**BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE FORESTRY AND FISHERIES, dated 31 october 2013**

The Portfolio Committee on Agriculture, Forestry and Fisheries (hereinafter referred to as the Committee), having considered the performance and submission to National Treasury for the medium term period of the Department of Agriculture, Forestry and Fisheries reports as follows:

**1. Introduction**

**1.1. Mandate of the Portfolio Committee on Agriculture, Forestry and Fisheries.**

The mandate of the Committee is to consider, amend and/or initiate legislation that is specific to, or impacts on agriculture, forestry and fisheries; monitor and oversee the activities and performance of the Ministry and the Department of Agriculture, Forestry and Fisheries (hereinafter referred to as the Department) and its entities, namely, the Agricultural Research Council (ARC), Onderstepoort Biological Products (OBP), National Agricultural Marketing Council (NAMC), Perishable Products Export Control Board (PPECB), Marine Living Resources Fund (MLRF), Ncera Farms (Pty) Ltd (hereinafter referred to as Ncera) and the South African Veterinary Council; consider and review the budget of the Department and its entities; consider sector-related international treaties and agreements; and provide a platform for the public to participate and present views on specific topics and/or legislation in relation to the three sectors.

**1.2. Description of Core Functions of the Department**

The aim of the Department of Agriculture, Forestry and Fisheries is to lead, support and promote agricultural, forestry and fisheries resources growth and management through policies, strategies and programmes that contribute to and embrace economic growth and development;  job creation; sustainable use of natural resources; food security and rural development. The Department’s legislative mandate is derived from Section 27(1)(b), as well as Section 24(b)(iii) of the Constitution of the Republic of South Africa.

In addition, the Department contributes directly to three of the 12 national government priority outcomes, namely:

· **Outcome 4:  Decent employment through inclusive economic growth.**

· **Outcome 7:  Vibrant, equitable and sustainable rural communities contributing**

**towards food security for all.**

· **Outcome 10: Protect and enhance our environmental assets and natural**

**resources.**

The Department’s six key strategic goals, which are oriented towards the above priority outcomes, with some associated objectives through which it plans to achieve its objectives over the medium term expenditure framework (MTEF) period are:

1)     Increased profitable production of food, fibre and timber products by all categories of producers (subsistence, small holder and commercial).

o    Create employment by increasing the number of participants in the agricultural, forestry and fisheries sectors through support for smallholders and processors.

o    Improve the food security initiative by coordinating production systems to increase the profitable production, handling and processing of food, fibre and timber products by all categories of producers.

2)     Sustained management of natural resources.

o    Ensure the sustainable use of natural resources by means of promoting environmentally sustainable production systems and the efficient use of natural resources.

3)     Effective national regulatory services and risk management systems.

4)     A transformed and united sector.

5)     Increased contribution of the sector to economic growth and development.

o    Improve the income and conditions of farm workers, foresters and fishers.

o    Enhance exports by facilitating market access for agricultural, forestry and fisheries products.

6)     Effective and efficient governance.

**1.3. Purpose of the Budgetary Review and Recommendation Report**

The process for the budgetary review and recommendation is set out in Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act sets out the process that allows Parliament’s National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national department. In October each year, Committees reporting to the National Assembly must submit a Budgetary Review and Recommendation Report (BRRR) for each department that falls under its oversight responsibilities. The BRRR:

·         must provide an assessment of the Department’s service delivery performance given available resources;

·         must provide an assessment on the effectiveness and efficiency of the Department’s use and forward allocation of resources; and

·         may include recommendations on the forward use of resources.

The BRR Reports may also act as a source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS).

**1.4. Method**

In preparation for the BRR Report and in compliance with its mandate as set out in Section 5(1) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), the Committee was briefed and deliberated on all four quarterly reports of the Department of Agriculture, Forestry and Fisheries for the 2012/13 financial year and the first quarterly report for the 2013/14 financial year. The Committee undertook oversight visits to the North West province in June 2012 to oversee progress in the implementation of the Comprehensive Rural Development Programme, conditional grants projects and irrigation infrastructure development; to Ncera in November 2012 to determine the functioning of the entity; and to the Free State province in August 2013 to oversee progress in the implementation of mechanisation and infrastructure development.

The Auditor-General (AG) was invited to give input on the relevance and alignment of the Department’s Strategic Objectives for the 2013/14 Annual Performance Plan (APP). Further, the Committee was briefed, deliberated and considered the Strategic Plan and Budget of the Department for the 2013/14 financial year, including those of its entities, the ARC, OBP, NAMC, PPECB, MLRF, Ncera and SAVC. On 8 October 2013, the Auditor-General was invited to give input on the Department and the entities’ annual performance for the 2012/13 financial year. Subsequently, from the 9th until the 23rd October 2013, the Committee was briefed, deliberated and considered Annual Reports of the Department and all its entities for the 2012/13 financial year. The Committee also invited the Financial and Fiscal Commission (FFC) to give inputs on the financial performance of the Department for the 2012/13 financial year. The BRR Report also draws from other expert presentations and inputs including reports of the Department of Performance Management and Evaluation (DPME).

**1.5. Outline of the Contents of the Report**

The Report reflects on the key policy areas of the Department as they relate to the national Government Priority Outcomes including shortcomings and developments; an overview of the Committee’s previous budgetary and service delivery performance findings and recommendations; the Department’s financial and programmatic performance for the 2012/13 financial year to date; and further observations and recommendations including those from oversight visits. As the activities of most of the Department’s entities are encompassed within the Department’s programmes, key issues relating to only those entities that receive budgetary allocation from the Department will be discussed under those relevant programmes.

**2. Overview of the key relevant policy focus areas**

In the medium term, the Department’s policy initiatives are focused at fulfilling Outcomes 4 and Outcome 7, which relate to job creation, food security and rural development. Job creation is also one of the main foci of the country’s New Growth Path (NGP), in which agriculture is expected to be one of the main drivers through agro-processing. This section will therefore, focus more on job creation, rural development and food security as embedded in Government Priority Outcomes 4 and 7, the country’s New Development Plan (NDP) and a brief overview of the Department’s policy initiatives.

**2.1 Outcomes-based Approach**

***Outcome 4: Job creation***

Unemployment, a measure of economic development, is one of the factors affecting economic development in South Africa, particularly in rural areas. Given its labour-intensiveness and the ability to absorb unskilled and semi-skilled labour, agriculture has great potential to assist Government in the fight against poverty and unemployment as it plays a critical role in producing food for the country and in the subsistence of the rural poor.

The Department has job creation programmes that are linked to the Expanded Public Works Programme (EPWP) such as LandCare and Working on Fire in agriculture and forestry, and Working for Fisheries in fisheries. LandCare also addresses Outcome 10. The Department further aims to create more sustainable jobs through the development of smallholder producers. Numerous efforts by the Department in terms of support (e.g. through programmes such as the Comprehensive Agriculture Support Programme (CASP) and the Micro Agricultural Financial Institutions of South Africa (Mafisa) and others have not achieved according to government expectations.

In terms of agro-processing, which has been identified in the Industrial Policy Action Plan 2 (IPAP2) and NGP as a job driver to create 145 000 new jobs by 2020, the Department has approved an Agro-processing Strategic Framework in 2012 to address unemployment. Agro-processing is a very important area across all three sectors with the highest potential to create not just jobs but new entrepreneurs particularly from the thousands of unemployed agricultural graduates.

During the Committee oversight visit to the Free State in August 2013, young people in land reform projects recognised the potential and emphasised the need for processing facilities including agro-processing training (the projects included aquaculture, ostriches and poultry projects).  South Africa can also learn from other African countries such as Ghana in terms of promoting agro-processing through value addition for the country’s key commodities. Ghana’s major cash crop is cocoa, which does not only contribute approximately 25 per cent annually in foreign earnings but is also the source of livelihoods for many rural farmers and other related actors in the value chain.

***Outcome 7: Rural Development***

Agriculture is often considered as the backbone of the rural economy and a driver of rural economic development. Outcome 7, which focuses on rural development, is chaired by the Department of Rural Development and Land Reform (DRDLR), while the Department is co-chairing, given its role in ensuring food security through agricultural production in these areas. In addition, the Department is responsible for the Agrarian Transformation pillar of the Comprehensive Rural Development Programme (CRDP) of the DRDLR. In this regard, the two Departments are expected to work closely in a well-coordinated manner to ensure accelerated development and increased agricultural production in rural areas.

While DRDLR may ensure availability of land for production including relevant rural infrastructure, the Department is supposed to lead and advise on any technical aspects related to agriculture, forestry or fisheries including the feasibility, monitoring, as well as ensuring market access for such projects. Under Outcome 7, the Department is responsible for identifying and supporting 50 000 new smallholder producers by 2014 (the baseline in 2009 was 200 000 existing smallholder producers).

***Outcome 7: Food Security***

The Department has been addressing food security through CASP, Ilima/letsema and various other programmes that are targeted at poor households through distribution of agricultural starter packs. In 2010/11, the Department categorised producers in its three sectors, into commercial, smallholder and subsistence, with the Department’s focus in the medium term being on smallholder producers. As per the Department’s distinction between the producer categories, CASP is geared towards smallholder producers while subsistence producers, who are those that produce for household consumption, are assisted through Ilima/letsema. The latter programme provides starter packs with relevant equipment and seeds or seedlings to start household food gardens/projects.

There was no baseline in 2009 for the establishment of new food gardens under Outcome 7, but, the target for 2014 was 68 000 established new food gardens to increase production and income. This target is likely to be exceeded as 67 000 food gardens were reported to be in existence by October 2012, noting contributions made by other relevant departments in the establishment of food gardens.

While policies are usually developed to address one or more issues in a specific sector, more often than not, the successful implementation of those policies is influenced by other external factors within the sector or from other sectors. For this reason, intergovernmental relations and public-private partnerships cannot be stressed enough. For example, it should be recognised that food security, which is more than production of food from the land, is multi-sectoral and interdisciplinary in nature. Therefore, high level political directives are needed to ensure effective action by all the various sectors and agencies that are involved in ensuring sustained food security in the country. This is recognised and addressed in the country’s 2002 Integrated Food Security Strategy (IFSS), which remains an overarching and well-intentioned Strategy that is premised on the United Nation’s Food and Agriculture Organisation (FAO)’s food security definition and is also linked to Millennium Development Goal (MDG) 1. However, the IFSS has not been effectively implemented in a coordinated manner to realise maximum impact across all sectors; as departments still work in silos.

In September 2013, Cabinet approved the National Food and Nutrition Security Policy, which is a collaboration between the Department and the Department of Social Development. Under this new policy, the Department’s former Zero Hunger Programme has now been replaced by a new programme called Fetsa Tlala Food Production Initiative, which was launched in the Northern Cape on 24 October 2013.

While certain policies may be specific to agriculture, forestry and fisheries, in terms of food security, there is always a necessity for coordination and collaborations with other departments as the three sectors are also influenced to a large extent, by environmental, economic, social (e.g. poverty) and cultural factors.

**2.2 The National Development Plan (NDP)**

The NDP recognises that agriculture is the primary economic activity in rural areas and has the potential to create one million new jobs by 2030. This is expected to be achieved by expanding irrigated agriculture. Revitalisation of irrigation infrastructure has been highlighted as a focus area since 2007. Given the advent of climate change, and the fact that South Africa is a water scarce country with erratic rainfall, irrigation for most areas is a necessity. In addition, irrigation infrastructure development can also have a positive multiplier effect on the development of forestry and fisheries (aquaculture) enterprises in rural areas while also addressing job creation. The Department intends to align a number of existing programmes with the NDP. In 2012, the Department alluded to a plan to use Taung College in North West as a Centre of Excellence for Irrigation Technology.

**2.3 The Department’s Key Policy Developments**

The Department’s medium term key policy developments and interventions for addressing its six key strategic goals, which are also linked to the Government Priority Outcomes, are:

·         The **Food Security Production Programme**– this programme, which has been recently launched as Fetsa Tlala Food Production Initiative has replaced the Zero Hunger Programme in 2013/14, which has been discontinued and never been implemented. The objectives of the Food Security Production Programme seek to link subsistence and smallholder producers to government institutions such as government schools, public hospitals and prisons.  It has been reported that the programme is being tested and refined through collaboration with the DRDLR and PDAs; and is also linked to Ilima/letsema and CASP programmes.

·         The **Strategic Plan for Smallholder Producers**is a broader initiative that seeks to improve support to smallholder producers by consolidating developmental functions such as extension, cooperatives development, marketing, mechanisation, financial services and spatial planning to improve support to smallholder producers. A Smallholder Development Working Group was initiated by the Department in 2012, which comprised of representatives from the Department, PDAs, Agricultural Research Council (ARC), Department of Rural Development and Land Reform (DRDLR) and Economic Development Department (EDD). Work on the Strategy was supposed to be completed and finalised in the 2012/13 financial year as per the Department’s Strategic Plan but in the revised Strategic Plan (2013) it was indicated that the work was expected to be completed and formalised in July 2013. The Department has not yet presented its Second Quarter Performance Report for the 2013/14 financial.

·         The **Aquaculture Programme**is being implemented throughout the country in partnership with the Department of Trade and Industry (the dti)’s Aquaculture Development and Enhancement Programme (ADEP). The Programme is guided by the National Aquaculture Strategic Framework, which is undergoing final consultation. While the programme is currently focusing on primary production, it is attentive to the upstream and downstream parts of the value chain.

·         The **Agro-processing Strategic Framework**for the period 2012-2016, is an initiative to ensure the contribution of agriculture, forestry and fisheries sectors to job creation and related government priority targets. The Strategic Framework was said to be approved by the Department in March 2012 but the Department has not reported on its publication or any other progress after approval. The New Growth Path (NGP) forecasted a creation of 145 000 jobs through agro-processing by 2020; therefore, while the finalisation of the Strategic Framework is commended, implementation programmes are what is expected.

**Spatial Analysis of Agriculture, Forestry and Fisheries**was initiated in 2012 to identify high impact intervention areas at a national, provincial and local level; and to further guide the implementation of the now defunct Zero Hunger Programme and the Strategic Plan for Smallholder Producers. The Spatial Analysis, which was said to be developed in partnership with the DRDLR, the Department of Science and Technology (DST) and the Council for Scientific and Industrial Research (CSIR), is not mentioned in the revised 2013 Strategic Plan and no explanation or update was given on its status.

In addition to the above, the Department has since 2012/13 and/or including in 2013/14, been planning to develop the following inter alia:

· **Strategic Infrastructure Project 11 (SIP 11)**that is aimed at improving investment in infrastructure to support agricultural, forestry and fisheries production (including aquaculture). Infrastructure development is one of the key development areas for the medium term, it is therefore, not acceptable for the Department not to prioritise SIP 11 given the need for agro-processing and irrigation infrastructure to realise some of the  Government Outcomes.

· **National Policy on Extension and Advisory Services**, which is aimed at developing inter alia, alternative extension methodologies, possible institutional arrangements for providing extension services and the creation of a professional body to help advance the extension profession. This is done in partnership with the Agricultural Research Council and is facilitated by a service provider, Phuhlisani Solutions, through a Ford Foundation grant. Progress on the policy development process is available on the National Extension Policy website: [www.extensionpolicy.za.net](http://www.extensionpolicy.za.net/)

· **Policy and programme on inland fisheries**, which is aimed at developing economic opportunities around existing fish stock within freshwater bodies and rivers.

· **Policy for supporting labour-intensive agriculture**– in this regard the Department aims to target commercial farms at the smaller end of the commercial spectrum; as these farms account for a disproportionate share of employment, but are at particular risk of going out of business.

· **Comprehensive approach to agro-ecological agriculture**– the Department has acknowledged that little progress has been made in this regard, which also links to Outcome 10, but has since entered into discussions with the Food and Agriculture Organisation of the United Nations (FAO) for assistance.

·         The overhaul of the **National Mechanisation Programme**, which was initiated in 2010/11. Currently, there is no national policy to run the programme and some provinces have developed their own policies.

· **Strategy on urban and peri-urban agriculture**, whose purpose will be to promote best practices, enhance the role of agriculture in urban and peri-urban livelihoods and improve coordination and cooperation among role players.

**3. Summary of previous key financial and performance recommendations of Committee**

**3.1. 2012/13 BRRR Recommendations**

In 2012, the recommendations of the Committee for the attention of the Minister of Agriculture, Forestry and Fisheries focused on:

· **Filling of vacancies**with competent and suitably qualified personnel particularly the position of the Director-General (DG), other senior management service (SMS) positions and those of scarce and critical skills such as veterinarians, engineers, economists and biological scientists in order to ensure and sustain stability within the Department. The Department has only had an appointed DG for a year after whose suspension in mid-2012, various Deputy DGs (DDGs) acted on the position.

Filling of vacancies has always been a consistent matter that has been raised by the Committee and while the Department has made efforts in addressing the matter, it also has a high attrition rate. Since 2010, the Department has never had a full complement of fully appointed DDGs, Chief Directors and Directors. The Department has nine branches that are headed by DDGs and of the nine, six have fully appointed DDGs and the other three are acting. The three acting DDGs are for Economic Development, Trade and Marketing; Stakeholder Relations, Communication and Legal Services; as well as Fisheries Management.

·         Addressing **repeat findings by the Auditor-General (AG)**on annual financial statements of the Department, which include lack of leadership, unreliability of information and weak internal controls (risk management) due to absence of an internal audit unit.  In this regard, the Minister was asked to table a report in Parliament with an action plan for rectifying the repeat findings.

·         Minimising **use of consultants**. The Committee observed that despite its recommendation in 2011 for the Department to minimise the use of consultants, the expenditure on consultants increased in 2012 and the Committee considered this as ineffective use of limited financial resources, which could also be linked to lack of capacity (high vacancy rate at 13 per cent) and accountability within the Department.

·         Developing a **policy to monitor the mechanisation programme**to ensure consistency and accountability. At the time, the main focus was on tractors that were distributed by the Department to Provinces without allocation criteria and terms of use. Some were reported stolen during the Committee’s oversight visits to provinces.

· **Monitoring and evaluation (M & E) plan for conditional grants**. This was also raised and a recommendation to the effect was made in 2011 regarding the recurrent challenges that are associated with conditional grants that the Department transfers to Provinces. The challenges that the Department have with provinces on the use of conditional grants impede progress in providing farmer assistance and support, thus threatening food security. This is notwithstanding the fact that the Department’s mission is to develop and sustain a sector that contributes to, and embraces inter alia job creation, rural development and food security.

Although the Committee’s 2012 BRRR was forwarded to the Department in December 2012, no responses to the issues raised were submitted to the Committee and some of the raised concerns are still persisting as will be discussed in the following sections.  The new DG of the Department was appointed during the second quarter of 2013/14 and resumed duties on the 1st October 2013.

**3.2. 2013/14 Committee Budget Report**

During the 2013/14 budget process, the Committee made recommendations that the Minister of Agriculture, Forestry and Fisheries must ensure that the Department of Agriculture, Forestry and Fisheries:

·         Provides the Committee with a plan or strategy on how the Department plans to address consistent vacancies in the Department as these impact on the ability of the Department to carry out its mandate, on service delivery and effective utilisation of its budget.

·         Considers continued and significant budget allocation to the Onderstepoort Biological Products (OBP), which is a National Key Point that plays a very important role in the country’s food safety, the prevention and management of livestock diseases. Old infrastructure and equipment inhibits the OBP’s ability to produce sufficient quantities of vaccines for economically important livestock diseases.

·         Considers a budgetary allocation to the Perishable Products Export Control Board (PPECB) for transformation activities and capacity building of the emerging sector and to enable the entity to continue to effectively carry out its mandate.

·         Considers funding the South African Veterinary Council (SAVC) to assist its activities in encouraging young black students to enrol for veterinary and para-veterinary qualifications, which are some of the critical and scarce skills in the Department.

·         Ringfences infrastructure development funds while identifying a lead authority (e.g. Department of Public Works) for the implementation of infrastructure projects to avoid duplication and wasteful expenditure.

·         Considers establishing a non-profit entity that will include relevant government departments, South African Maritime Safety Authority (SAMSA) as the lead agency, and the fishing industry to collectively manage the Department’s fleet of fishing vessels. The vessels have been unable to get back to sea since the contract with the previous contractor, Smit Amandla, was terminated and the Department has been paying large sums of money for their repair. The Committee in this regard was particularly concerned with poaching, research activities and monitoring of fishing activities in the South African coast. In addition, the Committee requested the Department for an investigation into the contracting of Smit Amandla. The investigation was reported as still in progress and will be submitted to Parliament on completion.

·         Considers establishing a monitoring and evaluation (M & E) team within the Department that will focus on monitoring and evaluating the set targets against delivery specifically for the conditional grants that are transferred to provinces (e.g. CASP, Ilima/letsema, LandCare) including the Disaster Management Funds. The Department must report on these to the Committee on a quarterly basis as a substantial portion (approximately 35 per cent in 2012/13) of the Department’s budget is allocated to conditional grants.

·         Considers dissolving Ncera Farms (Pty) Ltd (the entity), taking into account all the labour-related and legal implications. The Minister should also note that this entity, for the past four years, has failed to submit a professionally prepared Strategic Plan, Annual Performance Plan (APP) and Annual Report as required by the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) and the National Treasury.

·         Budgets for pre-settlement support for targeted land reform beneficiaries instead of focusing only on post-settlement support and ensure that interventions are measurable in support of the NDP’s land reform objective.

**4. Overview and assessment of financial performance**

**4.1        Overview of Vote Allocation and Spending (2009/10 - 2014/15)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme**R Million | **2009/10** | **2010/11** | **2011/12** | **2012/13** | **2013/14** | **2014/15** |
| Audited Outcomes | Audited Outcomes | Audited Outcomes | Main Appropriation | Adjusted  Appropriation | Audited Outcomes | Estimates | Estimates |
| Administration | 785.1 | 481.2 | 584.2 | 627.0 | 660.5 | 647.2 | 663.9 | 715.2 |
| Agricultural Production, Health and Food Safety | 1029.2 | 1234.4 | 1644.9 | 1889.9 | 1875.2 | 1874.8 | 2066.1 | 2266.1 |
| Food Security and Agrarian Reform | 900.6 | 1048.5 | 1249.4 | 1410.9 | 1415.5 | 1402.8 | 1597.7 | 1708.7 |
| Economic Development, Trade and Marketing | 185.2 | 145.3 | 190.2 | 209.4 | 212.5 | 212.2 | 231.6 | 236.0 |
| Forestry and Natural Resources Management | 861.6 | 682.1 | 907.7 | 1242.7 | 1220.9 | 1191.8 | 1184.5 | 1185.9 |
| Fisheries Management | 200.0 | 259.1 | 352.0 | 489.1 | 484.4 | 484.3 | 434.0 | 446.9 |
| **Total** | **3961.7** | **3850.6** | **4928.4** | **5869.0** | **5869.0** | **5813.1** | **6177.8** | **6558.8** |

Table 1. The Department’s spending trend per programme (Estimates of National Expenditure, 2013)

Throughout the 6-year period (Table 1), the largest allocation from the Department’s budget is consistently shared between two programmes, namely, Agricultural Production, Health and Food Safety (Programme 2) and Food Security and Agrarian Reform (Programme 3). In the 2012/13 financial year, approximately 60 per cent of the Department’s budget was spent between these two programmes.

Programme 2 (approximately 32 per cent of appropriation in 2012/13) is the programme through which allocations to the Agricultural Research Council (ARC), Ilima/letsema and the OBP’s funding for rehabilitation of infrastructure for the medium term are made.  Allocations for CASP, which constitute the largest share of conditional grants, are made through Programme 3 (approximately 24 per cent of appropriation in 2012/13), including allocations to Ncera, Agricultural Colleges and a skills development and training fund to the PPECB.

Additional funding in these two programmes has been provided for appointments of veterinarians, procurement of toolkits for animal health technicians, upgrading of the foot-and-mouth disease (FMD) facility (ARC), modernise vaccine production facilities and equipment (OBP), upgrading the plant quarantine station in Stellenbosch, increase in Ilima/letsema allocation, revitalisation of agricultural colleges and other infrastructure spending for FMD control border fences with South Africa’s borders with Mozambique and Zimbabwe, as well as drill and fit boreholes for agricultural purposes.

Programme 5: Forestry and Natural Resources, which is responsible for, amongst others, the distribution of LandCare grants and the CASP Disaster Relief Fund, also received a substantial increase in 2012/13 (approximately 20.5 per of appropriation) for prevention and mitigation of disasters, management of disasters, fencing under LandCare, as well as payments to departmental agencies and municipal bank accounts. The Fisheries Programme (Programme 6) also saw a significant increase between 2009/10 and 2012/13 (30 per cent budgetary growth) due to an additional allocation for vessel operations. Despite the budgetary increase, monitoring and surveillance, as well as research vessels have not been at sea for more than a year.

**4.2. Financial Performance 2012/13**

The Department of Agriculture, Forestry and Fisheries was appropriated a total amount of R5.86 billion in the 2012/13 financial year, which was almost R1 billion more than the R4.5 billion that was appropriated in the previous financial year (see Table 1). Despite not achieving most of its delivery targets, the Department spent 99 per cent of its appropriated budget in 2012/2013. Approximately 60 per cent of the Department’s appropriation went to transfers and subsidies, which consist of conditional grants and transfer to entities. Approximately R2 billion (35.5 per cent of total appropriation) was transferred to provinces for conditional grants; and R1.32 billion (22.8 per cent of total appropriation) was allocated to public entities. Approximately 71 per cent of the transfer to public entities was to the ARC (R943 million) and almost 24 per cent to the MLRF (R316 million). The Department also transferred an amount of R68.1 million to public corporations (i.e. Ncera, NAMC, PPECB and the Land Bank).

The Department did not spend an amount of R55.7 million, which it attributed to:

·         compensation of employees (R6.1 million);

·         goods and services (R22.4 million);

·         transfer payments (R22.5 million); and

·         capital expenditure (R4.9 million).

The above non-expenditure was a result of unfinished Capital Works under Administration; uncompleted procurement processes for Economic Competitiveness Support Package for Colleges of Agriculture under the Food Security and Agrarian Reform Programme; claims for construction of firebreaks by provinces not being submitted; claims for livestock feed for veld fires affected farmers in Northern Cape not received on time, LandCare transfer payments to KwaZulu-Natal withheld due to under-expenditure by the province in terms of DORA and claims not received in respect of avian influenza. These matters show weaknesses in the Department’s planning, monitoring and disaster management, as well as the extension services’ failure to ensure that all affected farmers, in terms of claims for disasters, are aware of the claiming procedure and time frames.

Furthermore, the Department made a submission to the National Treasury requesting that an amount of R9.8 million be rolled over to the 2013/14 financial year, in respect of the following, which include some of the unspent funds:

·         procurement of X-ray machines and a student bus, which were not concluded in 2012/13 for R3.6 million;

·         the construction of firebreaks in Limpopo, Gauteng, Free State and Northern Cape to the amount of R4.6 million;

·         provision of livestock feed to farmers affected by veld fires in Northern Cape to the amount of R1.5 million; and

·         the prevention and control of quelea (bird pests): special spraying services to the amount of R81 000.

**4.3. Report of the Auditor-General**

In terms of financial statements, the Department received an unqualified audit opinion from the Auditor-General (AG) but the AG drew attention to some matters, which the Department needs to address in order to receive a clean audit in 2014. In response to the AG’s findings, the Department also presented corrective measures to the Committee to address the findings during the current financial year.   The AG drew attention to the following:

|  |  |
| --- | --- |
| **Matter of Emphasis** | **Department’s Corrective Measure** |
| ***Usefulness and reliability of reported information****–*in 39 per cent of the targets achieved, there was no explanation on variance between planned and actual achievements. Of particular concern is the fact that the AG found achievements that were materially misstated in the three programmes that spent the most out of the Department’s appropriation, namely, the Programme 2, Programme 3 and Programme 5. These are also the programmes through which conditional grants to provinces and allocations to some of the entities are disbursed. The matters raised by AG highlight lack of internal controls and M & E of conditional grants performance information by the Department.**Non-compliance with regulatory and reporting requirements (PFMA and Treasury Regulations).****Deficiencies in internal controls**– ineffective internal audit function; lack of leadership; poor governance; procurement inefficiencies (failure to disclose interest).**Lack of skills and policies for predetermined objectives**.**Lack of discipline in presenting credible comprehensive monthly reporting**; for example, financial statements with Disclosure Notes, while some were incomplete. | Have done a description of technical indicators; ensure signing off of performance reports by DDGs and scheduling of senior management quarterly review meetings.Developed Annexure E on Technical Indicators as per Treasury Guidelines on Strategic Planning to define all indicators, units of measurement, means of verification, etc. The implementation of this action will be tested with AG after Second Quarter reporting.Appointed a new Audit Committee with the necessary and balanced expertise; will review the structure and recruitment of personnel in internal audit; enforce control regarding disclosure.Plans to strengthen leadership and capacity in the M & E Unit.The Department plans to harmonise reporting system across programmes; ensure templates are managed by M & E unit to ensure that the APP and reporting is consistent; alignment between APP and quarterly reporting will be tested with AG after Second Quarter. |

**4.4. Report of the Financial and Fiscal Commission (FFC)**

The FFC analysed the Department’s spending trend from 2009/10 to 2012/13 and also included comments on the MTEF budget allocation. They reported that in the last 4 years and over the MTEF, Programmes 2 and 3: Agricultural Production (18.2 per cent) and Food Security (11.7 per cent), respectively, are the fastest growing programmes in terms of budget allocations and the growth is much slower in the MTEF than in the previous 4 years. Reasons for the increases have been alluded to in Section 4.1. For the 2012/13 financial year, the Department spent 99 per cent of its budget.

The largest underspending was in the Forestry and Natural Resources Management programme (2.4 per cent) due to provinces submitting claims late and affecting transfers; and the KwaZulu-Natal LandCare grant that was withheld due to under-expenditure. In terms of economic classification, the Department underspent on transfers and subsidies particularly with respect to transfers and subsidies to universities and/or technikons, non-profit organisations and households.

Given the substantial allocation to conditional grants, the FFC also analysed their spending patterns from 2009/10 to 2012/13. It was noted that spending performance was uneven across provinces and CASP on aggregate, spent approximately 90 per cent of the total allocation between 2009/10 and 2012/13 and dropped to 80 per cent in 2012/13. Challenges experienced by some provinces included changes to business plans, delays in grant transfers, poor planning and weak and ineffective procurement processes. For Ilima/letsema, spending performance was consistent and on aggregate, close to 95 per cent. The provinces of KwaZulu-Natal, Mpumalanga and the Western Cape spent their full allocations during the 4-year period. For LandCare, the spending performance on aggregate was high although there was a marginal decline over the four years. As a result, funds were taken away from this programme in the 2013 Medium Term Budget Policy Statement (MTBPS).  The Eastern Cape Province has been consistently unable to spend the full LandCare allocation due to lack of detailed planning, contractor challenges and delays in procurement processes.

The FFC noted that the fiscal framework (both equitable share and conditional grant allocations) for rural and agricultural development need to be reviewed. It recommended that current conditional grants should be merged into a comprehensive agricultural and rural development finance programme, preferably administered by one department.

**4.5. Human Resource Management**

The Department did not substantially decrease its vacancy rate as it was at 13.4 per cent in 2011/12, and for 2012/13, the vacancy rate was at 13.1 per cent, which is still relatively high (above 10 per cent) with above average vacancies in Programme 1 (Administration), Programme 4 (Economic Development, Trade and Marketing), and Programme 6 (Fisheries Management).

The Department stated that this is due to delays in the prescribed personnel suitability checks conducted by the State Security Agency (SSA) and the South African Qualifications Authority (SAQA). The staff turnover rate for the period under review increased from 5.4 per cent to 5.9 per cent. The Department has not met the 2 per cent equity target aimed at enhancing employment opportunities for people with disabilities (only 1.1 per cent has been achieved).

The Department did not report on the granted performance rewards according to programmes, which would have given a clear indication of programme performance in relation to awarding of performance rewards. The AG reported that some of the senior managers in the Department did not have signed performance agreements for the year under review (2012/13) as required by Public Service Regulation 4/III/B.1.

**4.6. Quarterly Financial Performance: First Quarter 2012/13 and 2013/14**

The Department spent R1.4 billion or 23.4 per cent of the total available budget by the end of the first quarter of 2012/13. Planned expenditure by this point in the year was R1.5 billion, which is equivalent to 25.1 per cent of the total available budget. The Department was therefore, behind on total spending by R85.2 million in 2012/13. This was mainly due to delays in payments for goods and services; transfers to public entities; and transfer payments to provincial departments in respect of conditional grants. For the first quarter of 2013/14, the Department spent R1.3 billion, which is equivalent to 21.1 per cent of the budget. Instead of improving to at least 25 per cent, first quarter expenditure has instead, realising a nominal negative growth of 5 per cent.

The Department normally underspends in Quarters 1 to 3 due to delays in signing of memorandum of understanding and compliance certificates in respect of conditional grants transfers. The overall variation from the financial plans in the Department was mainly under goods and services; and transfers and subsidies (public entities and conditional grants to provinces). These are matters that need to be closely monitored.

Operational expenditure in the first quarter of 2013/14 has grown at a nominal rate of 2.3 per cent or R11.5 million, when compared to the same period in the previous financial year (2012/13). The largest element of operational expenditure to the end of quarter 1 in 2013/14 was R547.4 million spent under the Agricultural Production, Health and Food Safety programme due to double payments to the ARC, followed by R228.4 million under the Forestry and Natural Resources Management programme in respect of LandCare conditional grants (made at 10 per cent in terms of Division of Revenue Act - DORA). The next element after Forestry was R195.3 million under Food Security and Agrarian Reform primarily in respect of CASP conditional grants (made at 9.85 per cent in terms of DORA). It should be noted that the Department has a challenge with provinces spending the conditional grants, for example in KZN, the LandCare grant had to be reduced in 2012/13 due to underexpenditure in terms of DORA. In this regard, the Department should prioritise spending at least 25 per cent of conditional grants from the first quarter, instead of 10 per cent as is the case in the current financial year.

Rand value expenditure growth has been greatest in the Agricultural Production, Health and Food Safety programme, mainly driven by increased spending on compensation of employees and payments for capital assets (ARC and OBP). The Forestry and Fisheries programmes showed the next highest growths primarily due to increases in spending on compensation of employees and payments for capital assets, and compensation of employees, respectively. Spending under the Administration programme decreased however, mainly due to lower spending on goods and services. Transfers to Public Corporations and Private Enterprises to the end of quarter 1 were R50.2 million, all of which was to the National Wool Growers Association: Scientific Assessment for Predator Management, and Ncera Farms (Pty) Limited: Operations transfers. This represents an increase of R18 million, or 55.9 per cent, when compared with the same period last year.

**4.7. 2014/15 Medium Term Expenditure Framework (MTEF) Financial Allocations**

To meet some of the priority outcomes, and in line with the Department’s focus of creating employment, improving rural livelihoods and increasing production, Government has provided an additional allocation of R6.6 billion to the Vote for conditional grants over the MTEF period. Approximately R5 billion of the amount will be allocated to the Comprehensive Agriculture Support Programme (CASP) over the medium term. The LandCare programme, which is a job creation programme through poverty relief and infrastructure development projects, will only receive R248 million over the medium term due to underspending in the previous year. The allocation for the latter programme is insufficient considering that LandCare addresses Outcomes 4 and 10 of the national priority outcomes. Additionally, from the 2014/15 financial year, LandCare may also play a role in the implementation of the Comprehensive Approach to Agro-Ecological Agriculture, when it gets finalised. Therefore, in terms of conditional grants, an additional budget allocation to LandCare may be necessary.

The Agricultural Production, Health and Food Safety Programme, is getting the largest allocation from the Department’s appropriation in the medium term from R1.87 billion in 2012/13 to R2.27 billion in 2014/15. The allocation is justifiable as this programme manages the transfers to the ARC and OBP (rehabilitation of production infrastructure), plays a big role on smallholder development through CASP, responsible for plant and animal disease risk management, as well as laboratory and inspection services inter alia. The Food Security and Agrarian Reform Programme gets the second largest allocation from R1.4 billion in 2012/13 to R1.71 billion in 2014/15. However, this programme may need some additional funding in the medium term in order to effectively implement the newly launched Fetsa Tlala Food Production Initiative.

**4.8. Concluding Comments on Financial Performance**

The Department still has a challenge with spending its budget as planned, and needs to justify spending 99 per cent of the budget when less than half of the planned targets are achieved. Any suggested additional budget allocation must be accompanied by an Action Plan that addresses previous challenges while clearly outlining how the additional budget is going to be effectively used. The Department needs to address repeat findings from the AG, which are at the centre of most of its performance challenges. It must prioritise monitoring and evaluation of internal processes and conditional grants in provinces as underspending negatively impacts service delivery; must tighten internal controls and address lack of capacity in provinces.

**5. Overview and assessment of service delivery performance**

**5.1. Service Delivery Performance for 2012/13**

The Department spent 99 per cent of its appropriated funds but only achieved 44.5 per cent of the planned targets in the 2012/13 financial year (57 out of the planned 128). When each programme is considered, the performance of the Department ranged from 27 per cent to 61 per cent (based on the reporting format of the Annual Report).

**5.1.1 Programme Performance and Expenditure**

The biggest challenge in reviewing the Department’s programme performance and associated expenditure is that some of the performance targets that are presented in the Annual Report do not correspond with those that are in the Strategic Plan. In addition, programme expenditure is presented separately from performance targets. For reporting to the Committee, the Department needs to amend its style of reporting to align programme and subprogramme expenditure with targets. As an example, the target will be presented as a percentage whilst the actual will be reported in numbers or vice versa and the significance of those numbers and the associated expenditure are barely explained.

It is important to highlight that the Department often reports on the completion of strategy documents, reports, meetings and workshops held which does not necessarily translate to implementation of the said programme. In as much as the preparatory work is deemed as progress towards implementation, it does not by itself constitute service delivery, it is merely the means to an end and not the end in itself. The inconsistent reporting and non-alignment of the Strategic Plan with the Annual Report has been consistently raised by the Committee; and it is also happening in some of the Department’s entities.

Table 2. Programme Budget and Expenditure

|  |  |  |
| --- | --- | --- |
| **Programme** | **2012/2013** | **2011/2012** |
| Final appropriation R’000 | Actual expenditure R’000 | Over/under expenditure R’000 | Final appropriation R’000 | Actual expenditure R’000 | Over/under expenditure R’000 |
| Administration | 660 453 | 647 240 | 13 213 | 590 236 | 584 246 | 5 990 |
| Agricultural Production, Health & Food Safety | 1 875 189 | 1 874 832 | 357 | 1 664 160 | 1 644 857 | 19 303 |
| Food Security & Agrarian Reform | 1 415 482 | 1 402 877 | 12 605 | 1 254 360 | 1 249 371 | 4 989 |
| Economic Development,  Trade & Marketing | 212 506 | 212 169 | 337 | 193 622 | 190185 | 3 437 |
| Forestry & Natural Resources Management | 1 220 945 | 1 191 785 | 29 160 | 910 100 | 907 662 | 2 438 |
| Fisheries Management | 484352 | 484 330 | 22 | 351 971 | 351 952 | 19 |
| **Total** | **5 868 927** | **5 813 233** | **55 694** | **4 964 449** | **4 928 273** | **36 176** |

Source: Annual Report (DAFF), 2013

**Programme 1: Administration**

The Administration programme spent a per cent less (98 per cent) of its budget in 2012/13 compared to 2011/12 where it spent 99 per cent of its budget (see Table 2). Out of 31 targets that were supposed to be achieved under this programme, only 12 (38.7 per cent) were achieved. In terms of development support, one of the targets was to have 5 000 smallholder farmers accessing financial services through Mafisa, only 4 176 smallholders accessed Mafisa. This is a decline of 21.4 per cent (1134 farmers) compared to the 2011/2012 financial year. The Department indicates that this was due to the number of intermediaries dropping from 9 to 6, owing to the expiry of contracts. Essentially the Department is admitting that they did not exercise foresight in relation to the management of these contracts and the subsequent impact this would have on service delivery. Furthermore, the Department has failed to report on the number of smallholder farmers that have benefitted from CASP; as well as the number of subsistence farmers that have benefitted from the Ilima/letsema programme.

The Department also did not meet one of its most important targets, that is, reducing its vacancy rate to 11 per cent. Instead, its vacancy rate increased from 11 per cent (in 2011/2012) to 13.1 per cent during the 2012/13 financial year. This is a concern considering that in some of its programmes where the Department did not meet its targets, lack of capacity was cited as a reason. The Department had planned to have 60 per cent of the HRD Strategy implemented, but it is quite difficult to ascertain the level of the achievement in this regard, as an HRD strategy has several components – on some of which, it has achieved reasonably well.

There are targets under the Policy Research Support Directorate that have not been reported on. These outputs are of vital importance to the core mandate of the Department as they contribute to the newly launched Fetsa Tlala Food Production Initiative that replaced the Zero Hunger Strategy, as well as the National Sectoral Research and Development (R&D) Agenda. The Department did not indicate achievements in the sub-programme, Policy Development and Planning that relates to research reports on the following issues inter alia: agro-processing, climate change, and the Policy Development Framework.

**Programme 2: Agricultural Production, Health and Food Safety**

The budget expenditure in this programme improved to almost 100 per cent in 2012/13 compared to 98.8 per cent that was spent in 2011/12. The programme had 20 targets for the 2012/2013 financial year and only 12 (60 per cent) were fully achieved. Other targets were partially achieved, vaguely reported or not achieved. The targets relating to the ‘number of new producers participating in animal production schemes’ is ambiguous as it appears as if the Department has overachieved on its targets. This is an example of some of the issues that were raised by the FFC in relation to setting realistic and outcomes-based targets.

On the Milk recording Scheme, there has been a huge reduction of producers participating in this scheme; the numbers have reduced from 538 in 2011/2012 to 36 in 2012/2013. The reason for the variance that the Department provided is the harsh economic conditions under which dairy farming operates.

Another instance in which the Department has shifted the goal posts by not reporting on the actual output for the year, but rather reporting on the cumulative achievement is the Kaonafatso ya dikgomo Scheme. Under the Scheme, 900 new producers was the target. However, the Department reports on the cumulative achievement (which includes producers who participated in the scheme in previous years). This trend continues throughout the Annual Report.

**Programme 3: Food Security and Agrarian Reform**

The Food Security and Agrarian Reform programme spent approximately 99 per cent of its budget in 2012/13 compared to 99.6 per cent budget spend in 2011/12. The Department had 14 targets under this programme, and has achieved 8 (57 per cent). The Department reports on the number of smallholder producers supported through the smallholder strategy to include producers assisted through CASP and Ilima/letsema programmes. Under Programme 1, the Department also reported on smallholder producers assisted with development finance under CASP. It is important for the Department to deliver its programmes in a coordinated and integrated manner, such that there is no double counting of beneficiaries under the CASP and Ilima/letsema programmes.

**Programme 4: Economic Development, Trade and Marketing**

The Economic Development, Trade and Marketing programme improved its budget spending from 98 per cent in 2011/12 to 99.8 per cent in 2012/13. This programme is also responsible for transfers to the NAMC. Of the 13 targets that were planned for the 2011/12 financial year under this programme, the Department fully achieved 8 (61.5 per cent). The performance indicators that relate to ‘cooperatives and rural enterprise development’ remain unclear as it is expressed as a percentage, but the reference point of this percentage is not clearly stated. Again, the actual performance is expressed as the number of cooperatives that have benefited; essentially it is difficult to establish what the target was, and also to gauge the Department’s performance in this regard. It is worth mentioning here that there has been a continued delay in terms of the signing of the CAADP compact – which essentially constitutes investment plans that are geared to achieve 6 per cent growth in the agricultural sector and to expand public spending in the sector to 10 per cent of Government expenditure.

The IPAP2 highlights the role that agro-processing can play in employment creation and overall economic growth particularly in rural towns. The performance indicators of the Department under the ‘agro-processing and marketing sub-programmes’ do not give an indication of alignment to the overall economic development and growth policies of South Africa (i.e. NGP, IPAP2). Furthermore, there are a number of indicators on which the Department does not report in this regard (viz. ‘Fresh produce marketing infrastructure support business case;’ ‘implementation plan on agro-logistics’).

**Programme 5: Forestry and Natural Resources Management**

The Forestry and Natural Resources Management programme digressed in its spending due to withheld LandCare payments to KwaZulu-Natal, spending 97.6 per cent in 2012/13 compared to 99.7 per cent in 2011/12. The programme had the largest underspending (2.4 per cent) of all programmes in the 2012/13 financial year. The Department had planned 18 targets for this programme, and only achieved 5 (27.8 per cent). Budgetary constraints and reprioritisation were cited as some of the reasons for not achieving some of the targets though the Department has registered an underspending of R29 million under this Programme. The Department has, in several instances, reported on the activities that have been undertaken towards the achievement of certain targets, and not reported on the actual outputs or achievements of those activities. The allocation to the LandCare Programme, which is under Programme 5, has decreased over the MTEF period due to underspending.

**Programme 6: Fisheries Management**

The Fisheries Management programme has consistently spent almost 100 per cent of its budget for the past two financial years. The MLRF, which is responsible for operations in this programme, underspent R193.79 million (61 per cent) of its total allocation on three directorates, namely, Fisheries Research and Development; Monitoring, Control and Surveillance; and Aquaculture and Economic Development. The R193.79 million, which was reported as a liability in the Annual Report, was roughly made up of conditional grants for operating vessels (R115.7 million) and implementing the Working for Fisheries Programme projects (R77.8 million). The research and patrol vessels were mainly inoperative during the 2012/13 financial year, hence the underspending. The South African Navy is blamed for the Branch’s inability to effectively spend the budget allocated towards operating the vessels.

Notwithstanding the previously mentioned inconsistencies in terms of reporting, the Fisheries Management Branch, whose operations are funded through the MLRF, achieved some notable targets and in some instances exceeded targets. Some of the achievements, unfortunately, did not form part of the Strategic Plan but are important in addressing the country’s national priorities. According to the Annual Report, and as confirmed by the Auditor-General, the Branch only achieved 44 per cent (14 out of 32) of its planned targets. This 44 per cent is made up of partially achieved targets, new targets, reduced targets and reviewed targets.

It is stated in the Annual Report that the West Coast Rock Lobster Recovery Plan was implemented, although the scientific recommendation of the Recovery Plan was that the total allowable catch for West Coast Rock Lobster during the 2012/13 fishing season should be reduced. [[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131101pcagricbrrr.htm%22%20%5Cl%20%22_ftn1%22%20%5Co%20%22)The recommendation was not implemented; therefore, the Recovery Plan cannot be reported as implemented.

Some of the achievements include the repairs of Gans and Lamberts Bay Harbours; the research outputs from the aquaculture unit; publishing the Status of the South African Marine Fishery Resources – 2012 report; setting of total allowable catches and total allowable efforts to all 22 commercial fishing sectors; approval of the Small-scale Fisheries Policy; monitoring of fishing vessels; investigation of right holders in the 5 key fisheries sectors (hake, abalone, rock lobster, squid and line fish); inshore law enforcement; and inspections of land-based fish processing establishments, land and air borders.

Some of the unachieved targets are long-term projects that would generally run over a period of two or three reporting cycles. The Branch should therefore, consider breaking down long-term projects into phases and have reasonable and realistic phases as annual targets. Other factors that hindered the achievement of targets are financial limitations, poor planning, long supply chain processes and capacity shortage. In some instances, there are no reasons given for variance.

As mentioned earlier, assessing the achievement of targets is difficult because some targets have changed. For example, the Branch planned to implement 15 projects (page 13 of Strategic Plan) under the Working for Fisheries Programme (WFFP), however, in the Annual Report (page 29) the target has changed to creating 1 000 jobs. In relation to this target, the Branch reports that 1 343 jobs were created through implementation of 11 projects. In this regard, the Branch may be seen as having failed to implement 15 projects when considering the Strategic Plan, however, when considering the 1 343 jobs, the 1 000 jobs target was exceeded. The Branch did not achieve the target of conducting research into two new fisheries, the red bait and live bait fisheries. These two fisheries were earmarked for consideration during the implementation of the small-scale fisheries policy; however, the yields are sporadic and require a longer period to ascertain economic viability.

**5.1.2 Report of the FFC on Service Delivery Performance of Conditional Grants**

The FFC reported that for CASP, only 68 per cent of the planned projects were completed in 2012/13, this despite the programme spending approximately 80 per cent of the budget allocation. In Ilima/letsema, only 45 per cent of the targeted beneficiaries were reached through completed projects, whilst the programme was consistently spending close to 95 per cent of its budget allocation. In addition, some indicators for Ilima/letsema were not reported (e.g. the number of hectares rehabilitated or expanded through infrastructure schemes). In LandCare, the overall performance was good and varied according to different areas. LandCare exceeded the planned targets in terms of achievements for clearing land of weeds and invader plants (153 per cent) and for the rehabilitation or protection of arable land 262 per cent). However, for the rehabilitation or protection of natural rangeland, LandCare achieved only 58 per cent of its planned targets.

The FFC commented that reporting requirements do not allow for proper assessment, for example, indicators only measure outputs (number of job opportunities created, number of tonnes of grain produced) not outcomes in terms of rural development and food security (e.g. number of households that become food secure). The Department therefore, need to assess and evaluate the actual contribution or impact of the conditional grants in provinces.

The FFC also made recommendations that can be considered for the MTEF, which include, the improvement in the coordination and integration of the three conditional grants; and noted that conditional the grants are narrowly focused on certain agricultural activities while more employment opportunities may be generated in complementary sectors that are outside the grant requirements such as agritourism and agroprocessing. The FFC also stressed effective intergovernmental coordination in order to achieve optimal grant performance e.g. national and provincial department processes (late approval of business plans), processing of land claims by DRDLR, provision of water, involvement of municipalities in profiling indigent and food insecure households and zoning of land for agricultural activities. Furthermore, the FFC noted that the governance and institutional arrangements for rural development, as a national priority outcome, need to be clarified. In this regard, the FFC recommended that a functional mapping of all rural development activities be undertaken with specific responsibilities assigned to each sphere of government.

**5.2. Service Delivery Performance Findings**

·         Lack of coordination and integrated activities between the Department and its entities, amongst the entities and between the Department and the DRDLR have been found to negatively impact service delivery in general, and in most land reform and rural development projects that were visited.

·         Poor visibility and quality of service that is provided to developing farmers by extension officers. In some cases, communities or project beneficiaries do not know their extension officer.

·         The Department does not always monitor and evaluate the impact of provincial projects that it funds, including those that are funded from conditional grants. In most cases, the Department relies on reports from provinces, which are not always a true reflection of what is happening on the ground.

·         Lack of awareness of the Department’s funding programmes such as Mafisa and its funding criteria by developing farmers, most of whom do not meet credit criteria in commercial institutions.

·         Lack of access by developing farmers and new entrants into the poultry value chain, which is largely monopolised by a few big players. The few small producers that are in the industry are operating as contractors for the big commercial companies. The Department needs to assist the small producers with the required infrastructure and training to enable them to be independent.

·         Unbalanced relationships between land reform beneficiaries and strategic partners or mentors, where in most cases there is no skills transfer but beneficiaries end up being employees in their own farm while the strategic partner runs the business. In some cases, the partners leave the business defunct and beneficiaries indebted.

**5.3. An Overview of the Performance of the Department’s Entities**

With the exception of the PPECB, all the Department’s entities received financially unqualified audit reports with findings from the AG for the 2012/13 financial year. These also include the MLRF, whose activities are reported under Programme 6 (Fisheries Management). The PPECB, which does not receive a Government grant but self-subsist through service fees and levies, once again received a financially clean audit (financially unqualified with no findings) in 2012/13 as it has been the case in the past five years.   Regarding Ncera, the AG noted that it received an unqualified audit only because the entity used a consultant to do its financial statements.

**5.3.1 Agricultural Research Council (ARC)**

The ARC set itself 103 targets to achieve during the 2012/2013 financial year and managed to achieve 61 (59 per cent) targets with 42 (41 per cent) targets not being achieved. Non-achievement was attributed to budget constraints and a shortage of technical expertise to finalise research projects (linked to high turnover rate of experts). Due to the large percentage of targets not achieved (41 per cent) in 2012/13, the ARC Board was reported to be reviewing the entity’s Business Plan. For the 2012/13 financial year, the ARC had a budget of approximately R1.1 billion, which comprised the Parliamentary Grant of R747 million from the Department and the Department of Science and Technology (DST); as well as R356 million from self-generated revenue. This represented an increase in allocation of over 10 per cent (R81 million).

The ARC stated that the allocations are highly inadequate as the entity requires an injection of R480 million over the MTEF to fund capital replacement and maintenance costs. In the year under review, the ARC spent approximately 91 per cent of its budget and had a surplus of R88 million. The ARC did not incur any fruitless and wasteful expenditure in the year under review but incurred irregular expenditure to the amount of R1.1 million. This was a result of non-compliance with the supply chain management policies and procedures, the PFMA and Treasury Regulations.

**5.3.2 Onderstepoort Biological Products (OBP)**

The OBP planned for 107 targets for the 2012/13 financial year and only achieved 55 of the planned targets (51 per cent). Some of the OBP’s targets were not specific or measurable, and hence, it was difficult to quantify those that have been achieved. In many instances, the reasons for the variance and non-achievement were attributed to financial and capacity constraints. The moratorium placed on all vacant positions has had a severe impact on the performance of the entity with regards to enhancing and investing in product development and innovation, as well as improving on environmental principles in the business operations (i.e. reducing electricity consumption). The OBP achieved its employment equity targets, particularly the in the employment of people with disabilities (2.5 per cent of the total workforce). The entity has an average staff turnover of 9.5 per cent, which is unusually high.

The OBP does not receive a Government grant but funds all its operations from its self-generated revenue (mostly from sale of vaccines). Recently however, the National Treasury has committed to fund the capital requirement costs over the MTEF period, starting in the 2013/14 financial year.

The OBP has recorded a net revenue of R89.4 million in the year under review (2012/13), and this represents a decline of about 9.2 per cent (R9 million) compared to the 2011/12 financial year (R98 million). The entity also incurred an operating loss of R31 million (more than doubled from that of 2011/12 loss) due to reduced sales, which were less than anticipated.  The OBP has continued to register negative growth in terms of the overall market share in the industry, with the ‘Total Animal Market’ declining by 0.7 per cent (which represents a loss of about R14 million). The OBP incurred irregular expenditure to the amount of R1.17 million due to flouting procurement and contract management procedures, although this figure is less than the R4 million that was irregularly spent in 2011/12 due to procurement and poor contract management matters. The AG raised matters of emphasis regarding the OBP’s measurability of performance targets, non-achievement of targets and non-compliance with PFMA.

**5.3.3 National Agricultural Marketing Council (NAMC)**

Out of an estimated 63 planned targets, the NAMC achieved 56 targets (approximately 89 per cent) and far exceeded the achievement for some of the planned targets. In cases where the NAMC could not achieve its targets (in progress or partially achieved), the reasons for deviation were related to financial constraints and matters beyond their control such as strike actions. In the 2012/13 financial year, the NAMC received a Government grant of R36 million, sponsorship for R4.6 million and generated an interest (from trusts levies) of R724 000. The total income of R36.74 million was 2 per cent less than in 2011/12 and the NAMC overspent its budget by R1.76 million (deficit) in the reporting year. The deficit was incurred through operating expenditure and depreciation and amortisation.

The NAMC is also the Programme Management Unit (coordinating function) for Fetsa Tlala Food Production Initiative. In this regard, the NAMC has drafted a business plan for the Fetsa Tlala Initiative outlining land to be targeted, hectares to be planted and the costs. The NAMC incurred a fruitless and wasteful expenditure of R40 000 in relation to the South African Revenue Service (SARS) penalty for late payment of ‘pay as you earn’ (PAYE), which has been reported by the NAMC as a mistake from SARS that has since been corrected and the payment reversed. The NAMC also incurred an irregular expenditure of R2.9 million due to a contravention of Treasury Regulations relating to procurement and contract management. As a result, the NAMC regressed from a financially clean audit in 2011/12 to a financially unqualified audit with findings in 2012/13.

**5.4. Concluding Comments on Service Delivery Performance**

While the Department tends to overemphasise a financially unqualified or clean audit as an achievement, it should be noted that this is only an indication of good financial governance and have nothing to do with service delivery or achievements of outcomes as is shown by spending 99 per cent of the budget when slightly more than half of the planned targets were achieved. Across all programmes, the Department seems to make plans and set targets without linking them to its budget and personnel availability to ensure effective service delivery, thus putting into question participation and inclusiveness of the Department’s strategic planning process. Technical people who are involved in the programme functions are also supposed to be involved in the planning process in order to set realistic and outcomes-based targets.

During the 2013 State of the Nation Address, President Jacob Zuma emphasised the implementation of the National Development Plan (NDP) and the National Infrastructure Plan during this financial year. He stressed that Departments must align their activities with these plans. The NDP expects that by 2030, a third of food surplus in the country should be produced by small scale farmers or households. The Department’s programmes and resource allocation are not reflective of the objectives of the NDP and other broader policy initiatives of the country. This may be attributed to a policy vacuum that exists within the Department due to a lack of a comprehensive and coherent agricultural, forestry and fisheries policy to address the current challenges and to ensure the development of the sector. In this regard, however, the Department is reviewing the Integrated Growth and Development Plan (IGDP) in order for the Plan to be aligned with the country’s NDP, NGP and IPAP2.

According to the National Infrastructure Plan, aquaculture infrastructure and fish processing establishment will be headed by the Department. There is, however, no plan that indicates that these developments will be implemented during the 2013/14 financial year as it is not appearing on the APPs of any of the programmes although it is listed among the planned policy initiatives (was also in the policy initiatives of the previous year). In addition, the OBP has acknowledged the inability to supply vaccines as demanded and on time due to the capacity of their aged manufacturing plant. An allocation was made in the prior year for rehabilitation of some of the facilities, but in essence, the entity, which is a National Key Point, needs new facilities to be able to respond effectively to demands for its services. The Department in this regard, needs to prioritise infrastructure development for all three sectors.

**6. COMMITTEE findings and response**

**Technical issues**

·         The Department does not always meet deadlines when responding to Committee requests and written replies to questions.

**Governance and operational issues**

·         The Committee is concerned about the acting positions at SMS level as they impact on accountability; including the Fisheries Management Branch that is not fully incorporated into the Department but operate as a separate entity with its own administration.

·         The policies (e.g. extension, mechanisation, aquaculture, etc.) that are important for the efficient execution of the Department’s mandate and responsibilities, as well as efficient use of financial resources, have been in the development stage for the past two to three years. Hence, resulting in inadequate progress in priority areas.

·         The Committee has consistently raised the lack of coordinated activities and collaboration between the Department and DRDLR for CRDP, which is linked to both Outcomes 4 and 7, to avoid duplication and wasteful expenditure.

·         Accessibility and responsiveness of the Department to queries from the general public and other external stakeholders.

**Service delivery performance**

·         The high vacancy rate and the associated lack of skills capacity are continuing concerns of the Committee as they negatively impact on the Department’s operations.

·         In addition, the Department’s repeat findings from the AG due to the poor M & E and internal auditing functions, which are also attributed to lack of skills capacity within the Department.

·         Although the Department provides some infrastructure development assistance through CASP, most of it is on-farm while smallholder producers also need off-farm infrastructure, particularly processing and marketing infrastructure.

·         The Committee is also concerned about the protracted manner in which the Department is handling some disciplinary cases against officials, some of which are costly in terms of legal fees.

·         Unavailability or invisibility of extension officers in some areas where they are needed the most. The Committee requested for the review of extension services and an evaluation of the impact of the Extension Recovery Programme.

**Financial performance including funding proposals**

·         The Committee is concerned about the Department’s spending of almost 100 per cent of its budget while less than half of the planned targets for each year are not met but often deferred to the next financial year.

·         Most of the budget of the Department to address job creation, rural development and food security is allocated to conditional grants but their spending in provinces is unsatisfactory and the Committee observed in its oversight visits that the financial investments made have not always yielded expected service delivery and sustainable benefits to beneficiaries on the ground.

**7. COMMITTEE Recommendations**

The Committee requests that the Minister of Agriculture, Forestry and Fisheries ensures that the following recommendations are considered and where possible, implemented. The Committee also puts an emphasis on the consideration of previous BRRR recommendations and concerns raised during Committee oversights, some of which have not been addressed.

**Financial Performance Including Forward Funding Recommendations**

·         Reconsider the budgetary recommendations that were made by the Committee in 2012 and 2013 particularly for the OBP and the PPECB, given the Department’s focus on the development of smallholder producers.

·         Consider the AG and the FFC recommendations from the previous year to date; and the Department must ensure that action is taken against transgressors in terms of the PFMA and National Treasury Regulations. This should apply to the Department, its entities and provinces in terms of conditional grants.

·         Consider a budgetary increase for Programmes 2 and 3 in 2014/15 going forward given the focus on subsistence and smallholder producers and their needs, the implementation of the Fetsa Tlala Food Production Initiative, the persistent challenges associated with diseases of economic importance that have a negative impact on exports.

·         In terms of Fetsa Tlala, an additional allocation to the NAMC may be required for market research and providing marketing assistance to smallholder farmers.

·         Ensure that during the MTEF period, sufficient funding is set aside to implement new programmes and legislation that has been and/or will be brought before Parliament.

·         In the MTEF period, consider an additional funding allocation for the Working for Fisheries, the programme of the Expanded Public Works Programme (EPWP) that is responsible for job creation in fisheries; to ensure that it specifically covers the entire South African coastline in terms of job creation. From 2014, the Department must report on progress in this programme along with other conditional grants on a quarterly basis.

·         Allocate financial resources for the implementation of the country’s Comprehensive Africa Agriculture Development Programme (CAADP) compact in the MTEF period. The CAADP compact is in the process of being signed and is important in realising the objectives of the Maputo Declaration.

·         By the end of March 2014, present a plan to address challenges that are associated with late payment of transfers and subsidies to universities/universities of technology and households.

·         Coordinate collaboration between the ARC and OBP in terms of vaccine research and development, as well as manufacturing activities while ensuring that financial resources are equitably allocated for specific activities.

**Performance Related Recommendations**

·         Reconsider all the recommendations of the Committee in 2012 as some of the issues have not been appropriately addressed by the Department, with a particular emphasis on the filling of critical vacancies with the right skills. The Department must provide a report on these to the Committee by the end of February 2014.

·         Ensure that the Department finalises the review of the Integrated Growth and Development Plan (IGDP) and present it to Parliament by the end of the 2013/14 financial year as the Department needs an overarching policy to drive the objectives of the NDP and other economic policies of the country, as well as address the challenges that affect agriculture, forestry and fisheries.

·         Ensure that before the end of the MTEF period, the Department finalises and tables in Parliament, the 22 pieces of legislation that were supposed to be brought before Parliament in 2012/13 including all other new pieces of legislation that are required for the Department to fulfil its mandate.

·         CASP funding is usually divided between Programmes 2 (Agricultural Production) and 3 (Food Security). Therefore, when the Department is reporting on performance and expenditure of these conditional grants in 2014, it must clearly differentiate how the budget and activities are split between the two programmes.

·         The Department must adopt a ‘restraint of trade’ policy specifically with respect to the ARC, OBP and Fisheries research, to protect intellectual property.

·         The Department must report to the Committee about the status of the Spatial Analysis of Agriculture, Forestry and Fisheries that was initiated in 2012 in collaboration with the DRDLR, DST and the CSIR in February 2014. The Analysis is important for identifying high potential agricultural land, forestry plantations and fisheries resources.

·         The Department, in collaboration with the Department of Minerals, must brief the Committee on mining activities and prospecting applications on high potential agricultural lands (for example, in Mpumalanga Province) by February 2014.

·         The Department must follow up on the commissioning of forestry plantations in George and the Overberg area and report back to the Committee by March 2014.

·         The Department must provide a detailed report to the Committee by March 2014, on mentorship programmes and strategic partnerships in agricultural land reform projects that they are funding. The Committee has observed during some of its oversight visits that some of the partnerships were benefiting the mentors or strategic partners at the expense of land reform beneficiaries.

·         The Department must provide an update to the Committee on the development of the Policy on Inland Fisheries, the Policy for Supporting Labour-intensive Agriculture and the Strategy on the Development of Urban and Peri-urban Agriculture by the end of March 2014.

Report to be considered.

[[1]](https://server/pmg%20shared/WEBSITE%20FILES/comreports/2013/comreports/131101pcagricbrrr.htm%22%20%5Cl%20%22_ftnref1%22%20%5Co%20%22)The Recovery Plan seeks to reduce fishing pressure on the West Coast rock lobster stock that is currently at 3.5 per cent of pristine levels (96.5 per cent depleted) in order to allow the adult stock to rebuild to 35 per cent by 2021.