

2020

Rural Economic Infrastructure Programme

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CLUSTER: ECONOMIC SERVICES

NATIONAL TREASURY

1. INSTITUTIONAL ANALYSIS

1.1 Introduction

- 1.1.1 Since 1994, the South African government has placed rural development amongst the top five priorities of government to develop the economy and to address spatial/infrastructure inequalities. This is necessitated by the realisation that infrastructure development is critical component to the upliftment of the rural economy. Development of the rural economy holds significant potential towards reducing inequality, unemployment and poverty, thereby contributing to sustainable development and economic growth.
- 1.1.2 The former Department of Rural Development and Land Reform introduced the rural development programme, focused on rural community development through the provision of appropriate infrastructure, meant to be an enabler to the rural economy. Some of the main interventions are focused on reducing school and health infrastructure backlogs, ensuring access to ICT by households and schools, and providing access to basic services including decent sanitation, clean drinking water, electricity and transport infrastructure in rural areas.
- 1.1.3 The DALRRD's infrastructure programme has acted as an initiator, facilitator, coordinator and catalyst in rural development interventions over the past 10 years.
- 1.1.4 The department has coordinated strategies, policies and mobilised resources from stakeholders to contribute to the objectives of the rural development programme.

1.2 Problem Statement

- 1.2.1 Since April 2009 a dedicated rural infrastructure programme under the former Department of Agriculture, Land Reform and Rural Development (DALRRD) spent a total of R5.3 billion as at the end of March 2020 to deliver roads, shearing sheds, dipping tanks, milking parlours, community gardens, production/marketing stalls, fencing for agriculture, storage warehouses, distribution and transport networks, rural electrification, irrigation schemes for small scale farmers, water harvesting, water basin and water shed management systems in the rural communities.
- 1.2.2 Given the quantum of resources devoted to rural infrastructure, it is important to evaluate the impact of these interventions against the set objectives. It is also critical to ensure the proper measurement of performance to properly analyse the effectiveness of spend.
- 1.2.3 It should be noted, however, that most of the interventions were not primary functions of the department -- for example building schools. This raises the question of whether the delivery of these effective and efficient, as it creates the real risk that infrastructure is developed that does not align with the plans of the relevant department -- eg are teachers assigned to these schools? It raises questions of duplication of functions, which needs further interrogation.

1.3 Purpose of the Rural Economic Infrastructure Programme

- 1.3.1 According to DALRRD, the infrastructure programme is meant to act as an initiator, facilitator, coordinator and catalyst in rural development interventions. The DALRRD aims to facilitate and coordinate most of rural infrastructure and play an active role in the facilitation of infrastructure in rural communities.

Observation 1: In its quest to close the infrastructure gap the department ended up facilitating infrastructure interventions in which it has no expertise/funding, resulting in ineffective and possibly wasteful spending. The department should only coordinate strategies, policies and mobilise resources from stakeholders to contribute to the objectives of the rural development programme. The rural development mandate is wide and broad and accountability for delivery lapses(?) are difficult.

1.4 Key policies, laws and regulations

- 1.4.1 Rural development is a concurrent functional domain shared between the national and provincial spheres of government. As part of the national sphere of government, the Department of Agriculture, Land Reform and Rural Development is both the coordinating and line functionary department to whom the functional domain rural development has been allocated, and is therefore responsible for rural development policy, strategy, legislation, programming and oversight in respect of implementation of various rural development programmes, including infrastructure development.
- 1.4.2 The DALRRD derives its mandate to develop rural areas from the Constitution of the Republic of South Africa, Act 108 of 1996 which obliges the state (national and provincial) to undertake rural development (Schedules 4 and 5). Further the following pieces of key legislation guide infrastructure development programme.
- The Construction Industry Development Board Act, 2000 (Act No. 38 of 2000 (CIDB Act));
 - The Infrastructure Development Act, 2014 (Act No. 23 of 2014);
 - The Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013);
 - National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA);
 - The Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA);
 - The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
 - Health and Safety Act.

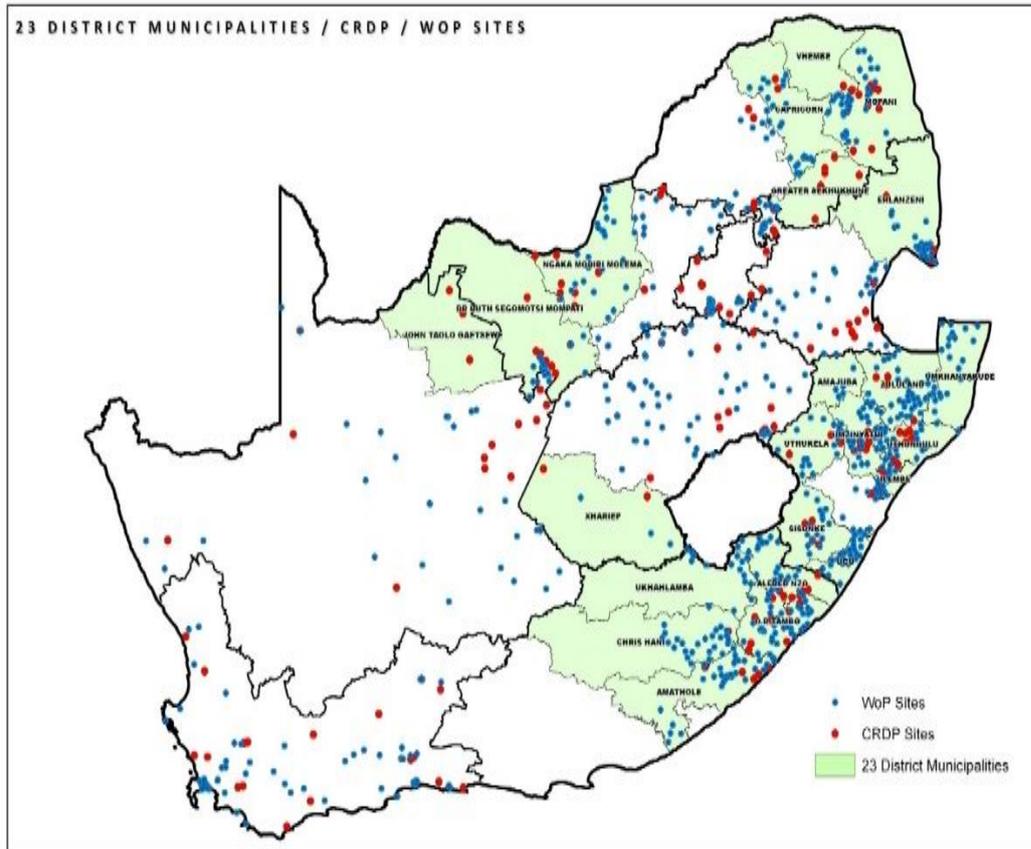
1.5 Programme beneficiaries

- 1.5.1 The beneficiaries of the Rural Infrastructure Development Programme (RIDP) have been rural households and rural communities living in villages and

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traditional authority areas, commonages. The picture below outlines who the geographical spread of the beneficiaries of the infrastructure programme.

Fig 1: Rural Infrastructure spots across South Africa.



Source: DALRRD

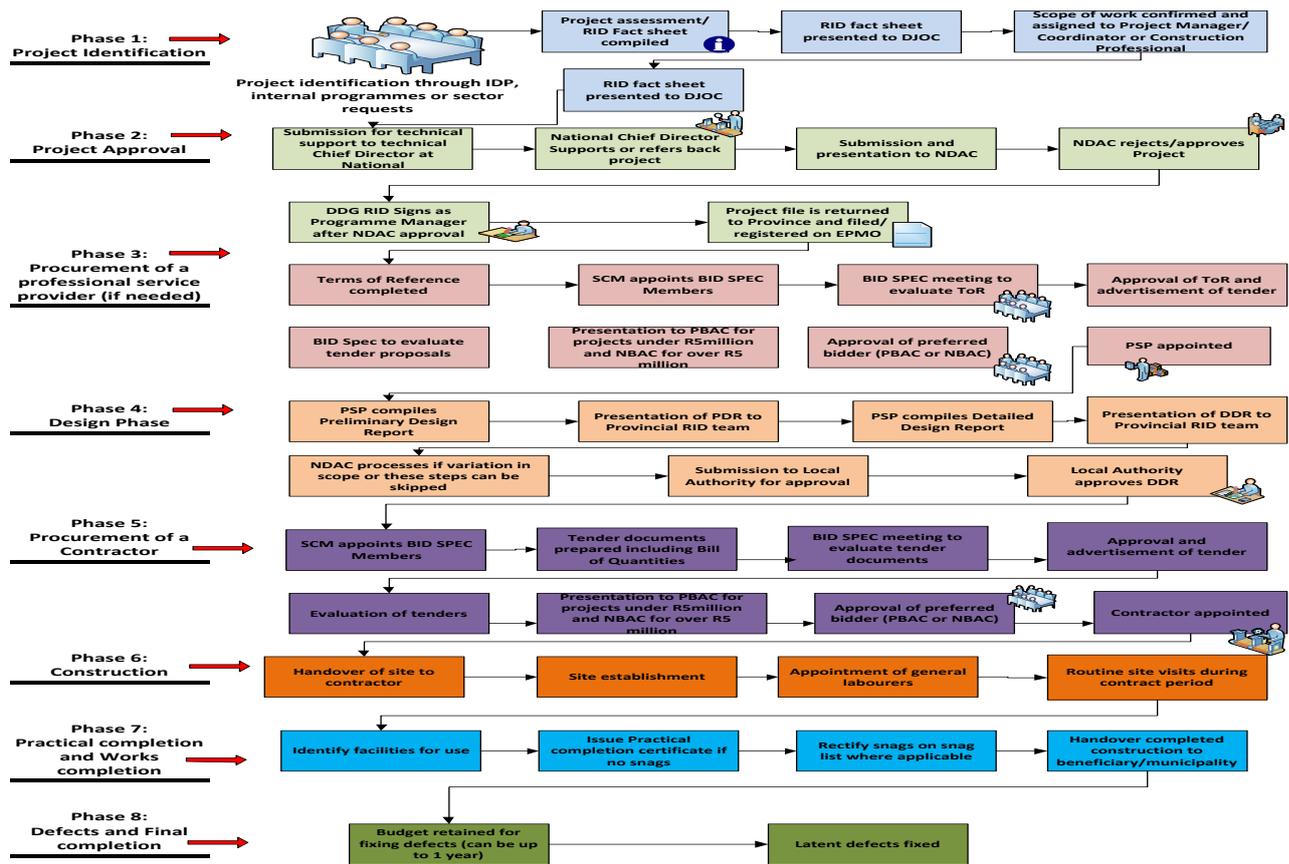
1.6 Process flow

1.6.1 The department delivers through structures at a provincial, district and local level. In some instances, they establish stakeholder compacts to ensure proper coordination, monitoring and information management. The Spatial Planning and Land Use Management Act (Act No.16 of 2013) was formulated to overcome the fragmented (and often completely absent) planning and management approaches that characterise South Africa's rural spaces. The delivery of the infrastructure programme is aligned with this process.

Programme Chain of Delivery

Fig 2: Infrastructure Process Cycle

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Observation 2: Proper expenditure review would require visit to some of these to verify that they exist. There have been numerous reports that some of these have not been completed and some have been constructed where they are not needed. <https://www.timeslive.co.za/news/south-africa/2018-08-07-road-to-nowhere-cost-a-cool-r117m/>. The challenge is that, based on a limited number of site visits, we are very sceptical about whether some of these projects: happened at all, whether they were priorities, whether government overpaid. The mandate of rural development had been broad. a particular problem is that it makes it very hard to hold the department/programme accountable because it can spend money on anything that could plausibly be seen as “developmental” with few constraints or observable effects on households and communities.

Table 1: Responsibilities

Institution	Responsibility
Communities	<ul style="list-style-type: none"> Request social infrastructure Projects for Comprehensive Rural Development are identified through various means (IDP, internal programmes .i.e. Request would be sent to the National Office
Technical Development Approval Committee (TDAC) and National	<ul style="list-style-type: none"> Once a project has been identified, a Memorandum requesting approval of funds will be presented at the TDAC and NDAC

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Institution	Responsibility
Development Approval Committee (NDAC)	<ul style="list-style-type: none"> ○ The TDAC is constituted of all the Chief Directors of the Branches (Rural Infrastructure Development and is chaired by the Service Delivery Coordination. • NDAC is constituted of all the Chief Directors of the Branches (Rural Infrastructure Development and is chaired by the Deputy Minister or the DDG Rural Infrastructure Development. • The Chairperson of the NDAC will authorise the request based on the recommendations of the Technical Committee
District Offices	<ul style="list-style-type: none"> • Project Coordinators collect, verify, collate and report data
Contractors	<ul style="list-style-type: none"> • Contractors send the invoices to the relevant provinces for payments • Implement projects
Provincial Offices	<ul style="list-style-type: none"> • After project approval by NDAC, the it will be registered on Basic Accounting System; Province proceed with the SCM Processes. • On receipt of invoices, Finance ensures that all the supporting documentation are contained (invoices, measurement of projects, approval memo and/or MoU) and forward for payment • The provincial delegate will ensure that the invoice amounts are per the agreed contracts • Project Managers collect, verify, collate and report data
Department of Agriculture, Land Reform and Rural Development (National Office)	<ul style="list-style-type: none"> • Collect, verify, collate, and sign-off Quality Assurance Reports. • Submit Quality Assurance Reports to Monitoring & Evaluation • Transfer funding for projects • Monitors and evaluates projects

Institution	Responsibility
National Treasury	<ul style="list-style-type: none"> • Makes recommendations to Parliament to appropriate funding for the infrastructure programme. The National Treasury can alter amounts proposed by the Department of Agriculture, Land Reform and Rural Development however, Parliament has final say • For in-year funding requests that can be approved by it, the NT can approve or not approve requests to increase or decrease the transfer for the DSBD. • Requests for the infrastructure programme's performance reports
Parliament	<ul style="list-style-type: none"> • Appropriates funding for the Rural Infrastructure Development programme and can therefore decide on the final amount that can be appropriated towards the programme • Conduct site visits

Source: DALRRD Standard Operating procedure manual

Selected Project: Agri-Parks

1. One of the main projects implemented under the rural infrastructure programme is Agri- Parks programme. AgriParks are defined as a networked system of agro - production, processing, logistics, marketing, training and extension services, located in a district municipality.
2. The Agri-Parks entail the creation of a nexus of rural agricultural businesses across South Africa to serve as primary vehicles of agrarian transformation and comprehensive rural development in order to: enhance agricultural production and efficiency; promote household food security and national food sovereignty; engender agrarian transformation through rural enterprise development and employment creation; and, address the triple challenges of poverty, inequality and unemployment as starkly manifest in rural areas. They aim to grow rural economies by facilitating the efficient movement of rural produce to markets. They support smallholder farmers by providing capacity building, mentorship, farm infrastructure, extension services, and the production and mechanisation inputs
3. At conception, smallholder farmers were expected to own 70per cent of an Agri-Park and 30 per cent was to be owned by government and commercial farmers.
4. At conception the following principles underpinned the Agri-Parks programme:

- One Agri-Park must be established per District Municipality.
- Agri-parks must be farmer controlled.
- Agri-parks must be the catalyst around which rural industrialization will takes place.
- Agri-parks must be supported by government (10 years) to ensure economic sustainability.
- Strengthen partnership between government and private sector stakeholders to ensure increased access to services (water, energy, transport) and production on the one hand, while developing existing and create new markets to strengthen and expand value-chains on the other.
- Utilisation of existing state land with agricultural potential in the provinces, where possible.
- Provision of access to markets to all farmers, with a bias to smallholder farmers and rural communities.
- Use of high value agricultural land (high production capability).
- Use of existing agro-processing, bulk and logistics infrastructure, including having availability of water, energy and roads

Recommendations

- Whilst it is noble to have 44 AgriParks in 44 municipal districts, but given the lack of proof of concept it is prudent and efficient to start by developing 5 AgriParks or at most 1 in each province. Any lessons that will be learnt from these will be used to roll-out 44 AgriParks across South Africa. National Treasury has in recent years visited some of the proposed AgriParks sites and no value for money has been realised despite the expenditure of R3.8 billion and 2015/2016 – 2019/20 . The Department of Agriculture, Land Reform and Rural Development is stretched and has no engineering and technical capabilities to implement such a massive programme. We recommend that only 9 Agri Parks be developed at this initial stage.
- AgriParks should only be established in areas with agricultural potential. Establishing AgriParks everywhere with no clear plan as to where the agricultural produce will be delivered from is inefficient and wasteful of public resources. Regions where agricultural activity is limited should not be selected for any AgriParks..
- Any successful agricultural intervention requires skilled and competent agricultural extension officers. Currently South Africa has a serious shortage of competent and skilled Extension Officers, with ratio of 1 extension officer to 900 farmers or more. This does not align well with a plan to roll out 44 AgriParks across South Africa, in the immediate future

1.7 Performance Analysis

Table 2: Log-frame

Process Map	Project description	Indicators	Monitoring & Evaluation	Assumptions	Responsibility
Outputs	Infrastructure projects facilitated to support production, through the department's coordination role to ensure improved provision of production	Number of infrastructure projects facilitated to support production;	National database that which monitors and provide a dashboard of	Reduced unemployment rate in rural areas	DALRRD: Accounting Officer

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	infrastructure that can be used as a catalyst to bring about rural economic development and growth, in 44 District Municipalities and rural areas of Metropolitan municipalities	Number of job opportunities created in rural development initiatives	all rural development initiatives.		
	¹ Agri-parks infrastructure projects facilitated within the 44 districts municipalities and rural areas of Metropolitan municipalities in support of Agri-parks development at Agrihubs and Farmer Production Support Units.	Number of infrastructure projects facilitated to support the Agri-Parks programme	National database that which monitors and provide a dashboard of Agri-parks infrastructure projects	Increased production in rural areas	
Activities	Develop rural infrastructure	Number of infrastructure projects facilitated to support the Agri-Parks programme	Records of infrastructure provided	100 % targeted beneficiaries receiving agriculture infrastructure	DDG: Rural Infrastructure Development
	Facilitate community access to ICT infrastructure	Number of infrastructure projects facilitated to support production	Records of infrastructure provided		
Inputs	facilitate, coordinate roll-out of rural infrastructure projects	Number of infrastructure projects facilitated to support the Agri-Parks programme; Number of infrastructure projects facilitated to support production	DALRRD Annual report	Reduced unemployment rate in rural areas; Increased production in rural areas	DALRRD: Accounting Officer
Outcome	Vibrant, equitable, sustainable rural communities with food security for all	Number of infrastructure projects facilitated to support the Agri-Parks programme; Number of infrastructure projects facilitated to support production	DALRRD Annual report	Reduced unemployment rate in rural areas; Increased production in rural areas	DALRRD: Accounting Officer

Impact	Initiate, facilitate, coordinate and act as a catalyst for the implementation of a comprehensive rural development programme leading to sustainable and vibrant rural communities.	Number of infrastructure projects facilitated to support the Agri-Parks programme; Number of infrastructure projects facilitated to support production	DPME long term review	Reduced unemployment rate in rural areas	DALRRD / Sector
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1 Agri-parks are conceptualised as one-stop shops for agro-production support, processing, logistics, marketing and training within district municipalities

Table 3: Performance indicators

Performance Indicators	2016/17		2017/18		2018/19		3 years deviation
	Target	Actual	Target	Actual	Target	Actual	
Number of infrastructure projects facilitated to support production	252	269	120	149	80	144	110
Number of infrastructure projects facilitated to support the Agri-Parks programme	47	53	53	53	53	42	-5

Source: annual reports 2015/16 – 2018/19

Using data from the annual reports, the department has over achieved by 110 in respect of *number of infrastructure projects facilitated to support production between 2016/17 and 2018/19*. During the same period the programme failed to achieve the target of *Number of infrastructure projects facilitated to support the Agri-Parks programme target*.

Observation 3: We have no means to verifying whether these projects were indeed achieved even with reported under-delivery in the past 3 years. The indicators proposed to track the impact of these projects on rural communities are very unlikely to be able to do this: these projects are too small to impact meaningfully on output and employment, and there are no sources of data that might reliably track these developments, anyway. Serious rethinking about the KPIs and how to measure them is needed.

1.8 Impact

Since 2016, the rural infrastructure programme has been focused on the on delivery of agri-parks since 2015/16 and a R3,8 billion used between (2015/2016 – 2019/20, the programme contributed 2 163 jobs and has supported 57 832 beneficiaries¹ in the rural areas.

¹ Beneficiaries are defined as individuals or communities that receive assistance from the Department through any projects being implemented by the department. Beneficiaries can also be in a form of cooperatives receiving funding assistant from the Department

- the department provided a list of 182 infrastructure projects completed in support of the AgriParks programme 2016 – 2020. The monetary value from the Asset Register is R650m as audited by the AG.
- Jobs created through the delivery of the Infrastructure for the Agri-Parks is 2163 jobs as audited by AG.
- The cooperatives and enterprises created the balance of the jobs but we have not been able to get as yet as the branch restructuring has left certain information voids.

Further data from the department as at 31 July 2020 shows that the following strategic components of the Agri-Parks across the country:

Table 4 impact of infrastructure projects facilitated to support the Agri-Parks programme

Province	Expenditure	Jobs created	Beneficiaries
Eastern Cape	105,258	428	7200
Free State	64,975	229	1286
Gauteng	30,785	139	766
Kwa-Zulu Natal	88,921	265	6528
Limpopo	43,548	189	2724
Mpumalanga	43,665	388	15754
Northern Cape	5,211	184	503
North West	52,661	126	15990
Western Cape	214,869	215	7081
Total	649,894	2163	57832

Table 5

Financial year	Expenditure	Jobs	Beneficiaries	Avg cost per job created	Avg cost per project facilitated to support Agri-Parks ¹
2016/17	99,655	427	14170	233	1,880
2017/18	81,756	388	16894	211	1,543
2018/19	40,115	279	12736	144	955
Total	221,526	1094	43800	202	1,497

1. expenditure divide by actual outcome of performance indicators table

In the period under review the Agri-Parks programme facilitated 148 projects at an average cost of R1.5 million and created 1094 jobs² at an average cost of R202,000 per job created. The declining average cost per project facilitated to support Agri-Parks can be attributed to the decrease in programmes' allocation of the capital assets budget.

1.9 Costing model

1.10 Sources of costing information

Data used for the expenditure analysis for the programme was sourced from Vulindlela. The data is structured according to SCOA 'segment', but for the purpose of the expenditure analysis data at a project level and also the spending item at the subprogramme was used. This enabled an analysis of expenditure for each category of project and enabled the linking of expenditure to sub-program within the programme. The main challenge with the data

² The department specifies that, for the purposes of the KPIs, jobs are measured by the number of people who has worked for the same employer in the same job description and are counted once during the financial year.

provided was that the department had not been capturing the expenditure consistently over the review period to enable tracking of total spending of projects' overlapping in multiple financial years. Other non-financial data provided by the department had to be used to assist in the impact analysis of the Agri-parks projects.

1.11 Cost structure and personnel establishment of the Rural Infrastructure programme

The Programme has an approved establishment of 142 officials at the national (Head Office) and regional offices. Programme has a staff complement of 19 which is located in Pretoria (Head Office). Eleven (11) of these officials are placed under Project Management Office and Technology Research and Development units. Regional offices are divided into three: region 1 (Eastern Western and Northern Cape), region 2 (Gauteng, Limpopo and North West) region 3 (Free State, Mpumalanga & Kwazulu-Natal) with staff establishment of 4,4 and 2 respectively.

The remaining staff (102) are professionals and managers and 11 officials in Disaster Mitigation Services unit assigned to specific provinces coordinated at their respective regions. Eastern Cape leading with 12 officials followed by Mpumalanga (11), Limpopo (10), Free State (10), Gauteng (10), Western Cape (9), KwaZulu Natal (9), Northern Cape (8) and North West (7).

Table 6: Expenditure analysis

Programme expenditure consolidation	2016/17	2017/18	2018/19	2019/20	Average spendin	% of total	2020/21	2021/22	2022/23	MTEF TOTAL	% of total MTEF
Compensation of employees	50,298	51,757	58,274	61,712	55,510	8.0%	67,928	71,061	72,549	211,538	8.6%
Salaries and wages	44,837	46,376	52,707	55,765	49,921	7.2%	61,482	64,353	65,692	191,527	7.8%
Social contributions	5,461	5,381	5,567	5,947	5,589	0.8%	6,446	6,708	6,857	20,011	0.8%
Goods and services	18,848	10,146	11,418	227,173	66,896	9.6%	705,370	848,847	694,005	2,248,222	91.2%
Communication (G&S)	950	729	418	688	696	0.1%	901	950	985	2,836	0.1%
Consultants: Business and advisory services	1,452	-	-	195,221	49,168	7.1%	899	941	976	2,816	0.1%
Consumable supplies	336	79	55	454	231	0.0%	224	224	234	682	0.0%
Consumables: Stationery, printing and office supplies	352	716	462	1,499	757	0.1%	1,302	1,388	1,442	4,132	0.2%
Contractors	750	18	24	157	237	0.0%	691,758	834,503	679,135	2,205,396	89.4%
Fleet services (including government motor transport)	292	159	221	434	277	0.0%	236	251	261	748	0.0%
Operating payments	379	527	583	883	593	0.1%	883	865	897	2,645	0.1%
Property payments	260	424	1,603	732	755	0.1%	523	551	572	1,646	0.1%
Rental and hiring	435	30	92	173	183	0.0%	485	509	528	1,522	0.1%
Travel and subsistence	9,656	6,350	6,895	7,438	7,585	1.1%	6,368	6,798	7,039	20,205	0.8%
Venues and facilities	1,719	245	138	342	611	0.1%	303	318	330	951	0.0%
Households	94,209	63,998	72,515	13	57,684	8.3%	-	-	-	-	0.0%
Other transfers to households	93,880	63,962	72,440	-	57,571	8.3%	-	-	-	-	0.0%
Machinery and equipment	1,168	12,915	9,212	721	6,004	0.9%	1,904	2,136	2,423	6,463	0.3%
Other machinery and equipment	1,168	12,915	9,212	721	6,004	0.9%	1,904	2,136	2,423	6,463	0.3%
Buildings and other fixed structures	566,165	561,274	487,954	414,892	507,571	73.1%	-	-	-	-	0.0%
Buildings	566,165	561,274	487,954	414,892	507,571	73.1%	-	-	-	-	0.0%
Total	730,743	700,155	639,385	706,737	###	100.0%	775,202	922,044	768,977	2,466,223	100.0%

Buildings and other fixed structures constitute the primary cost driver of programme (an average of 78 per cent of total expenditure), followed by salaries and wages. It is important to note that some spending items (computer services, Bursaries and furniture) are centralised in the department hence are not reflecting in the list above.

Table 7: Expenditure analysis

Year on year growth (key items)	2017/18	2018/19	2019/20	2020/21
Compensation of employees	2.9%	12.6%	5.9%	10.1%
Consultants: Business and advisory services	-100.0%	0.0%	-	-99.5%
Contractors	-97.6%	33.3%	554.2%	#####
Other transfers to households	-31.9%	13.3%	-100.0%	-
Other machinery and equipment	1005.7%	-28.7%	-92.2%	164.1%
Buildings	-0.9%	-13.1%	-15.0%	-100.0%

The CoE spike in 2018/19 was due to increase in overtime expenditure mainly for officials who were working late and on weekends during the NAAC meetings (NAAC- the board that was advising the department on Agri parks)

The programme stopped using transfers and subsidy line items due to the directives of circular 21 Of 2019. Effective from 2019/20 spending for the programme’s transfers and subsidy is now classified under capital assets. The reclassification has resulted in the spike of the current year and outer years on capital asset item.

The in Spike in machinery and equipment in 2018/19 was mainly due to major replacement of laptops, desktop for officials and leasing of copier machines.

1.12 Preliminary recommendations

- 1.12.1 The delivery of infrastructure project is critical to alleviate poverty and unemployment. However, the department should only coordinate strategies, policies and mobilise resources from stakeholders to contribute to the objectives of rural development programme.
- 1.12.2 AgriParks should only be established in areas with agricultural potential. Establishing AgriParks everywhere with no clear plan as to where the agricultural produce will be delivered from is inefficient and wasteful of public resources. Regions where agricultural activity is limited should not be selected for any AgriParks
- 1.12.3 Any successful agricultural intervention requires skilled and competent agricultural extension officers. Currently South Africa has a serious shortage of competent and skilled Extension Officers, with ratio of 1 extension officer to 900 farmers or more. This

does not argue well with a plan to roll out 44 AgriParks across South Africa, in the immediate future

- 1.12.4 Monitoring and evaluation is important given that a number of projects may not exist and may not have been implemented. As a recommendation the projects needs to geo-located to monitor progress.
- 1.12.5 It is recommended that indicators to measure sustained impact (not immediate impact) of the projects on the livelihood of the rural community. It is recommended that the programme construct more realistic set of KPIs to give insight to exactly where programme is and enable the department to take right measures to reach its goals.”