



agriculture

Department:
Agriculture
REPUBLIC OF SOUTH AFRICA

Private Bag X250, PRETORIA, 0001, Tel.: (012) 319-6638 Fax: (012) 324-6944

2007 -10- 22

Chairpersons: Joint Budget Committee
P O Box 15
CAPE TOWN
8000

**JOINT BUDGET COMMITTEE REQUEST FOR BRIEFING ON THE 2007
MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)**

1. Your letter dated 28 September 2007 has reference.
2. As per your request, herewith the written submission for your further attention.


DIRECTOR-GENERAL

LETTER SIGNED BY: T MARAIS
DESIGNATION: CHIEF FINANCIAL OFFICER

1. EXPENDITURE TRENDS AND AUDIT OUTCOMES: 2006/07

Actual spending on the Vote for 2006/07 per programme was as follows:

	R'000	% of total
- Administration	227 029	10,0
- Livelihoods, economics and business development	680 562	35,5
- Bio-security and disaster management	434 622	20,7
- Production and resources management	217 907	10,4
- Sector services and partnerships	<u>659 437</u>	25,4
	<u>2 219 557</u>	93,7

A total amount of R2 367,630 million was appropriated by Parliament for the Department in the 2006/07 financial year. An amount of R148,073 million or 6,3% of the total appropriated amount was not spent. The reason for the underspending can be attributed mainly to claims not being received on time for Classical Swine Fever from the Eastern Cape Provincial Department of Agriculture. An amount of R88,686 million was thus not spent and, with the approval of the National Treasury, rolled over to the current financial year.

The actual underspending by the Department is thus R59,387 million or 2,5% of the total appropriation. Although this can be seen as well within the 3% benchmark, the Department undertook a reprioritisation exercise and a total amount of R55,4 million was re-allocated to other services within the Department.

Reports of the Auditor-General for 2006/07

- The Department, for Vote 25, received an unqualified report from the Auditor-General for 2006/07 with only one matter of emphasis. This specifically talked to the classification of capital assets. This Department applied the classification process correctly and it would seem as if this matter of emphasis is aimed at the process in general as prescribed by the National Treasury.

- For the Agricultural Debt Account, however, the Department received a qualified report from the Auditor-General. This specifically referred to the nature of pledged securities, such as crops, harvests and movable assets. The qualified audit opinion reads as follows:

" In my opinion, except for the effects of the matter described in the basis for the qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Agricultural Debt Account as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with Generally Accepted Accounting Practice and in the manner required by the PFMA."

The Department, in consultation with the National Treasury and the Office of the Auditor-General, is in the process of amending the Agricultural Debt Management Act, 2001 (Act 45 of 2001), and as such closing the Account. Debt to be recovered in future will then be managed through the books of the Department (Vote) and not a separate account.

2. MANDATE AND MEDIUM TERM POLICY PRIORITIES

2.1 2008/09 MTEF BUDGET: ADDITIONAL FUNDING REQUEST

- 2.1.1 The International Investment Council advised that South Africa should put greater focus on the production of tradable and agricultural goods. Against this backdrop Cabinet recently requested Directors-General to advise it on increasing Government support to agriculture in the context of the WTO and the 2006 OECD report. The latter report confirmed that South Africa ranks amongst the countries in the world providing the lowest level of support to agriculture. At the recent Cabinet Lekgotla, the urgency that is attached to the acceleration of the land and agrarian reform programme, presented as a Presidential Priority earlier this year by the Departments of Agriculture and Land Affairs following consultation with the Provincial Departments of Agriculture, was again emphasized. A key objective of this programme is to acquire 5 million ha of white-owned land and to settle and provide support to 10 000 new farmers. This can not be achieved without considerable additional support from Government. The Department of Agriculture has engaged with the Provincial Departments of Agriculture to establish the activities and resources required for meeting the objective of providing universal access to support services and improving the production and exports of the new black entrepreneurs settled through the land reform process.
- 2.1.2 In recognising that the ability to support new entrepreneurs relies on the capacity of Government to provide or leverage appropriate extension services, the Department of Agriculture, in collaboration with the Provincial Departments, has analysed the current inadequate extension capacity and set norms and standards for its urgent and substantial improvement over the next few years. Essentially South Africa has but one-third of the extension component required to meet internationally accepted norms and 80% of current extension officers are not adequately trained. The Department has devised a joint recovery plan for the extension services with provinces and is presenting this, as a collective request of the National and Provincial Agricultural Departments, as Option 1 for 2008/09 and onwards. A total amount of R255,2 million per financial year over the MTEF period is required.

- 2.1.3 Since its inception in 2004, the Comprehensive Agricultural Support Programme (CASP) has been progressively but only partially deployed and the DORA allocation has been mainly utilised for on and off-farm infrastructure while the other five constituent pillars of CASP have not yet been fully addressed. The Department commissioned a review of CASP this year which has identified gaps and recommended improvements in its efficiency. One of the recommendations is to apply the principle of subsidiarity and thus to ensure that decision-making around all agricultural projects takes place as close to the project as possible, namely at provincial level.
- 2.1.4 Experience over the period of implementation of the CASP is that the Provincial Departments have improved their spending on CASP from a low 55% in the first year to above 95% last year and the Department is confident that the Provincial Departments are both committed and capable of managing the additional funding requests to be requested through the provincial budgeting processes and allocated to their equitable share. It was agreed with Provincial Departments to widen the scope of CASP and brand it as the encompassing intervention by national and provincial departments to provide the needed universal support to agriculture.
- 2.1.5 While the CASP allocation will be continued in the interim and be utilised for leveraging the support required the provinces should be more directly empowered to provide support to agriculture, hence through their equitable shares. This Department, on the advice of National Treasury, will be engaging more regularly with the Provincial Departments on this approach and jointly identify key cost drivers, as was done with the identification of extension requirements and the recovery plan which bolsters two further CASP pillars.
- 2.1.6 Given the concurrency of agriculture, beyond the needs mentioned above, the requirements identified by Provincial Departments of Agriculture for the achievement of the priorities cannot be effected this year through the national MTEF process save to say that national and Provincial Departments of Agriculture collectively have identified that substantive additional funding will be required in the next two years. These requests will need to be presented in detail and with motivations by the Provincial Departments through their own budgetary processes.

2.1.7 The World Bank has indicated that successful agricultural projects indicate a ratio of 1:2 of the cost of acquisition of land compared to the support and infrastructure, including housing. For the many farms that will be purchased for land reform with operating infrastructure this ratio will not be relevant but it does give an indication of the magnitude of support required. The costing of the priorities undertaken by the Provincial Departments of Agriculture show that an increase in the provincial budgets of indicatively 50%, or an amount of R4,9 billion, is required over the 2 year period.

2.1.8 The Options for which the Department of Agriculture requires additional funding are as follows:

- * Option 1 Comprehensive Agricultural Support Programme:
— Extension and advisory services: R255,2 million per year

See previous paragraphs.

- * Option 2: Bio Security: Import/Export Inspections at ports of entry:
R495 million over the MTEF period

The Programme Bio Security and Disaster Management aims to provide a National Bio Security Risk Management System towards a sustainable agricultural sector. The objective of the programme is "To protect and enhance South Africa's Bio-security, food quality and safety status for the benefit of South Africa's population, environment and public health and safety". The bio-security and disaster management system should be seen as a continuum encompassing the prevention, interception and management of bio-security incursions, food quality and safety using a scientifically base risk assessment approach in accordance with International accepted standards. Furthermore, to develop an effective inspectorate service at the ports of entry, ensure law enforcement and compliance to regulations that control exports and imports of agricultural products and prevent illegal dumping. In line with increasingly stringent international standards, the aim is to prevent the entry into the country and to manage the risks associated with diseases, pests and invasive species. Capacity remains the biggest thread to service delivery and sustainability of South African Agricultural Bio-security. This option is aimed at costing the human resources capacity and critical operational needs for agricultural inspection services which forms an integral part of bio-security.

The lack of capacity has also been accentuated in the report of the Auditor-General for the 2005/06 financial year tabled in Parliament during 2007 on import inspection services.

- * Option 3: Goat productivity improvement programme: R202,4 million over the MTEF period

The National Goat Development Programme is, within ASGISA, targeting the improvement of goat production and establishment of value adding enterprises for commercial purposes as was emphasised by the Minister of Agriculture and Land Affairs in her budget vote speeches for the 2006/07 and 2007/08 financial years. The programme also aims to address the presidential priorities of entrepreneurship and increase in production. It will inevitably contribute to job creation, income generation, food security and a contribution to the economic growth.

- * Option 4: Co-ordinated job evaluation of Agricultural Specific posts: R42,598 million over the MTEF period

Within the ten Departments of Agriculture (National and Provincial) in South Africa the situation exists whereby post gradings in the same occupational groups i.e. Veterinarians, Engineers and Lecturers, differ between the mentioned Departments. This results in officials job-hopping between Provincial Departments themselves as well as Provincial and National. In order to rectify this situation a co-ordinated job evaluation project to harmonise job within the relevant occupational categories for the agriculture sector is required.

- 2.2 In respect of unforeseeable and unavoidable expenditure the Department requested additional funds in the adjustments estimate for 2007/08 as follows:

- (i) Agricultural Disasters
- (ii) Humanitarian Assistance: SADC Countries
- (iii) Animal Diseases

- (ii) Unusual Diseases
- (iii) Non-communicable Diseases: ZVDZ Diseases
- (iv) Infectious Diseases

Notes:

55 The following information is provided for the purpose of illustrating the format of the information to be provided in the table.

The following information is provided for the purpose of illustrating the format of the information to be provided in the table.

The following information is provided for the purpose of illustrating the format of the information to be provided in the table.

The following information is provided for the purpose of illustrating the format of the information to be provided in the table.

The following information is provided for the purpose of illustrating the format of the information to be provided in the table.

3. SIGNIFICANT MTEF ALLOCATIONS: PLANNING ASSUMPTIONS AND RISK ASSESSMENTS

No written input required.

4. PERSONNEL ESTABLISHMENT AND VACANCY RATIOS

- **Personnel Establishment:**

Total approved posts as on 1 October 2007 – 3084

Vacancies as on 1 October 2007 – 442

	<u>1/04/07</u>	<u>1/05/07</u>	<u>1/06/07</u>	<u>1/07/07</u>	<u>1/08/07</u>	<u>1/09/07</u>	<u>1/10/07</u>
Approved posts:	3 191	3 191	3 191	3 190	3 190	3 082	3 084
Vacancies:	567	572	556	549	556	448	442

- **Vacancy rate:**

From 1 April 2007 to 1 October 2007 the vacancy rate of the Department decreased from 17, 42% to 14, 54%.

The Organisation Development Committee (ODC) was established in October 2006 with the specific purpose to monitor the management of vacancies within the Department in order to down scale the vacancy rate. If a post is vacant for more than 3 months without substantial reason, the post is abolished. (From October 2006 the vacancy rate decreased from 19, 69% to 14, 54%).

- **Challenges:**

Challenges are experienced in filling posts regarded as scarce skills in view of the salaries that are not market related.

5. SKILLS DEVELOPMENT AND TRAINING PROGRAMMES

SKILLS DEVELOPMENT 2007/2008

Management Development Programmes:

- A total number of 100 officials are on the Emerging Management Development Programme (EMDP)
- A total number of 100 officials are on the Advanced Management Development Programme (AMDP)

The following short courses are available in the Department

- Performance Management
- HIV/AIDS
- Problem Solving and decision making
- Time Management
- Presentation Skills
- Customer Care
- Computer
- Labour Relations
- Report Writing
- Fire Fighting
- Policy Development
- PFMA
- Mentorship and Coaching

Furthermore, the learnerships available are:

- Human Resources management learnership NQF level 4
- Business Administration NQF level 2 & 4
- Plant Production NQF level 2 & 3

Adult Basic Education and Training (ABET)

A total number of 313 learners are at present undergoing ABET training

Efficiency and effectiveness of the systems

The utilisation of the 1% of the skills levy for the implementation of identified training enhance training initiatives in the Department.

The Internal Training committee was established to ensure the development of employees by facilitating the development and implementation of training policies, strategies and guidelines.

The Workplace Skills Plan Task team was established to disseminate the information regarding the development of the Workplace Skills Plan, the nomination for the relevant courses, logistics of the training interventions and providing feedback of officials in the relevant Directorates.

A Workplace Skills Plan was developed to assist in the planning of training interventions for the financial year.

Quarterly and Annual training reports are submitted in terms of relevant legislative to monitor training implemented in terms of the Employee Development Policy

Challenges

The Department faces the following challenges:

- At present there is no database to capture HRD information
- At present there is no mechanism to measure the Return on Investment of training interventions.
- At present a comprehensive skills audit has not been done.
- Training provided is not up to the Department's standards and service providers are not accredited.
- At present pre and post assessment of training is not adequate.

Measures taken to address the challenges

To address some of the challenges a database is currently being developed and competency assessments for senior managers are implemented.

A Workplace Skills Plan Task team has been established to coordinate training within the respective programmes. To ensure that only accredited service providers and aligned training programmes are offered the training unit is verifying all the information before training providers can be appointed.

6. INFRASTRUCTURE AND MAINTENANCE BUDGETS

6.1 Efficiency and effectiveness of systems and practices related to infrastructure:

- Although the Department is responsible to manage its capital works budget, it is the Department of Public Works (DPW) that holds the reins in respect of infrastructure/building projects, per se. Due to the fact, however, that DPW does not have the capacity in terms of professional teams to supervise/manage the majority of building projects, normal supply chain procedures need to be followed for the appointing of professional teams such as consultants and contractors. This is an extremely time consuming process which, on numerous occasions, delay the actual building projects which have a negative impact on expenditure within the relevant financial year. Building projects may take more than three years before actual construction can commence.
- DPW, Head Office (Pretoria) is the main point of entry with regard to all requests for infrastructure related matters which in turn refers such requests to its relevant Regional Office. The problem however is that the Project Managers at the regions are so inundated with projects that progress with projects are slow.

6.2 Efficiency and effectiveness of systems and practices related to maintenance:—

- Currently repair and maintenance projects (RAMP) are being funded by the Department's capital works budget. New identified building projects must therefore take a back seat in order to revamp existing buildings.
- It is also found that the *status quo* reports from DPW do not contain all the relevant detail on projects.
- In general, progress with building and maintenance projects, are slow.

7. TRANSFER AND GRANT MANAGEMENT

7.1 Transfers in respect of the Parliamentary grants to the Agricultural Research Council and the National Agricultural Marketing Council are paid over to these institutions and treated the same way as normal transfers with the exception that these institutions must report to the Executive Authority on a quarterly basis on the state of their expenditure. These reports are then scrutinised and commented on in the Department's submission to the Minister. The budgets of these institutions are further dealt with as required in Section 53 of the Public Finance Management Act, 1999 (Act 1 of 1999).

7.2 Transfer payments handled as conditional grants to provinces are dealt with in terms of the Division of Revenue Act, 2007 (Act 1 of 2007) (DoRA). These include payments in respect of LandCare and CASP for which certain conditions, which they must comply with, are laid down and published in a Government Gazette. Progress and spending are monitored on a monthly basis so as to ensure compliance, to ascertain that the funds are utilised for the correct purpose and that the payment of funds, which are made on a quarterly basis, do not lead to non-financial performance and if so are handled in terms of Section 18 of DoRA. This arrangement works well in that these are specific grants/payments and the relevant province knows beforehand what it is to be spent on. It is envisaged by the Department that all payments to provinces in respect of agricultural disasters (normally unforeseeable and unavoidable expenditure) will in future also be handled in terms of DoRA due to its effectiveness.

8. MONITORING AND EVALUATION SYSTEMS

8.1 The Department established a Directorate: Planning and Evaluation during the 2001/02 financial year and refined it to the Directorate: Monitoring and Evaluation during 2002/03.

8.2 The purpose of this unit is to monitor and evaluate the Department's performance against targets set out in its annual Strategic Plan. This is done quarterly during the Department's Quarterly Review meetings. The results of each exercise are then made available in a printed document. This also forms the basis for the monitoring and evaluation report taken up in the Department's Annual Report.

8.3 The process set out in paragraph 8.2. is relatively new and is reviewed on an ongoing basis. From a human resources point of view, the Directorate's establishment was investigated and the extension thereof approved. Via the reprioritisation exercise mentioned in paragraph 1 above, additional funds were also allocated to this service and provision made for the extended establishment.