



BRIEFING TO THE PORTFOLIO COMMITTEE ON AGRICULTURE, FORESTRY AND FISHERIES

Financial and Fiscal Commission

14 October 2014

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Role and Function of the Financial and Fiscal Commission
2. Agriculture, Forestry and Fisheries in the Context of the Broader Economy
3. Departmental Analysis
4. DAFF in the provinces
5. Previous FFC Recommendations Relevant to Agriculture, Forestry and Fisheries
6. Concluding Remarks



1. ROLE AND FUNCTION OF THE FINANCIAL AND FISCAL COMMISSION

ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
 - Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
 - The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation
 - Commission must be consulted in terms of the FFC Act
- Current research strategy focuses on developmental impacts of IGFR



2. AGRICULTURE, FORESTRY AND FISHERIES AND THE BROADER ECONOMY

BACKGROUND

- The height of the 2008 economic and financial crisis is past, but its aftermath remains pervasive
 - The outlook for the South African economy remains cautious with South Africa still some way from restoring strong and sustainable economic growth rates per annum required by the National Development Plan (NDP)
- Contribution of the agriculture sector to gross domestic product (GDP) has declined from 7.1% in 1970 to 2.2% in 2013
- Agriculture sector's share of total exports increased from 3.6% in 2007 to 5.9% in 2013
 - South Africa becoming a member of the BRICS group of countries and entering into memoranda of understanding with member countries has led to increased trade
 - Trade in Africa has also accelerated with exports to Southern African Development Community (SADC) countries increasing from R5.3 billion in 2007 to R15 billion in 2012

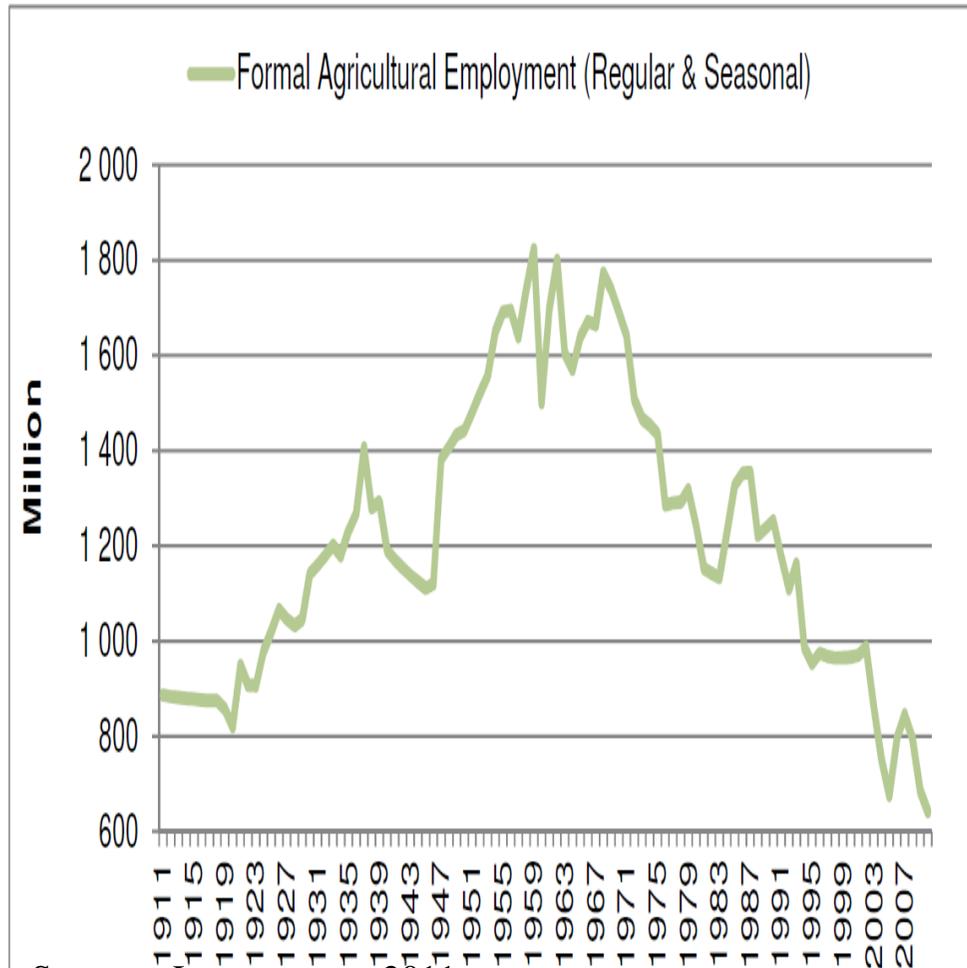


Climate change (implications of floods, drought, soil erosion, changes in water supply) growth in population, shifts in global economy are critical factors that shape the agriculture sector

BACKGROUND [CONT.]

- The National Development Plan (NDP) envisages the agriculture sector as one of the key levers for job creation and ensuring food security in South Africa. The NDP identified the following objectives for the sector:
 - Create one million jobs in agriculture, agro processing, and related sectors by 2030
 - Increase investments in new agricultural technologies and research and development
 - Realise a food surplus with 1/3 produced by small-scale farmers or households
 - Create security of tenure for communal farmers, especially women
- The Department of Agriculture, Forestry and Fisheries (DAFF) has aligned its plans over the medium term with the NDP:
 - Spending focus over the medium term is on increasing food production by supporting smallholder farmers through the Comprehensive Agricultural Support Programme (CASP)
 - Implementation of food security initiatives including Land Care, Ilima/Letsema and the recently established Fetsa Tlala food production initiative
 - Implementation of transformation frameworks (for example: AgriBEE Sector Charter, Forestry Sector Transformation Charter and the allocation of commercial fishing rights) to promote broader participation in the economy

EMPLOYMENT IN THE AGRICULTURAL SECTOR



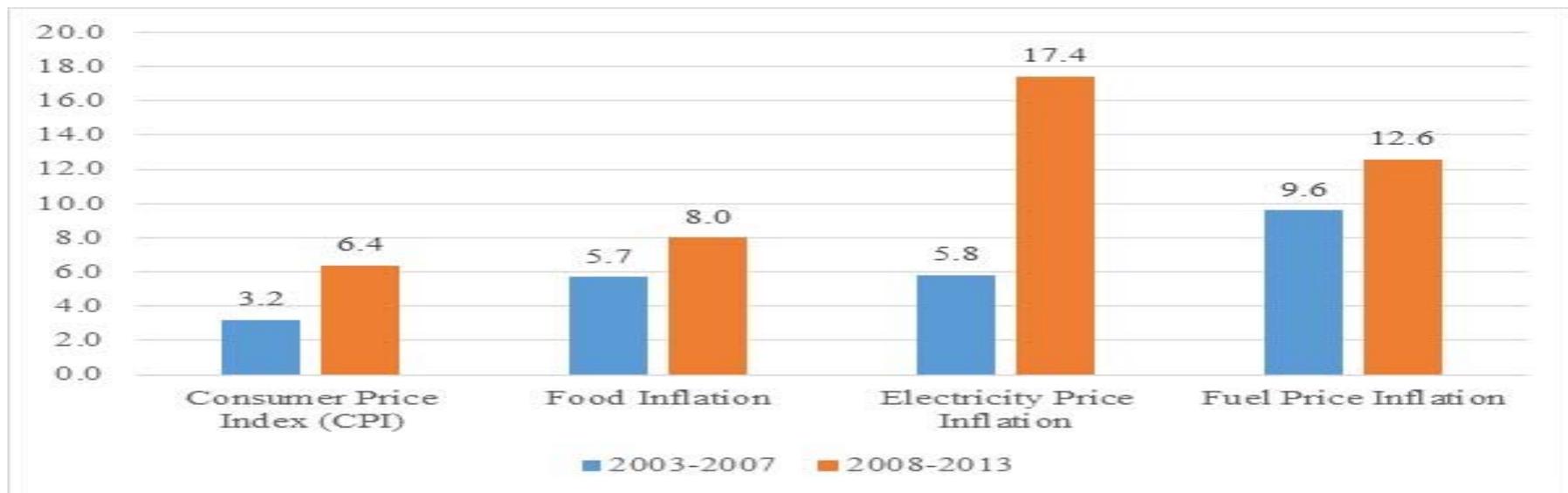
SOURCE: LIEBENBERG, 2011

- Increasing trend of agricultural unemployment experienced from the 1970's onwards, may be turning around:
 - Labour Force Survey notes a 12.7% increase in employment in the agriculture sector for 2013
 - Translates to a total of 54 000 jobs

FOOD PRICE INFLATION

- There is increased pressure on expendable income of consumers
 - Food inflation has risen faster than the inflation rate
 - This affects poor households the most as they spend a large share of household income on food compared to other income groups

AVERAGE INCREASE IN COMMODITY PRICES, 2003-2013



SOURCE: FFC SUBMISSION FOR THE DIVISION OF REVENUE 2015/16



3. DEPARTMENTAL ANALYSIS

DEPARTMENTAL OVERVIEW

- The department consists of 6 programmes
 - Administration, Agricultural Production Health and Food Safety, Food Security and Agrarian Reform, Trade Promotion and Market Access, Forestry and Fisheries
 - Six entities report to and fall under the budget of the DAFF
- Mandate: Address production and consumption in agriculture, forestry and fisheries sectors
- Strategic Goals of the department:
 - Increase production and productivity in the agriculture, forestry and fisheries sectors, enhancing employment and economic growth, food security, sustainable use of natural resources

BUDGET ANALYSIS AT THE FFC

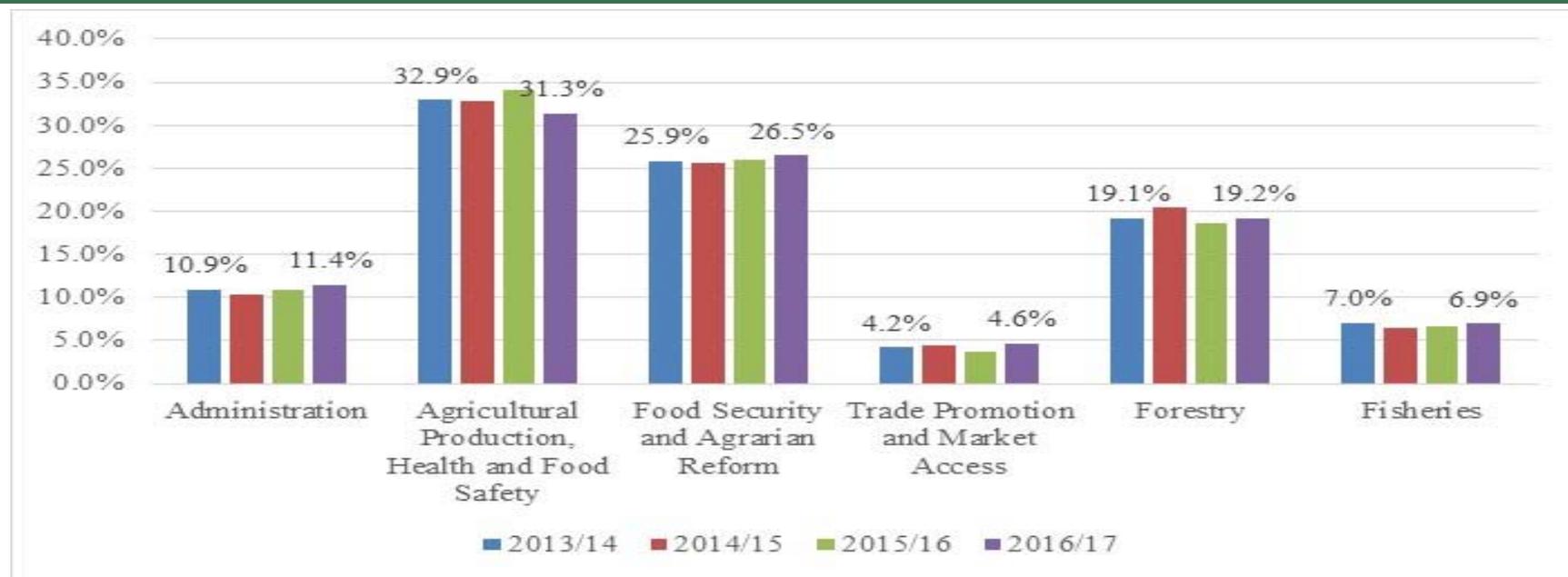
- The Commission provides a three-year backward looking and three -year forward looking analysis of departmental budgets
- Can compare allocations and performance by: vote /programme/ sub-programme /province
- Nominal versus real growth rates
 - Real figures/growth rates take inflation into consideration
 - Variances and explanations
 - Investigating the reasons/drivers of change
 - Spending by economic classification
 - Distinguishes between various categories of current (goods and services, transfers and subsidies) and capital expenditure (acquisition of fixed capital assets, purchase of land)

BUDGET AND PROGRAMMES OF DAFF

- Between 2013/14 and 2014/15, budget allocated to DAFF has increased from R6.1 billion to R6.6 billion, representing a real increase of 3.1%
- Over the medium term, allocations to DAFF are expected to decline due to Cabinet approved budget reductions and shifting the management function of the Knysna indigenous forest to the Department of Environmental Affairs

Programme (R'million)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Administration	582.0	644.9	670.9	694.6	725.6	763.9
Agricultural Production, Health and Food Safety	1 644.9	1 874.8	2 036.5	2 199.8	2 252.7	2 089.4
Food Security and Agrarian Reform	1 251.6	1 405.2	1 599.3	1 711.1	1 718.8	1 768.7
Trade Promotion and Market Access	190.2	212.2	258.2	294.2	247.5	309.9
Forestry	884.7	1 191.8	1 183.6	1 364.9	1 233.4	1 279.3
Fisheries	352.0	484.3	433.7	427.8	443.3	462.9
Total	4 905.3	5 813.2	6 182.3	6 692.4	6 621.2	6 674.2
Real Year on Year Growth		2011/12- 2012/13	2012/13- 2013/14	2013/14- 2014/15	2014/15- 2015/16	2015/16- 2016/17
Administration		4.5%	-0.9%	-1.4%	-0.5%	0.2%
Agricultural Production, Health and Food Safety		7.5%	3.5%	2.9%	-2.5%	-11.7%
Food Security and Agrarian Reform		5.9%	8.4%	1.9%	-4.3%	-2.0%
Trade Promotion and Market Access		5.2%	15.9%	8.5%	-19.9%	19.2%
Forestry		27.0%	-5.4%	9.8%	-13.9%	-1.2%
Fisheries		29.8%	-14.7%	-6.0%	-1.3%	-0.6%
Total		11.8%	1.3%	3.1%	-5.8%	-4.0%

BUDGET COMPOSITION ACROSS PROGRAMMES



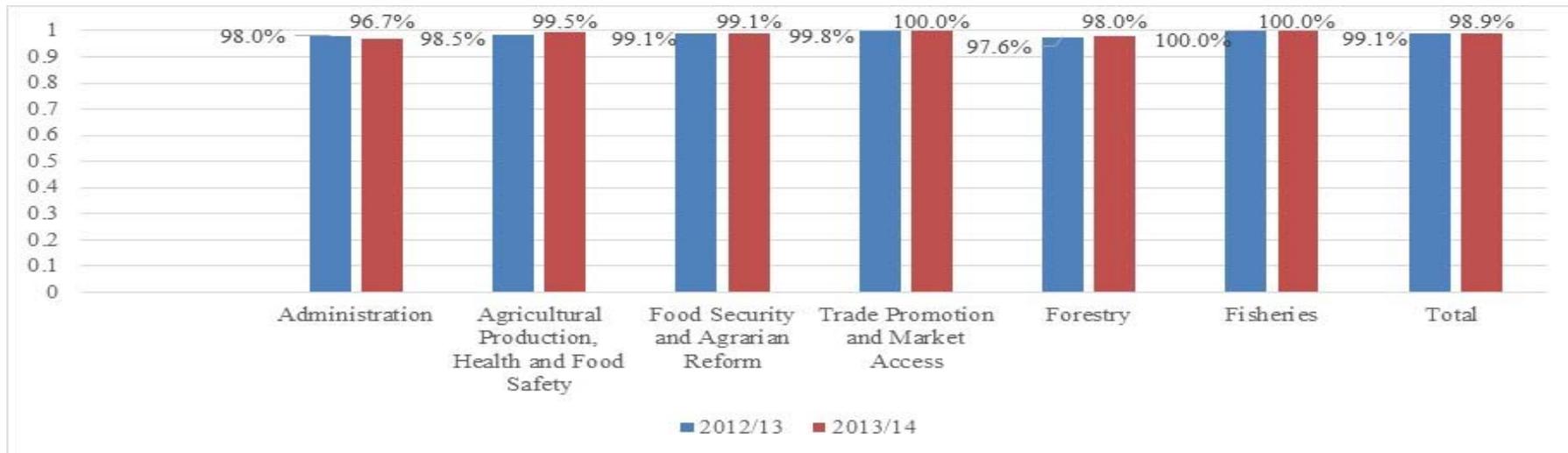
- Agricultural Production, Health and Food Safety Programme consumes the largest share of DAFF's budget
 - Funding for Agricultural Research Council, Onderstepoort Biological products and the Ilima/Letsema conditional grant fall under this programme
- The Food Security and Agrarian Reform and the Forestry programmes consume the second and third largest shares of the budget

ECONOMIC CLASSIFICATION

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Real Annual Average Growth 2011/12-2013/14	Real Annual Average Growth 2014/15-2016/17
R'million								
Compensation of employees	1 320.7	1 419.1	1 603.3	1 697.9	1 833.4	1 934.6	4.4%	1.6%
Goods and services	651.3	729.6	791.4	856.2	857.2	866.4	4.5%	-4.2%
Transfers and subsidies	2 800.5	3 493.0	3 639.3	4 035.4	3 832.4	3 771.4	8.0%	-7.9%
Payments for capital assets	132.0	169.4	147.1	101.6	97.0	100.4	0.0%	-5.3%

- Transfers and subsidies are significant due to the three conditional grants that DAFF administers to provinces and the six entities that fall under the department
 - Strong growth in transfers and subsidies between 2011/12 and 2013/14 are due to increases in the Comprehensive Agricultural Support Programme (CASAP) grant and additional allocations to Agricultural Research Council (to upgrade the foot and mouth disease facility) and Onderstepoort Biological Products (to modernise vaccine production facilities)
 - In line with Cabinet approved reductions, between 2014/15 and 2016/17, there is a decline in allocations in respect of goods and services, transfers and subsidies and capital – spending on personnel set to grow marginally by 1.6% to fund improved conditions of service¹⁵

DEPARTMENTAL SPENDING PERFORMANCE (FISCAL DISCIPLINE)

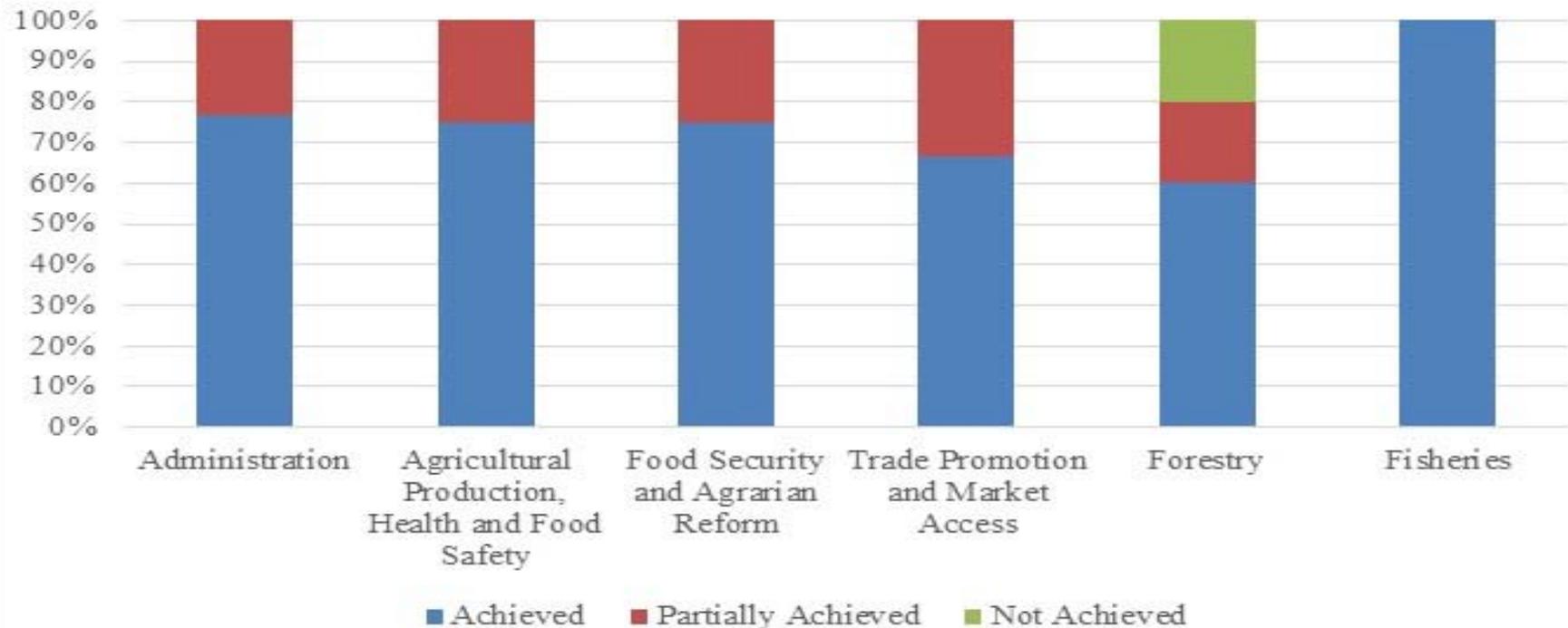


- Reasons for 2013/14 underspending:

- Administration: expenditure in respect of capital works not incurred due to delays in Department of Public Works' processes
- Agricultural Production, Health and Food Safety: expenditure related to Primary Animal Health Care Programme not incurred due to incomplete procurement processes
- Food Security and Agrarian Reform: Expenditure in respect of the Economic Competitiveness Support Package for colleges of agriculture not incurred due to incomplete procurement processes in the provinces
- Forestry: Transfer payments in respect of Land Care to the Eastern Cape province withheld due to underspending

DEPARTMENTAL PERFORMANCE

- Generally DAFF has met 75% of its targets
- Achievement of numerous targets ‘in progress’
 - Raises the question as to whether targets are realistic or whether performance indicates slow pace of Department in meeting its targets
- In relation to the level of spending (98% of budget), achievement of targets is low



ASPECTS HIGHLIGHTED BY THE AUDITOR-GENERAL

- Audit opinion of DAFF:
 - 2013/14: Unqualified with findings
 - 2012/13: Unqualified with findings
- Cases of irregular and fruitless/wasteful expenditure are under investigation
 - Irregular expenditure generally due to lack of adherence to proper supply chain management processes

	2012/13	2013/14
Irregular expenditure	R 1 200 000	R 7 500 000
Fruitless/wasteful expenditure	R 382 000	R 786 000

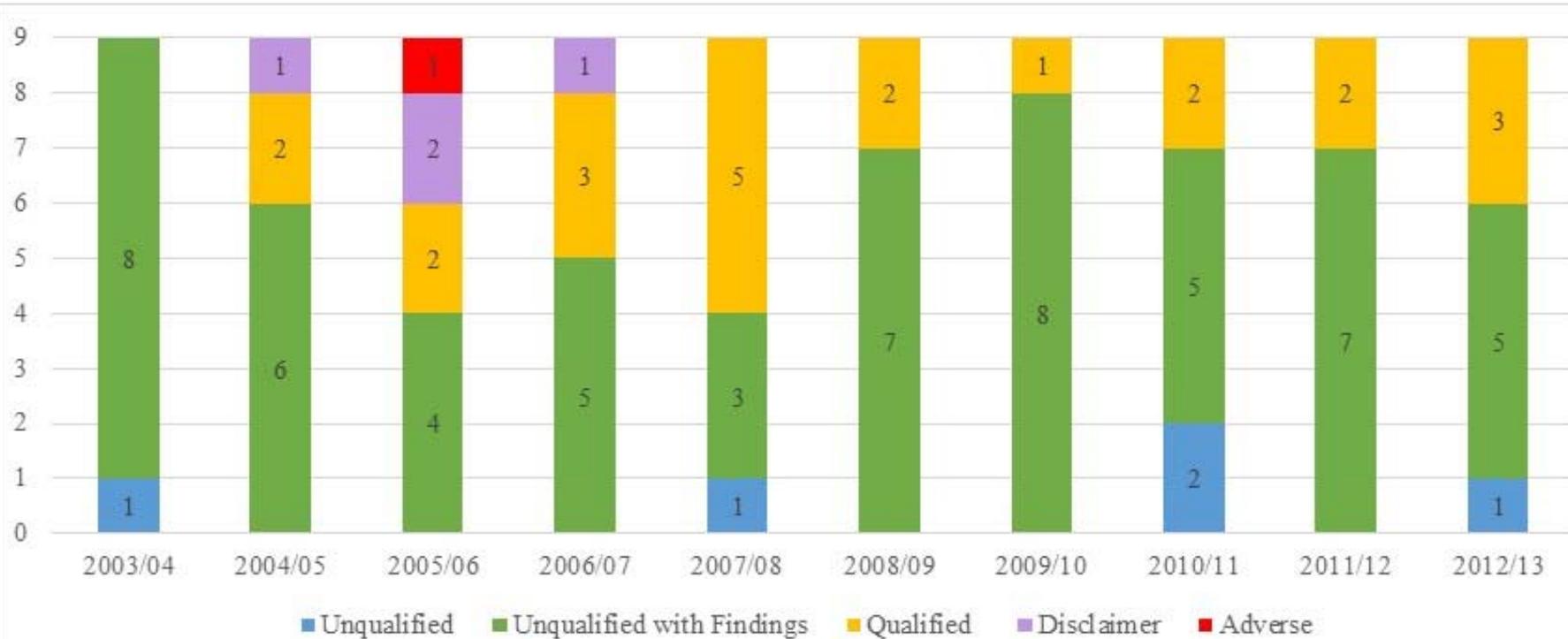
- Matters of emphasis highlighted by the Auditor-General:
 - Audit committee was not in place
 - Effective steps were not taken to prevent irregular expenditure
 - Management did not exercise sufficient oversight of reporting and internal controls
- DAFF did not conduct a risk assessment and a risk management strategy was not prepared
- Within Forestry programme 40% of targets were not specific, measurable and verifiable



4. AGRICULTURE FORESTRY AND FISHERIES IN THE PROVINCES

PROVINCIAL AUDIT OUTCOMES

- Whilst dropping from the standard set in 2003/04 where all provincial DAFF's received unqualified opinions, since 2005/06, no provincial DAFF has obtained an adverse opinion and since 2006/07 no provincial DAFF has received a disclaimer



DAFF-RELATED CONDITIONAL GRANTS

BK10

- DAFF is transferring agent for three conditional grants to provinces

Conditional Grant	Purpose of the Grant
Comprehensive Agricultural Support Programme (CASP)	To provide effective agricultural support services, promote and facilitate agricultural development by targeting beneficiaries of land reform restitution and redistribution and other black producers who have acquired land through private means and are engaged in value-adding enterprises domestically or involved in exports
Ilima Letsema	To assist vulnerable SA farming communities to achieve an increase in agricultural production and invest in infrastructure that unlocks agricultural production
Land Care	To promote sustainable development and use of natural resources by engaging in initiatives that support the pillars of sustainability, leading to greater productivity, food security, job creation and better well-being for all

Slide 21

BK10

I suggest that you go back a bit on these grants to early recommendations of the Commission and then trace how they have evolved and performed since their introduction to the present. In that respect you will be able to add value to the debate on especially the LC and the CASP's relevance in the food security debate.

Bongani Khumalo, 2014/10/10

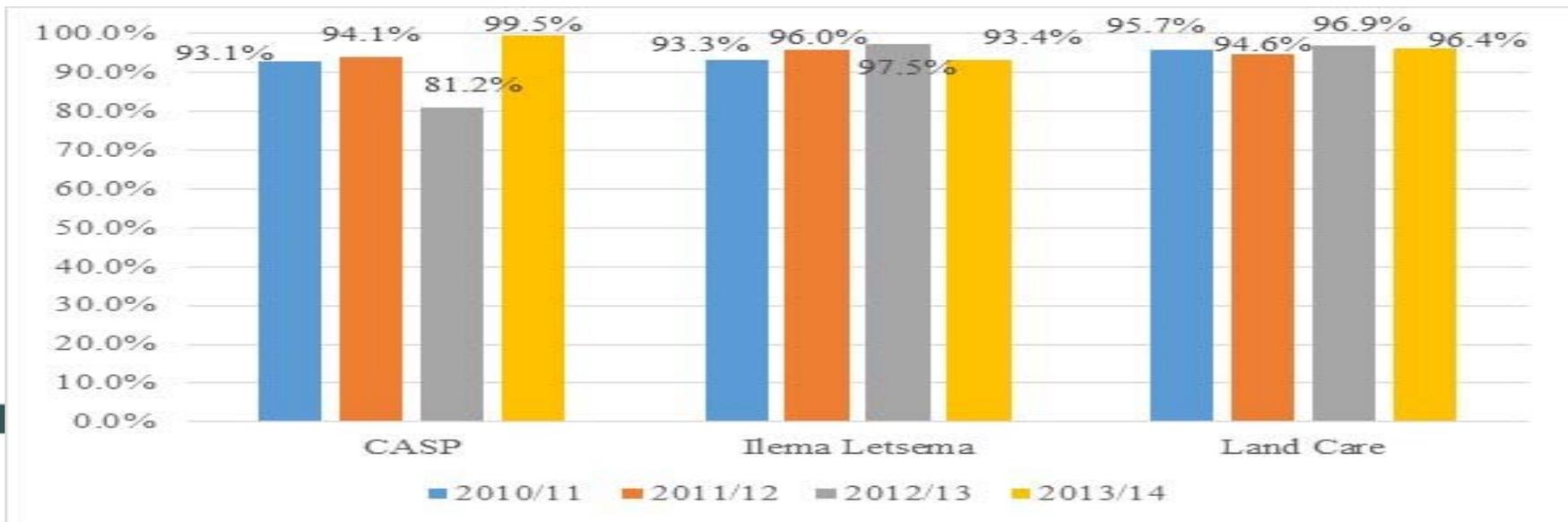
GROWTH IN ALLOCATIONS OF DAFF-RELATED CONDITIONAL GRANTS

- Growth in CASP projected to decline significantly over the medium term relative to strong growth in period 2011/12 to 2013/14
 - The increase in CASP between 2013 and 2014 due to funding implementation of the Fetsa Tlala strategy
- Ilima/Letsema projected to growth by just under 5% per annum over the 2014 medium term expenditure framework

R'000	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Real Annual Average Growth Rate 2011/12-2013/15	Real Annual Average Growth Rate 2014/15-2016/17
CASP	1 029 321	1 534 991	1 600 020	1 860 608	1 688 085	1 757 193	24.7%	-2.8%
Ilima/Letsema	400 000	415 798	438 456	460 625	481 814	507 350	4.7%	4.9%
Land Care	57 772	115 661	108 997	67 837	68 158	71 519	37.4%	2.7%

SPENDING PERFORMANCE OF DAFF-RELATED CONDITIONAL GRANTS [CONT.]

- CASP spending has improved with just under 100% of the total allocation being spent in 2013/14
- Following improvements in spending in 2011 and 2012, spending performance on Ilima/Letsema grant has dropped slightly in 2013/14
- Spending of the Land Care grant has been the most consistent over the period



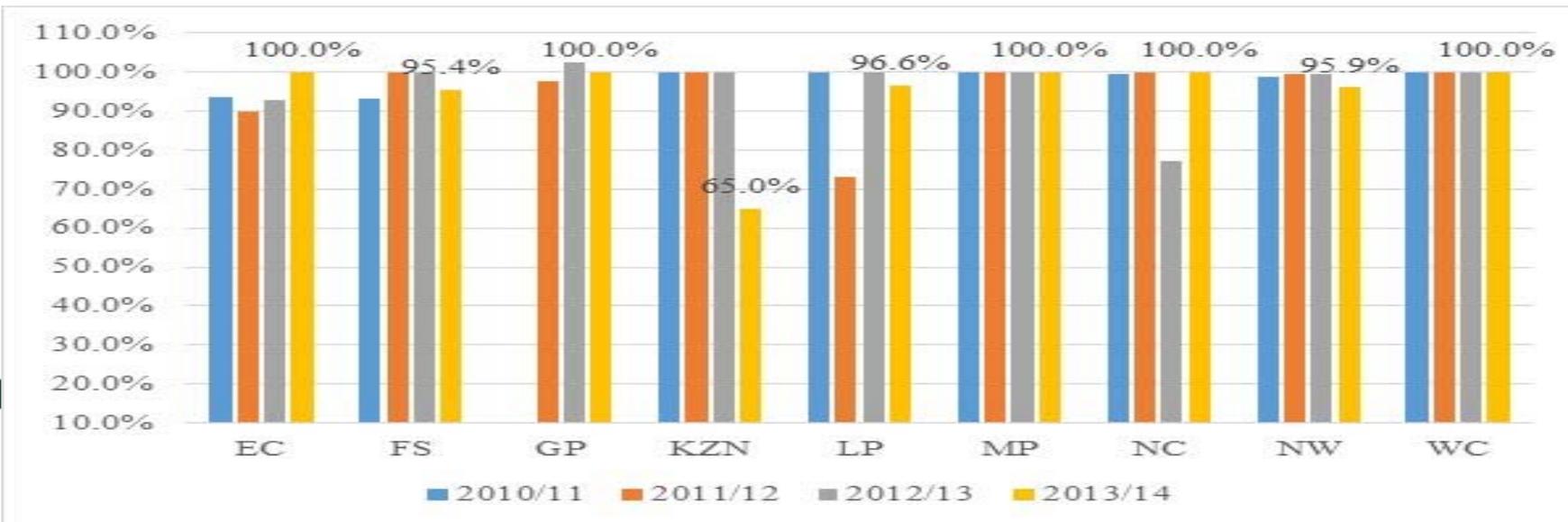
SPENDING PERFORMANCE OF THE CASP CONDITIONAL GRANT

- Generally provinces spent in excess of 90% of the grant with Free State, KZN, Limpopo, Northern Cape and Western Cape spending their full allocations
- Poor spending in 2012/13 driven by underspending by the Northern Cape and, to a lesser extent, the Eastern Cape
 - Underspending due to delays in procurement processes and poor performance by service providers who did not meet contractual obligations



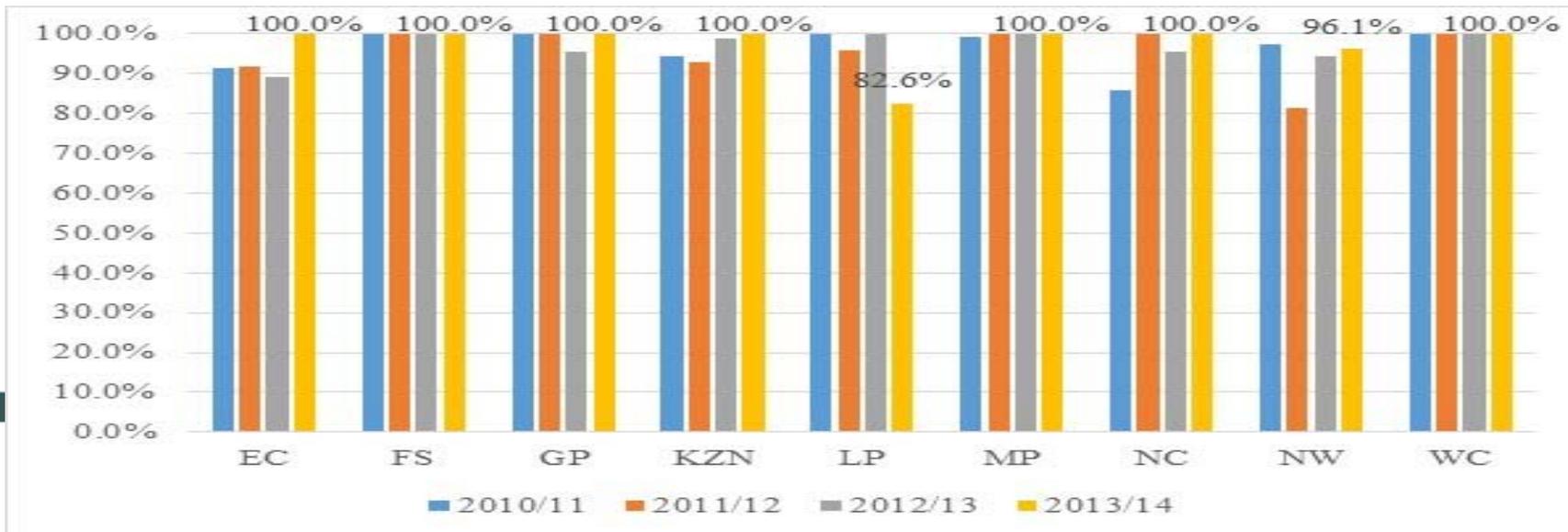
SPENDING PERFORMANCE OF THE ILIMA/ LETSEMA CONDITIONAL GRANT

- Mpumalanga and Western Cape have show consistently good spending on Ilima/Letsema grant
- Following good performance between 2010 and 2012, KZN underspent significantly in 2013/14 – only 65% of allocation spent
 - Poor performance by service providers and delays in procurement processes cited as reason for underspending



SPENDING PERFORMANCE OF THE LAND CARE CONDITIONAL GRANT

- Free State, Mpumalanga, Western Cape show consistent trend of good spending over the entire period reviewed
- Eastern Cape shows a trend of underspending between 2010 and 2012
 - Reason for underspending: contractor challenges and delays in procurement processes
 - In 2013 R15.8 million was meant to be transferred to the Eastern Cape – only R12.6 million was transferred. The balance was not transferred due to non-compliance with the national grant framework



EARLY FFC RECOMMENDATIONS ON AGRICULTURE GRANTS

- FFC's Annual Submission for the 2007/08 Division of Revenue recommended that the Land Care Grant and CASP grants be merged into one
- Rationale for the recommendation: overlapping objectives, poor spending performance. The Commission was of the view that merging the grants into one would reduce the administrative burden on provinces and improve the efficiency of spending
 - This recommendation was not supported by Government
- To date conditional grant spending performance within certain provinces remain poor, particularly on CASP
 - R187.6 million to be cut from CASP over the 2014 medium term to give effect to Cabinet approved reductions - due to CASP underspending
 - Over the 2014 medium term, R1.7 billion taken from CASP and reprioritised towards the Fetsa Tlala food production programme
 - Fetsa Tlala programme is aimed at mass production of staple foods on fallow land
- Continued implementation of numerous existing (and underperforming) and new initiatives with overlapping objectives



5. ENTITIES REPORTING TO THE DAFF

ENTITIES REPORTING TO DAFF

- Six entities report to the DAFF

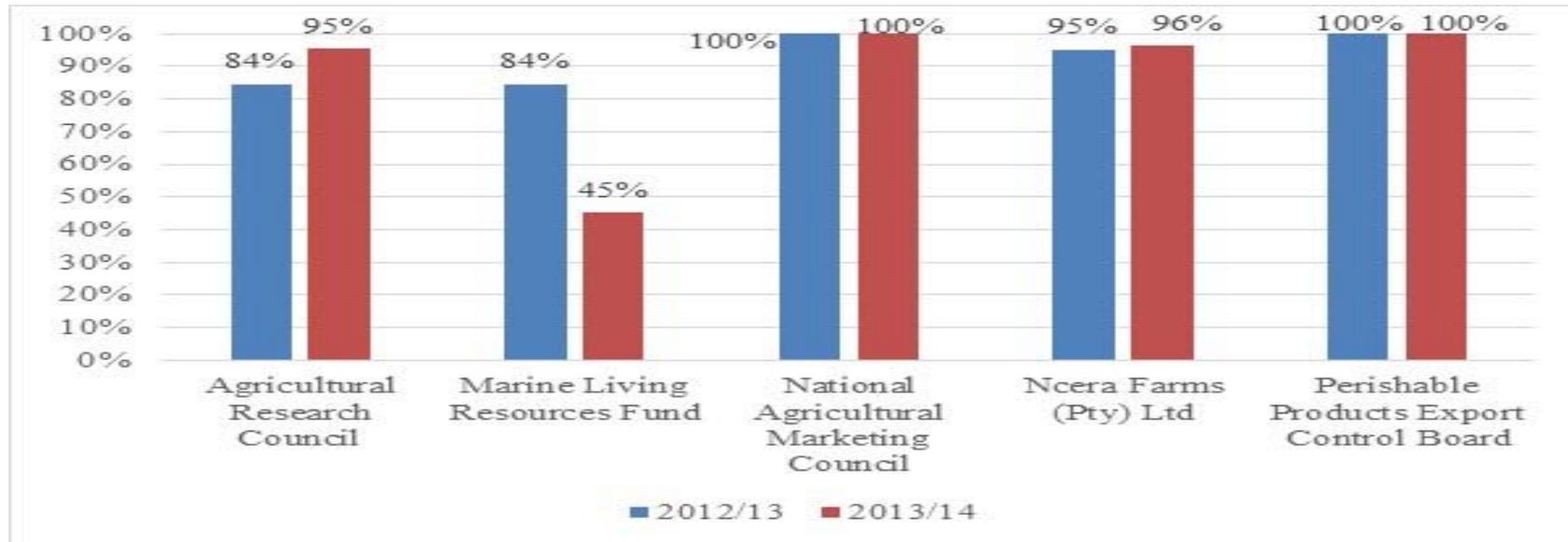
Name of Entity	Nature of Operations	Financial Relationship
Agricultural Research Council	Conducts applied research to generate knowledge, develop human capital and foster innovation in agriculture	Transfer Payment
Marine Living Resources Fund	Manages the development and sustainable use of SA's marine resources and protects the integrity and quality of the marine ecosystem	Transfer Payment
National Agricultural Marketing Council	Provides strategic advice to the Minister on all agricultural marketing issues, improves market access by all participants	Transfer Payment
Ncera Farms (Pty) Ltd	The company was established to provide agricultural extension services, mechanisation of agricultural production, provide training and advice on crops and marketing of agricultural products to farmers and nearby communities	Transfer Payment
Onderstepoort Biological Products Ltd	Purpose is to prevent and control animal diseases that impacts on food security, human health and livelihoods.	None
Perishable Products Export Control Board	Contributes to ensuring the orderly export of all perishable products and to monitor the maintenance of a continuous cold chain for exports. It also monitors minimum quality standards and adherence to bilateral agreements with importing countries	Transfer Payment

TRANSFERS TO ENTITIES, 2012/13 AND 2013/14

Entity	2012/13 (R'000)		2013/14 (R'000)	
	Allocated	Spent	Allocated	Spent
Agricultural Research Council	943 026	795 368	950 254	905 954
Marine Living Resources Fund	316 365	267 255	253 545	114 284
National Agricultural Marketing Council	31 409	31 409	33 819	33 819
Ncera Farms (Pty) Ltd	4 989	4 749	5 020	4 841
Perishable Products Export Control Board	600	600	600	600
Onderstepoort Biological Product			96 500	70 900
Land and Agricultural Bank of South Africa	31 100		33 347	

- Whereas Onderstepoort usually does not receive transfers from the DAFF, it received R96 million in 2013/14 to fund the building and modernisation of vaccine production facilities equipment
- In 2012/13 the Land and Agricultural Bank of SA did not spend its transfer due to proposals for funding not complying with criteria. Similar performance illustrated un

SPENDING PERFORMANCE OF ENTITIES, 2012/13 AND 2013/14



- National Agricultural Marketing Council and Perishable Products Export Control Board have consistently spent transfers allocated by DAFF
- Marine Living Resources fund showed significant underspending in 2012/13.

In 2013/14 55% of the allocation to this entity was deferred to 2014/15, hence amount spent relative to allocation is low



5. PREVIOUS FFC AGRICULTURE – RELATED RECOMMENDATIONS

Submission	FFC Recommendation
Response to 2014 DoR Bill	<p>The Commission noted that on aggregate, agriculture conditional grants had declined mainly due to underperformance. The main reasons for underperformance included: poor planning, procurement challenges, late submission of business plans and skills deficit in some of the provincial agricultural departments. The view of the Commission is that the sector should explore how it can leverage private sector partnerships, better absorb available funds, improve coordination with other sector departments, quality of spending and remove existing duplication with other departments</p> <p><i>The issue of underspending/under performance persists</i></p>
Response to 2014 Appropriation Bill	<p>Commission noted the decline in the allocation to Agriculture, Forestry and Fisheries and reiterated the need to improve planning and procurement processes</p>
Response to the 2011 DOR Bill	<p>The Commission was of the view that the various agricultural conditional grants were too small to be administered separately and as a result would not have the desired impact on agriculture and rural development. Given the low spending performance of these grants, the Commission recommended the merging of these grants into one comprehensive agriculture finance programme</p> <p><i>The issue of underspending persists particularly with CASP</i></p>

Submission	FFC Recommendation
	<p>DAFF should strengthen its ability to enforce the conditions in the grant framework to ensure better oversight of provinces, so that spending and performance of agricultural conditional grants can be improved. The Commission suggests that norms and standards be developed to assess the performance of provinces and five-year evaluations of conditional grants be institutionalised</p> <p><i>Government Response: In the process of being finalised</i></p>
<p>Submission for the 2015/16 DoR</p>	<p>The Commission recommends that special focus is put on improving the operations of different food security programmes, especially Agriculture, EPWP and the School Nutrition Programme, which accelerate reduction in household food security without necessarily increasing programme expenditure. Areas that can yield improved results include better joint planning and streamlining procurement processes with the assistance of the Chief Procurement Officer. The ability to use available resources optimally for the food security programmes have declined overtime</p> <p><i>Government Response: In the process of being finalised</i></p>

Submission	FFC Recommendation
Submission for the 2015/16 DoR	<p>Government should clarify the legislative mandate and responsibility of municipalities in relation to food security. In this regard, DAFF should develop a policy on urban food security with concrete proposals on how such a mandate will be funded. Currently food security is not seen as a competence of municipalities and therefore cannot be funded</p> <p><i>Government Response: In the process of being finalised</i></p>
	<p>The terms of reference for the committee to review the agricultural conditional grants should be finalised without delays. The review should be comprehensive in scope and should include assessing the value chain of conditional grants and unlocking operational constraints, especially in relation to planning, procurement, comprehensive smallholder support, cash-flow and monitoring and evaluation. Stakeholders such as the Department of Rural Development and Land Reform should be invited to be part of the committee and ways to streamline the funding overlap between the Ilima/Letsema grant and the recapitalisation and development programme should be examined</p> <p><i>Government Response: In the process of being finalised</i></p>

Submission	FFC Recommendation
<p data-bbox="219 770 439 911">Submission for the 2012/13 DoR</p>	<p data-bbox="477 196 2007 496">Government should ensure that municipalities develop their own climate change mitigation and adaptation strategies and plans for climate change as part of the Integrated Development Planning process. Government should provide support in this respect to municipalities over the next three years, distinguishing between different types of municipalities by both location and capacity in terms of the mandatory requirements placed on them</p> <p data-bbox="477 507 2007 807"><i>Government Response: Government is undertaking a number of initiatives that will assist municipalities in planning for the impacts of climate change. For example, the Department of CoGTA, in partnership with the Department of Environmental Affairs and SALGA, is developing an integrated planning toolkit for climate change. The toolkit will guide municipalities through the process of integrating climate responses into all phases of planning, from problem analysis to operations and review</i></p> <p data-bbox="477 834 2020 1134">Government should consider providing municipalities with a performance-based conditional grants which rewards or incentivises actions that are environmentally efficient and responsive to the adaptation and mitigation challenges of climate change. The design of the proposed grant should pay attention to municipality specific factors, such as area, topography, coastal/or otherwise, and vulnerability to climate change. Specific areas for this grant should include:</p> <ul data-bbox="477 1145 1962 1238" style="list-style-type: none"> •Efficient water management practices, Efficient energy management practices and the implementation of green procurement principles <p data-bbox="477 1249 2020 1485"><i>Government Response: Poor uptake of existing incentive grants shows that such grants are not the most efficient way to influence the behaviour of municipalities. There may be merit in a specific conditional grant to address major infrastructure requirements related to climate change. However, more research is needed to determine the structure of such a grant.</i></p>

Submission	FFC Recommendation
Submission for the 2012/13 DoR	<p>The governance and institutional arrangements for rural development across the three spheres of government needs to be clarified urgently. This is important for planning, budgeting and implementation of rural development programmes. The Commission recommends that a functional mapping of all rural development activities be undertaken with specific responsibilities assigned to each sphere of government</p> <p><i>*Recommendation was part of an Annexure to the FFC's DoR Submission, hence no formal response from Government</i></p>
	<p>The fiscal framework (both the equitable share and conditional grant allocations) for rural and agricultural development must be reviewed. In particular government should merge current conditional grants into a comprehensive agriculture and rural development finance programme, preferably administered by one department. This will improve the focus, targeting and impact and reduce transaction costs in the administration of conditional grants</p> <p><i>*Recommendation was part of an Annexure to the FFC's DoR Submission, hence no formal response from Government</i></p>

Submission	FFC Recommendation
Submission for the 2010/11 DoR	<p>There must be a review of the free basic water and sanitation subsidy, as well as a review of water tariff structures, to ensure that the shortcomings implicit in the current subsidy system do not outweigh the benefits. At present there is no coherent oversight framework for how water service authorities manage trade-offs in the design and determination of their water tariffs. The tariff structures which are different in various municipalities have a substantial impact on the pricing of water. Principles and practices guiding both tariff and subsidy structures and price levels should be made clear and routinely monitored</p> <p><i>Government Response: Government agreed with the proposal for a review of the water tariff structures. At present municipalities set tariffs and the National Treasury and Department of Water Affairs only oversee and comment on such tariff setting, therefore, government supports the need for strengthened regulation on water tariffs and monitoring</i></p>

Submission	FFC Recommendation
<p>Submission for the 2010/11 DoR</p>	<p>Following on this recommendation, the Commission would like to propose that the government consider establishing an independent National Water Regulator that would report to Parliament. Its functions amongst others will be to:</p> <ul style="list-style-type: none"> • Regulate the entire water supply industry • Issue licences, regulate tariffs, and monitor water integrated resource plans for infrastructure investments • Regulate compliance to industry norms and standards • Regulate the supply of water and sanitation services and their compliance to quality standards • Regulate water efficiency and demand-side management • Develop regulatory frameworks for PPPs and alternative service delivery models in the water sector • Ensure regulatory instruments support the achievement of universal access to water and sanitation services • Monitor supply and demand trends in the water supply industry <p><i>Government Response: Government agrees to the FFC's recommendation on the establishment of an independent National Water Regulator subject to its cost and affordability. Any lessons learnt from the regulation of both bulk and retail electricity should be taken into account</i></p>

Submission	FFC Recommendation
<p>Submission for the 2007/08 DoR</p>	<p>The Land Care Grant and Comprehensive Agricultural Support Programme Grant should be merged into one Schedule 4 grant. These two grants have overlapping objectives. The administrative burden on provinces will be minimised by the creation of only one Agriculture Grant</p> <p><i>Government Response: Government does not support this recommendation as it is of the view that the two grants have different objectives. The CASP targets agricultural extension services to beneficiaries of the land reform programme, while the land care programme seeks to promote the sustainable use and management of natural resources</i></p>



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6. CONCLUSION

CONCLUDING REMARKS

- The NDP envisages a major role for the DAFF in creating employment and growth and ensuring food security
 - Pockets of progress are evident for example job creation efforts starting to bear fruit
- Aspects requiring attention
 - Budget generally spent but achievement of targets is low
 - Oversight role of the department in relation to provincial counterparts needs to be strengthened
 - Underspending on grants generally as a result of weak procurement processes in provincial DAFF – what role can DAFF play to enhance performance of provincial departments
 - Internal controls within the DAFF need to be improved, particularly in relation to:
 - Putting measures in place to prevent irregular expenditure
 - Ensuring that performance targets are specific measurable and verifiable
 - Carrying out a risk assessment and implementing a risk management strategy

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