relating to the frequent breakdown of equipment, which compromises availability of animal vaccines and threatens the sustainability of the OBP.
- 4.6. The Department should investigate the matter of private companies that are selling unregistered animal vaccines and report to Parliament accordingly.
- 4.7. The OBP should provide quarterly updates on repairs to the broken freeze drier including all other equipment challenges; also provides updates on the procurement of a new Liquid Nitrogen machine and other new equipment; and further provide an update on the working status of the new viral washer and steriliser that were not in use at the time of the Committee visit.
- 4.8. The OBP should submit to Parliament its Stakeholder Communication Strategy, details of its vaccine distributors and on a quarterly basis, updates on available vaccines including shortages.
- 4.9. The OBP should provide quarterly updates to Parliament on the implementation of its CAPIN Plan and measures to address funding constraints to fast track the completion of the GMP Project.

*Unless otherwise indicated, within one month after the adoption of this report by the National Assembly, the Minister should submit to Parliament a progress report on the implementation of these recommendations.*

*Report to be considered.*