

INFORMATION SERVICES: RESEARCH

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BRIEF ANALYSIS OF THE AGRICULTURAL RESEARCH COUNCIL (ARC) ANNUAL REPORT, 2005/06

1. Introduction

The ARC is a public entity established in 1992 in terms of the Agricultural Research Act 1990 (Act 86 of 1990), as amended. It is the principal agricultural research institution in South Africa.

The purpose of this paper is to assess performance of the ARC in meeting its mandate, objectives and government priorities by providing an analysis of the ARC's 2005/06 annual report.

2. Legislative Mandate¹

The ARC was established under the Agriculture Research Council Act 86 of 1990. Its primary mandate as set out in the Act is:

- To conduct research.
- To develop technology.
- To transfer technology that promotes agriculture and industry.

The secondary mandate of the ARC is:

- To maintain specified national public assets on behalf of the Department of Agriculture (DoA) and Department of Science and Technology (DST).
- To provide and performs a variety of specialist scientific services in the area of crops, livestock and natural resource management.

¹ The information that follows was largely sourced from ARC Annual Report, 2004/05

3. Government priorities

The activities of the ARC are influenced by and need to support government priorities as set out in the State of the Nation Address, and Government Programme of Action, which are:

- To grow the competitiveness of the first economy.
- To modernise the second economy.
- To create social security.

4. Key strategic Objectives

The ARC set itself 5 objectives for the medium term from 2005/06 – 2009/2010. The broad strategic objectives as set out in the strategic plan for 2005/06 – 2009/2010 are:

- To provide agricultural research products and services that contribute to:
 - The sustainable use of the natural resources base and environment.
 - The competitiveness of the agriculture sector.
 - Increased participation to the sector by resource-poor farmers.
 - The production of high-quality, safe food.
 - An informed society.
- To manage the organisation's resources effectively.
- To create diverse, competent, empowered and performance oriented employees.
- To create a well functioning integrated and efficient organisation.
- To provide the products and services desired by their customers.

The key strategic objectives, specifically the first one mentioned above represents what the ARC sees as the key objective needed to deliver on its mandate, and to be aligned to government priorities.

The ARC further adopted the following listed measurable objectives to guide its activities during the year under review:

- Creating a centre of innovation and learning perspective.
- Meeting its customer needs perspective.
- Managing its finances to meet its mandates perspective.
- Investing in its people and transformation perspective.
- Building a better organisation perspective.

5. Overview of Performance

It is difficult to assess the performance of ARC in meeting its objectives, as it is not linked to time frames. Some of the achievements reported for the year under review are:

- **Meeting Customer Needs:** First Customer Satisfaction survey was conducted. The results indicated that ARC customers and shareholders have high level of satisfaction with the ARC. Communication plan between the ARC and the Portfolio Committee on Agriculture and Land Affairs has been concluded.
- **Building a better organisation:** Good progress has been made in the implementation of performance appraisal system. Also a process for the development of a knowledge management and knowledge retention strategy for the ARC was started.
- **Investing in people and transformation:** the ARC has continued to develop and transfer technologies for the resource –poor farming sector.
- **Creating a centre of innovation and Learning:** The ARC has developed training and mentorship programmes for its researchers.

5.1 Programme Performance

Research and Development

The programme comprises multi-disciplinary research conducted by the core 4 divisions. The aim, of which is developing new products and services and improving existing products and services in line with national priorities:

- **Grains and Industrial crops:** Some of the achievements under this division during the period under review include; support to farmers to change from mono-crop maize production, technique for producing free dry bean seed was developed, diseases resistant cultivators and etc.
- **Horticulture:** Extensive research programme on indigenous leafy vegetable was initiated, research on honey bush, green rooibos and others.
- **Livestock:** Research focussing on developing vaccines and diagnostic methodologies to prevent and control economically important diseases was conducted. Research on following diseases was conducted; African horse sickness, H5N2 avian influenza and classical swine fever.
- **Public Support Services:** Some of the achievements realised under this division during the period under review were; small-scale aquaculture farming were established; irrigation system evaluation courses were conducted; beekeeping and mushroom projects were established.

Sustainable Rural Livelihoods (SRL)

The division is charged with the task of promoting, facilitating and co-ordinating the transfer of technology developed by ARC, to poor resourced farmers. It also promotes the use of indigenous knowledge systems, grassroots innovations and capacity development.

The SRL's budget from parliamentary grant was R22 million during the period under review. In addition to this, the division raised an additional R13 million. Several research products and technologies, such as water-conservation strategies and cotton production management strategies, etc. were transferred to poor resourced farmers during the year under review.

6. Financial Overview

The ARC derived its funding from two sources, namely:²

- Funding voted by parliament in terms of the Agriculture Vote 25, which includes ring-fenced amounts from shareholder Departments.
- Non-tax revenue from industry partners, commodity groups and various government departments for specific projects.

	2005/06 R	2004/05 R	Virement R	% of increase
INCOME				
Parliamentary grant	457,186,339	320,707,661	136,478,678	29.9%
Other Operating revenue	213,721,475	237,275,319	-23,553,844	-11.0%
Total Revenue	670,907,814	557,982,980	112,924,834	
EXPENSES				
Total Remuneration	395,964,568	315,853,117	80,111,451	20.2%
Other Expenditure	261,089,768	236,323,663	24,766,105	9.5%
Total Expenditure	657,054,336	552,176,780	104,877,556	16.0%
Profit on sale of property and equipment	504,891	263,134	241,757	47.9%
Surplus	14,358,369	6,069,334	8,289,035	57.7%

The grant from government makes the highest percentage of the total revenue of the ARC, which is 68.1%. Funding from other sources has dropped by 11%, while the grant from government has increased by 29.9%. The increase from government grant indicates the commitment by government to undertake research that will grow the competitiveness of the first economy, modernise the second economy and create sustainable food security. The decrease of other revenue implies that the ARC has to build its image to be able to get funding from industry. The ARC profit has increased by 57.7% during the year under review compared to the previous financial

² ARC Strategic Plan 2005/06 – 2009/10

year. However, much of the profit was made through the sale of property and equipment.

7. Human Resource

The total workforce of the ARC has increased by 2.09% from 2643 to 2698 in 2005/06. In addition, the workforce of the ARC is in line with the provisions of the Employment Equity Act as it represents designated groups in almost all occupational categories and levels. However, disabled staff comprised only 0.72% of the ARC staff profile. The ARC needs to improve on this.

In terms of building capacity within the ARC, the capacity building programme was able to have 43 candidates. However, this is not an achievement because the ARC failed to meet the target in attaining 64 candidates and 16 mentors. The challenge, was failing to identify candidates, in areas indicated for scarce skills.

8. Auditor General (AG) Report

The Auditor General served a qualified report for the ARC. The AG raised the following concerns:

- **Non-compliance with IAS 16 Property, Plant and Equipment:** the useful lives and residual value of property plant was not reviewed as required by IAS 16 Property, Plant and Equipment.
- **Existence of Account Receivable:** The amount of R49.7 million in the receivable balance that is due to ARC in respect of VAT on the parliamentary grant could not be verified.

The AG further draws the attention on the following issues:

- Weaknesses in internal control.
- Implementation of Supply Chain Management has not been done.
- Financial statements need significant adjustment.
- Deficiencies in the ARC's performance information. The following deficiencies were noted.
 - Measurable objectives were not linked to specific time periods.
 - The actual level of performance was not always measurable.

9. Comments/Questions

- One of the solutions adopted by the ARC in dealing with the challenge of poor research capacity in the organisation was to recruit retired professionals to assist with mentoring of young scientists. This has been adopted since 2004/05 financial year. The ARC should provide a progress report on this.
- Research capacity in the ARC is still made up by majority of whites, with 67.5% of researchers being whites, while for research support, the majority were blacks (56.2%) during the year under review. How is the ARC going to address this imbalance and what are the targets and time frames?
- What type of equipment or property was sold during the period under review, which made such a huge contribution to the profit of the ARC? What kind of impact did the sale have on service delivery?
- In the previous annual report, weaknesses on internal control were raised as an issue that required attention. It seems that the ARC has not yet been able to address this issue. What measures have been put in place or are going to be introduced to address this issue, so that it does not become an issue again?
- It is becoming a trend within the ARC to submit financial statements that have to be adjusted. In the previous annual report, it was reported that the financial statements were submitted for audit purpose on 31 March 2005, these were subsequently revised. The revised financial statement was submitted to Auditor General on 26 July 2005. What is the cause of this, and how is the ARC going to ensure this does not occur again?
- In 2004, the Board ordered an internal investigation on the ARC due to some allegations of mismanagement. The Board should provide a progress report on the investigation and the actions taken.
- A challenge facing ARC is that it must contribute to rural development in eradicating poverty, protecting the environment and achieving sustainable food security. Does the ARC have research capacity and resources to meet this challenge? If not, what needs to be done to improve its capacity?
- What impact did the ARC have in growing the first economy, and modernising the second economy during the period under review?
- In contributing to NEPAD, what kind of activities or collaboration has ARC had with Africa?

Sources

ARC Annual Report, 2004/05

ARC Annual Report, 2005/06

ARC strategic Plan 2005/06- 2009/2010