

**2021**

# **Eastern Cape Farmer Support Programme – Crop Production**

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**CLUSTER: ECONOMIC SERVICES**

**PROVINCE: EASTERN CAPE**

## Key points

- Eastern Cape Agriculture sector remains under developed with farmers, mainly smallholder farmers not being able to produce optimally, no access to financial support; no access to markets, no land ownership, no proper technology access and water rights; etc.
- This implies that the province has been unable to exploit the comparative advantage that is presented by the natural resources it possesses.
- It continues not to be easy for previously disadvantaged farmers to transition to commercial farming due to above mentioned challenges as well as difficulties to penetrate the current existing markets for the sector.
- The Farmer Support Programme – Crop Production currently spends some R<sub>x</sub> per annum supporting some Y farmers.
- However, the lack of good performance data makes it difficult to determine the effectiveness of the programme. The current Departmental initiative with the World Bank on a data portal will benefit the department going forward.
- Additional work is required, subject to the availability of suitable data, to undertake a cross-provincial comparative exercise of farmer support programmes and their costs.

## Executive Summary

Agriculture remains one of the critical sectors in the economic and social development of the country and that of the province given its attributes of huge economic spin-offs and that of being labour intensive. This was highly evident during the time of Covid-19 pandemic outbreak, when the sector services were declared essential services adding to that of Health, Policing and other essential sectors in the country.

The Department of Rural Development and Agrarian Reform (DRDAR) is responsible for driving development of this sector in the Eastern Cape Province. Its mandate is enshrined in the Constitution of the Republic of South African through Section 27(1) (b) which states that, everyone has the right to sufficient food and water and the State must formulate reasonable legislative efforts and take other measures within its available resources, to achieve the progressive realisation of these rights.” Through its services, the department further responds to the following policies:

- Goal 2 of the Sustainable Development Goals (SDGs) commits to ending hunger, achieving food security, improved nutrition, and promote sustainable agriculture by 2030.
- Priority 2 of the Medium Term Strategic Framework (MTSF) which focuses on Economic Transformation and Job Creation. This is aligned to the provincial MTSF.
- National Development Plan (NDP), Provincial Development Plan (PDP), Agriculture and Agro-processing Master Plan (AAMP) and other national and provincial policies.

The Eastern Cape Province is one of the key provinces for the agriculture development in the country given the natural resources it possesses, thus giving it the comparative advantage for agricultural production i.e., crop and livestock production. With regards to the crop production, it has been recorded that the province has some 300 000 ha of arable land.

Over the years the department has been focusing on food security and therefore certain policies such as Massive Food Production; Accelerated and Shared Growth Initiative for South Africa (AsgiSA), etc. However, in 2017, the department developed and started to implement the Agriculture, Economic, Transformation strategy which seeks to assist farmers, especially the smallholder farmers to transition to commercial farming.

### *The main findings*

- The province remains challenged by the backlog of underdevelopment resulting from the history of Bantustans. This include poor infrastructure, lack of market access, financial access, water rights, skills and other critical variables for the support of smallholder farmers, thus commercialisation of the sector;
- There is no clear distinction with regards to criteria used to allocate funds for food security and commercialisation. This therefore makes it difficult to understand the way in which the budget is allocated between the two sub-programmes;
- While the programme has shifted from food security to commercializing farmers there is inadequate measurement and poor indicators to track efficacy and impact;
- Though the department has been helpful during the project, it remains a challenge to access critical performance data, even though it was assumed to be readily available. But this was not the case, thus there was lack of critical performance data. It remains

a big concern that the department does not have some key performance data to measure the implementation of its policies to gauge any areas of improvement, efficiencies or stopping certain policies if there is no value derived from such policy;

- Some of the indicators are ambiguous as they measure different things e.g. infrastructure support and extension support. These are measuring both crop and livestock farming. This makes it difficult to measure the support provided to crop versus that which is provided to livestock. This is not in line with Specific, Measurable, Achievable, Realistic and Timely (SMART) principle for indicators as defined in the Strategic Plan Guideline from Department of Performance, Monitoring and Evaluation (DPME);
- The current former Support Programme is designed to respond to budget availability which results in rationing and a lack of continuity (e.g., farmers may only be supported once in an MTEF cycle).
- A lack of norms and standards is a challenge and makes it difficult to assess whether the programme is working;
- Absence of robust monitoring and the limited ability to link the funds that are being invested to outcomes is of concern, especially when trying to evaluate progress towards enhanced commercialisation. Critical is the absence of any clear ability to track improvement over time, e.g., yields, process achieved, commercial sustainability;
- The overall quality of Monitoring and Evaluation and data is inconsistent and makes it difficult to trace and understand the projects;
- Given time constraint, province to province benchmark exercise was not undertaken so as to compare with specifically other rural provinces on how they are implementing this programme;
- The unavailability of data and inability to do the province comparison make it impossible to determine whether the department is implementing its cropping programme efficiently or not; and
- The department is currently working with World Bank in developing the performance data portal and this will be very helpful to the department in addressing some of the things raised above.

*The recommendations with an explanation and supporting evidence (facts and figures)*

This Expenditure Review needs to be taken as the foundation of further analysis that needs to be carried out in order to ensure that the effectiveness and efficiency of the current cropping programme is thoroughly evaluated;

- The department should invest in the development and sustainability of the data portal project with World Bank in order to ensure that it is properly maintained as data is critically important in making important decisions;
- More work needs to be done in improving performance indicators so as to ensure that programmes are properly costed, monitored and evaluated for improved performance and efficiencies;

*The implications of the recommendations on expenditure, savings and discussion of any efficiency gains.*

- Another Expenditure Review is required to get dipper on the issues raised above; therefore more time on this exercise is need;
- It is difficult at this stage to identify efficiency gains given the lack of critical data and lack of comparison with other province as mentioned above.

# CONTENTS

<b>Key points</b> .....	<b>2</b>
<b>Executive Summary</b> .....	<b>3</b>
<b>1 Introduction</b> .....	<b>1</b>
1.1 This Spending Review .....	1
1.2 Problem Statement .....	1
<b>2 Policy and Institutional Information</b> .....	<b>2</b>
2.1 Legislative Framework .....	3
2.2 Departmental Programme Overview .....	5
2.2.1 <i>Budget Programmes</i> .....	5
2.2.2 <i>Farmer Support Programme Overview</i> .....	5
2.2.3 <i>Farmer Support Programme Beneficiaries</i> .....	7
2.3 Decisions on resource allocation .....	7
2.4 Governance and reporting .....	8
2.5 Flow of funds .....	9
<b>3 Programme Delivery Processes</b> .....	<b>11</b>
3.1 Partnership Model Process .....	11
3.2 Direct Support to Farmers process .....	13
3.3 The Implementation Process per Each Area of Support .....	14
3.3.1 <i>Mechanisation:</i> .....	14
3.3.2 <i>Production inputs:</i> .....	14
3.4 ECRDA - Rural Enterprise Development (Red) Hubs.....	15
<b>4 Programme Logical Frameworks</b> .....	<b>15</b>
<b>5 Performance Analysis</b> .....	<b>16</b>
<b>6 Expenditure Analysis</b> .....	<b>19</b>
6.1 Overview of spending by the department .....	19
6.2 Crop Implementation programme .....	21
6.2.1 <i>Overall Spending Trends</i> .....	21
6.2.2 <i>Units Costs</i> .....	23
<b>7 Recommendations</b> .....	<b>24</b>
<b>8 Actions</b> .....	<b>24</b>

## List of Figures

Figure 1: Governance Structure & Reporting Lines.....	9
Figure 2: Flow of Funds .....	10
Figure 3: Programme Processes .....	12
Figure 4: Performance Monitoring process.....	16
Figure 5: Departmental Expenditure trends.....	19

## List of Tables

Table 1: Eastern Cape Gross Domestic Product at Constant 2015 prices (R million) .....	2
Table 2: Eastern Cape Employment in Key Sectors.....	3
Table 3: Agriculture related Legislation.....	3
Table 4: The Budget Allocations per Programme.....	5
Table 5: DRDAR Performance Indicators.....	17
Table 6: DRDAR Appropriations 2016/17-202/21.....	19
Table 7: Expenditure by programmes.....	19
Table 8: Expenditure per district .....	20
Table 9: Spending trends of crop programme by Economic classification .....	21
Table 10: Extension Officers per district .....	22
Table 11: Transfers and Subsidies expenditure .....	22
Table 12: Total cost per hectare .....	23
Table 13: Actual subsidy versus the standard subsidy rate.....	23

## List of Acronyms and Abbreviations

DRDAR	Department of Rural Development and Agrarian Reform
DALRRD	Department of Agriculture, Land Reform and Rural Development
NDP	National Development Plan
PDP	Provincial Development Plan
MTSF	Medium Term Strategic Framework
AAMP	Agriculture and Agro-processing Master Plan
SDGs	Sustainable Development Goals
RGDP	Regional Gross Domestic Product
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
SMART	Specific, Measurable, Achievable, Realistic and Timely
DPME	Department of Performance, Monitoring and Evaluation



# **1 Introduction**

## **1.1 This Spending Review**

The Department of Rural Development and Agrarian Reform (DRDAR) is mandated to improve agricultural production to stimulate economic development, food security, integrated rural development through various programmes such as but not limited to targeted support to farmers; commercialisation and transformation of the agricultural sector; facilitating partnerships and sustainable livelihoods. In implementing this mandate, the department focuses on improving agricultural production amongst others through crop and livestock production.

The province of the Eastern Cape is the second largest province after Northern Cape and it is more rural in nature given its history of homelands. It has 300 000 hectares that have been identified as arable land and a suitable climate, especially on the eastern side of the province. The province's assessment is that the province has a comparative advantage for agriculture development and has therefore identified agriculture as a 'Game Changer.'

This expenditure review focuses on the crop production farmer support programme, specifically dry-land crop (maize) production.

## **1.2 Problem Statement**

Although the province has a significant potential based on its natural resources and the farming culture of the people of the province have, the sector continues to struggle to derive value from the presented comparative advantage. This is evident in the low levels of the sector's contribution to the Province's GDP which is less than 2 per cent for the last two years. Also, despite the sector having significant potential for job creation especially for unskilled and semi-skilled labour, it has been observed over recent years that number of jobs in the sector has declined.

The main contributors to this marginal performance include but not limited to the following:

- Infrastructure backlogs
- Land ownership (more communal land),
- Financial accessibility,
- Lack of technical skills,
- Market access,
- Aging farmers,
- Water rights, and
- Mechanization etc.

## 2 Policy and Institutional Information

The department is currently implementing its Agriculture Economic Transformation Strategy, which seeks to derive the economic value of the agricultural practice in the province through commercialisation as well as improving food security in the province. This is in line with output 2 of outcome 7, which focuses on improved access to affordable diverse food and output 1 of outcome 4, emphasising decent employment through inclusive economic growth as well as Priority 2 of MTSF: economic transformation and job creation.

The priorities of the department are also aligned to the Provincial Develop Plan (PDP); Agriculture Master Plan; The Mandate Paper; Provincial Programme of Action. All these are derived from the National Policies such as National Development Plan; In all these policies Agriculture and Rural Development is one of the key priorities given its potential to boost for an inclusive economic growth, job creation and food security.

The provincial agricultural sector is currently underdeveloped given the huge infrastructure backlogs; the low contribution of the sector to the RGDP and other variables as mentioned in the problem statement above. Hence, the strides of farmer support that is provided by the department to the provincial farming community.

**Table 1: Eastern Cape Gross Domestic Product at Constant 2015 prices (R million)**

Industry	1995	2016	2017	2018	2019	2020
01: Agriculture, forestry and fishing	3,257	4,427	5,156	4,901	4,439	4,926
02: Mining and quarrying	621	617	629	615	611	502
03: Manufacturing	28,143	41,817	41,749	42,455	42,004	36,669
04: Electricity and water	3,962	4,183	4,204	4,233	4,094	3,974
05: Construction	4,093	11,903	11,199	11,195	10,881	8,599
06: Wholesale & retail trade; hotels & restaurants	34,247	54,914	54,101	54,649	54,109	49,644
07: Transport and communication	11,768	25,624	25,895	26,539	26,222	22,912
08: Finance, real estate and business services	34,457	65,659	66,709	67,837	68,506	68,905
09: Community, social and other personal services	40,993	67,979	68,810	68,751	69,507	68,240
10: General government services	22,914	33,469	33,793	34,266	34,691	34,836
<b>All industries at basic prices</b>	<b>184,452</b>	<b>310,593</b>	<b>312,245</b>	<b>315,440</b>	<b>315,064</b>	<b>299,208</b>
11: Taxes less subsidies on products	21,502	34,325	34,469	34,901	34,944	31,314
<b>GDPR at market prices</b>	<b>205,954</b>	<b>344,917</b>	<b>346,714</b>	<b>350,341</b>	<b>350,008</b>	<b>330,522</b>
<i>% contribution of Agricultural sector against GDPR</i>	<i>1.6%</i>	<i>1.3%</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.3%</i>	<i>1.5%</i>

Over the years, the Gross Domestic Product in the Eastern Cape has increased from R184 billion in 1995 to R299 billion in 2020. In 2020, the major contributing sectors to the GDP in the province were Finance, Real estate and Business Services (contributing R68.9 billion); Community, Social and Other Personal Services (contributing R68.2 billion); Wholesale and Trade, hotels and Restaurants (contributing R49.6 billion) as well as Manufacturing sector (R36.6 billion). The sectors with the lowest contribution are Mining and Quarrying; Electricity and Water as well as Agriculture, Forestry and Fishing has been amongst the lowest performing. Whilst the Agricultural sector has registered an improvement from R3.257 billion registered in 1995 to R4.296 billion in 2020, the actual contribution to the provincial GDP is relatively low (below 2 per cent) and has been declining which is a concern.

**Table 2: Eastern Cape Employment in Key Sectors**

<b>EC Employment by sector (thousands)</b>					
	Apr-Jun 2018	Apr-Jun 2019	Apr-Jun 2020	Apr-Jun 2021	%increase 2018 - 2021
Agriculture	97	97	67	82	-15
Manufacturing	127	119	115	115	-9
Utilities	4	4	7	4	-11
Construction	163	147	119	112	-31
Trade	301	294	240	252	-16
Transport	62	76	65	70	13
Finance	137	147	114	118	-14
Community and social servi	402	381	346	376	-6
Private households	108	124	97	105	-3

*Source: Stats SA QLFS 2021 Q2*

The table above provides information on employment opportunities created by various sectors in the province between 2018 and 2021. Over the four-year period, Community and Social Services, Trade, Finance and Construction have consistently remained the most dominant sectors in the province in terms of job creation, with Utilities, Transport and Agriculture sector registering the least numbers.

Despite the Eastern Cape being a rural province and thus majority of the households relying heavily on agriculture, the contribution of the sector is minimal. Whilst understanding the COVID19 impact to the economy, the declining figures in the agricultural sector from 97 thousand registered in 2018 to 82 thousand in 2021 remains a concern.

## 2.1 Legislative Framework

DRDAR aligns with the Department of Agriculture, Land Reform and Rural Development (DALRR) as its mother department and derives core mandate from Section 37(ii) of the Constitution and some of the following pieces of legislation relating to crop production:

**Table 3: Agriculture related Legislation**

<b>Legislation</b>	<b>Purpose</b>	<b>Relevance</b>
Fertiliser and Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947)	Regulates the registration, acquisition, disposal, sale and use of fertilisers, stock feeds, agricultural remedies, stock remedies, sterilising plants and pest control operators	This Act regulates and ensures that production inputs that are funded by the department and used by the farmers are registered for sale and use in the country.
The Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983)	Provides for control over the use of natural agricultural resources to promote the conservation of soil, water sources and vegetation, and the combating of weeds and invader plants.	The department receives a Land Care conditional grants from the Department of Agriculture, Land Reform and Rural Development (DALRRD) which focuses on the conservation of natural agriculture resources as it is one of the key factors of agricultural production as well as other funds. These are allocated to the Sustainable Resource Management which is programme 2 of the department. This programme provides agricultural support services to farmers to ensure sustainable development and management of agricultural resources.

<b>Legislation</b>	<b>Purpose</b>	<b>Relevance</b>
The Subdivision of Agricultural Land Act, 1970 (Act 70 of 1970)	Regulates the subdivision of agricultural land and its use for purposes other than agriculture.	The land and agriculture policies are designed to accommodate the diversity of production to reverse the destruction of black farming in South Africa that occurred as a deliberate act of policy over the past century. Some of the department's beneficiaries, especially the small scale farmers are Land Redistribution and Recapitalisation programme beneficiaries. These farmers are the key players in the implementation of the Agriculture Transformation Economic Strategy which is implemented by the department.
The Perishable Products Export Control Act, 1983 (Act 9 of 1983)	Provides for the control of perishable products intended for export from South Africa and for the continued existence of a statutory board to bring about the orderly and efficient export of perishable products from the country.	To promote an orderly, efficient, sustainable and accessible cold chain for the export of perishable products from the Republic; Furthermore, to provide for a legal framework for the regulation, control and monitoring of the export of perishable products.
The Agricultural Pests Act, 1983 (Act 36 of 1983) .	Introduces measures for the prevention and combating of agricultural pests	Diseases, insects, and weeds can be very costly for the farmers as challenges like these are harmful for the crops. For example, in recent years the province had an experience of the outbreak of army worms and warm of locusts.
The Agricultural Research Act, 1990 (Act 86 of 1990)	Establishes a juristic person, the Agricultural Research Council (ARC), to undertake agricultural research and regulate matters regarding the ARC's proceedings, powers, duties, management, control, employees, financing and related matters	Research remains critical in the agriculture development as agriculture evolves due to climate change; technology advancement; need to increase productivity in more efficient manner. Also, in a province as Eastern Cape there is a more need to be inclusive and thus utilising the communal and making such land productive for the province. Therefore, the department provides Research and Technology Development Services (Programme 5) through the Donhe Research Institute. This programme renders expert and needs based research, development and technology transfer services impacting on development objectives.

## 2.2 Departmental Programme Overview

### 2.2.1 Budget Programmes

The table below reflects the expenditure of the department from 2016/17 to 2020/21. The total expenditure slightly increased from R2.204 billion in 2016/17 to R2.244 billion in R2.244 billion. The bulk expenditure is in Farmer Support and Development (35%); Administration (21%) and Veterinary Service (14%).

**Table 4: The Budget Allocations per Programme**

Programmes	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	Total	% Share
ADMINISTRATION	455,431,423	453,777,910	474,156,576	501,453,104	455,875,370	2,340,694,383	21%
AGRICULTURAL ECONOMICS SERVICES	33,838,227	74,251,665	87,931,246	34,104,329	33,758,245	263,883,711	2%
FARMER SUPPORT & DEVELOPMENT	805,543,831	780,531,079	793,762,001	788,268,567	799,199,920	3,967,305,398	35%
RESEARCH & TECHNOLOGY DEVELOP	176,281,298	123,489,899	133,530,222	137,531,599	126,600,074	697,433,092	6%
RURAL DEVELOPMENT	182,121,012	192,875,885	189,792,598	285,291,513	253,029,582	1,103,110,590	10%
SUSTAINABLE RESOURCE MANAGE	114,516,065	124,618,261	148,500,064	133,581,030	114,824,189	636,039,609	6%
VETERINARY SERVICES	295,262,268	305,183,395	316,136,486	330,636,786	296,545,182	1,543,764,117	14%
STRUCTURED AGRICULTURAL EDUCATION AND TRAINING	141,538,231	146,262,601	161,761,756	168,782,013	164,649,714	782,994,314	7%
<b>Grand Total</b>	<b>2,204,532,354</b>	<b>2,200,990,695</b>	<b>2,305,570,950</b>	<b>2,379,648,938</b>	<b>2,244,482,276</b>	<b>11,335,225,214</b>	<b>100%</b>

Source: BAS, own analysis

### 2.2.2 Farmer Support Programme Overview

There are two key sub-programmes involved in farmer support:

- **Farmer Support and Development:** The purpose of this programme is to provide support to farmers through agricultural development programmes. It consists of three subprogrammes i.e., Farmer Settlement; Extension and Advisory Services and Food Security. This programme drives crop and livestock production
- **Veterinary Services:** The purpose of this programme is to provide veterinary services to clients to ensure healthy animals, safe animal products and welfare of people of South Africa. The programme has four sub-programmes i.e. Animal Health; Export Control; Veterinary Public Health; and veterinary Laboratory services.

Furthermore, the department has a public entity named Eastern Cape Rural Development Agency and allocated funds through Transfers and Subsidies.

The department has two agricultural colleges, which are the key centres for agricultural training in the province. Tsolo Agriculture and Rural Development Institute (TARDI) and Fort Cox Agriculture colleges. Both colleges are accredited of students and farmers as they offer full time academic programme and short courses aligning to the training programme of the department. With regards to the allocation of funds, TARDI is part of the department's structure in Programme 7 with its personnel being part of the department's payroll unlike Fort Cox which is an independent entity and funded through Transfers and Subsidies.

The policies and plans of the department have been development in alignment to the national and provincial policies to drive the agriculture development in the province. Furthermore, in 2016/17, the department approved and started to implement its Agricultural Economic Transformation Strategy (AETS), which is aimed at improving agricultural production and its value chain through commercialisation. This strategy focuses on partnerships with the private sector or commodity groups within the sector in order to assist the emerging farmers with amongst others; mechanisation, crop insurance, soil correction, mentorship and risk sharing. On the other hand, the department also supports farmers directly who are not affiliating to any partnership and those working with the Eastern Cape Rural Development Agency through the Rural Enterprise Development Agency (ECRDA) as primary producers. The department's support includes extension services; production inputs; mechanisation; infrastructure and training. An overview of these services is provided below:

- *Extension and advisory services:* Extension Officers are deployed in rural communities to provide technical advice to farmers. On daily basis they are servicing the farmers in the form of visiting projects or farmers. The sector had identified extension skills gap in the country as most extension officers were not meeting the minimum academic qualification (Bachelor's degree in agriculture) for an Agricultural Advisor. This was then addressed by the introduction of the Extension Recovery Programme (ERP) which then focuses on the reskilling and reorientation of extension officers. This programme is funded through Comprehensive Agricultural Support (CASAP) grant.
- *Production inputs:* These include fertiliser; seeds / seedlings; and agro chemicals and are delivered to farmers through service providers for those farmers supported directly by the department and through partners for those affiliating in partnerships.
- *Mechanisation:* Most farmers in the province are under developed and have no implements or equipment despite having the land or the will to farm. Therefore, through the mechanisation programme, the department appoint mechanisation contractors at the local level to assist farmers. On the other hand, there are smallholder / commercial farmers that established mechanisation centres to improve mechanisation on their own farms, thus boosting productivity. These mechanisation centres have are also appointed by DRDAR as mechanisation contractors to mechanise the farms in the close areas. This model is also used by the RED hubs given that they have their own mechanisation equipment.
- *Infrastructure:* The Department continues to provide farming infrastructure support to subsistence, smallholder and commercial farmers in rural areas. Technical and infrastructure support especially in rural farmers is provided to improve agricultural production and therefore ensuring that rural farmers contribute to the alleviation of poverty scourge and underdevelopment.
- *Training and development:* Agriculture evolves with time and given many challenges that the agricultural sector continues to experience (i.e. climate change; technology advancement etc) and the demand for food, training becomes very critical in transforming and developing agricultural productivity and improved value chains. The department has agricultural colleges which are at the centre of this service, however currently there are plans to move these colleges to the Department of Higher Education and Training (DHET). The training and development is currently provided through in sourced and outsourced services.

### **2.2.3 Farmer Support Programme Beneficiaries**

Beneficiaries of the crop production programme by the department include:

- **Subsistence Farmers:** Farmers that produce primarily for household consumption. They are marketing limited surplus production with an annual turnover of less than R 50,000.
- **Smallholder Farmers:** a venture undertaken by an individual or entity for the purpose of production and sale of agricultural products to make a profit. The production can be in all levels of the value chain at primary, secondary, and tertiary level. These are usually the new entrants aspiring to produce for market at a profit with a maximum annual turnover above R 50,001.
- **Commercial Farmers:** a venture undertaken by an individual or entity for the purpose of production and sale of agricultural products to make a profit. These are established enterprises producing for market to make a profit with an annual turnover above R 1,000,001. This category is not supported through current departmental production support. Commercial Producers are supported through infrastructure development for secondary production that seeks to open markets for smallholder and subsistence producers. In this support the Department pays a portion of the development and producer will also contribute significant portion of the development.

## **2.3 Decisions on resource allocation**

The policy priorities that are implemented by the department are based on the national priorities as specified in the legislation section above and the manifesto of the ruling party. These are then further detailed in Medium Term Strategic Framework (MTSF) and the National Development Plan. The President makes the pronouncement of the key government priorities through the State of the Nation address which is cascaded down to the province through the State of the Provincial Address and then the MEC for DRDAR for the department to implement.

Therefore, budget allocations are made to fund government priorities. These funds are allocated to provinces by National Treasury as prescribed by section 6 of the PFMA and then delegate to Provincial Treasuries to administer these funds at the provincial level according to section 10 of the PFMA.

Subsequently, according to PFMA, section 20 (1), the MEC for finance in a province may, in writing, delegate any of the powers entrusted or delegated to the Provincial Treasury in terms of this Act to the head of the department referred to in section 17 (1) (b) or instruct that head of department any of the duties assigned to the Provincial Treasury in terms of this Act.

The Accounting Officer has the financial delegation and mandated to ensure that the department implements government priorities mandated to the department and that funds are allocated and spend effectively and efficiently. However, there are financial delegations that signed by all senior managers in order to administer budget allocations to their areas of operations but also limited to a certain threshold in accordance with their level and responsibility.

## 2.4 Governance and reporting

The Department of Agriculture, Land Reform and Rural Development (DALRRD) is a national department and therefore responsible for providing policy direction agriculture and rural development for the country. DRDAR's strategic plans and annual performance plans and other provincial policies are aligned to these national policies. These include conditional grants business plans that are submitted to DALRRD for conditional grants allocations. The department is required to report to their mother department on quarterly basis.

The service delivery of the department includes ECRDA and the Municipalities. The Eastern Cape Rural Development Agency (ECRDA) is the sole public entity of the Department of Rural Development & Agrarian Reform. It is mandated to implement rural development initiatives on behalf of the Department. The relationship between DRDAR and ECRDA is regulated by a Shareholder's Compact which includes the appointment of the Board and the chairperson.

Its accountability includes reporting on key performance indicators/ projects and financial reporting on transferred funds. The Accounting Authority of the Agency reviews its performance levels in relation to the requirements of the Department. Progress is monitored on a quarterly basis by submission of Quarterly Performance Reports and Financial Reports to the Department as part of the accountability system.

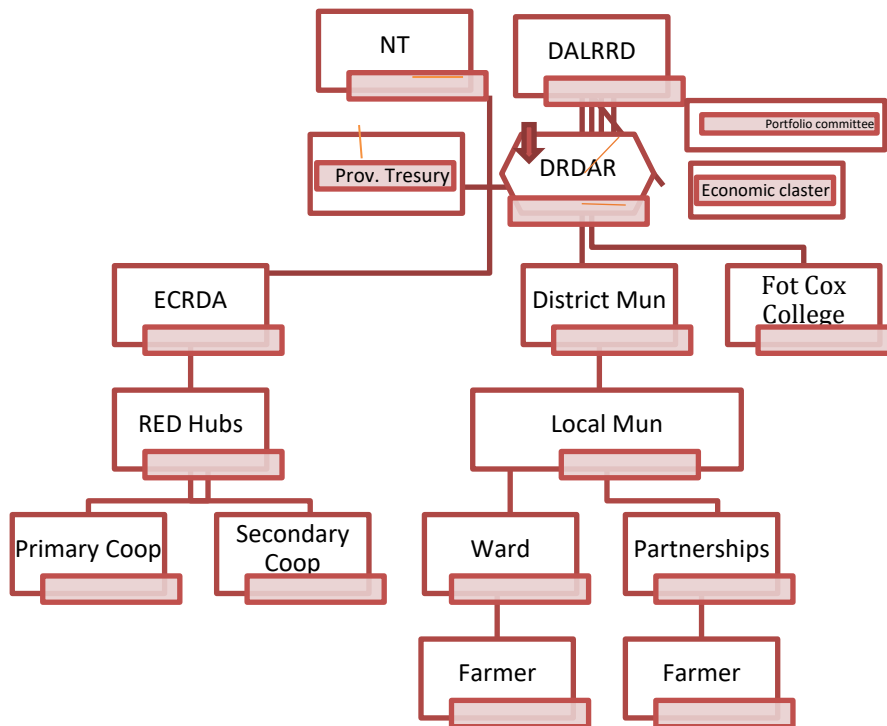
Farmers are in the local space and therefore the structure of the department includes districts and local municipal offices, which are servicing farmers at a ward level. All agricultural policies from national are customised by the head office and cascaded down for implementation to district offices, local municipalities and wards for implementation. Monitoring of the projects is done by the local offices, reported to district municipalities, and then reported to the head office.

The department consolidates the information from the districts and reports to the DALRRD; Provincial Treasury; Portfolio Committee and Economic Cluster.

Figure 1 below shows the governance structure and the reporting lines. The line with no arrows represents two way flow between these institutions and structures.



**Figure 1: Governance Structure & Reporting Lines**

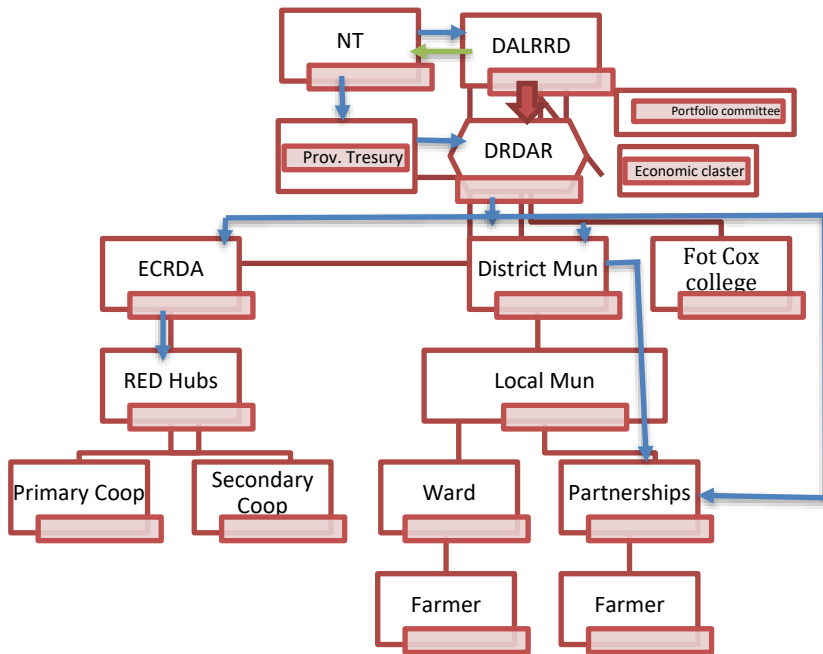


## 2.5 Flow of funds

Figure 2 below shows the flow of funds. National Treasury allocates funds to the Department of Agriculture, Land Reform and Rural Development (DALRRD) and Provincial Treasury.

- **DALRRD Allocation:** A portion of the allocated funds to DALRRD is then allocated to DRDAR through Provincial Treasury but administered by National Treasury as conditional grants namely; Comprehensive Agriculture Support Programme (CASAP); Ilima / Letsema; Land-Care and Expanded Public Works Programme (EPWP).
- **Provincial Treasury Allocation:** Provincial Treasury receives allocation in the form of equitable share and conditional grants as mentioned above from National Treasury. These funds are then allocated to DRDAR.
- **DRDAR Allocation:** Funds are allocated to Head Office; Districts Offices; ECRDA and Fort Cox Agricultural College. ECRDA and Fort Cox colleges are allocated through transfers that are paid on quarterly bases through tranches. In implementing the Agriculture Economic Transformation Strategy, the department is using some partnerships as model to enhance agricultural development in the province. Therefore, these partners are appointed and paid through supply chain processes by Head Office and this year by some districts. Figure 2 reflects this flow:

Figure 2: Flow of Funds



### 3 Programme Delivery Processes

In supporting the farmers and thus enhancing agricultural development in the province, the department has used partnership model; direct support to farmers; and ECRDA as displayed in figure 3 overleaf:

#### 3.1 Partnership Model Process

- Applications are distributed across the province and the evaluation, adjudication and approval is handled at Head Office
- **What is the process undertaken to identify, select and appoint partners?**
  - The process starts with the Expression of Interest to be added in the database of partners that is always updated annually
  - Once the database is approved by the Accounting Officer
  - The call for quotation for all areas to be planted is done to all partners that are for that specific commodity and service required.
  - Partners will respond to the call with specific areas they want to work on with clear agreements with farmers of the areas
  - In areas where two partners expressed interest farmer preferences are used to determine who gets awarded that area
  - The department will then sign an service level agreement with each partner working in the identified area
  - All the process is handled by the Departmental procurement committees (BEC & BAC)

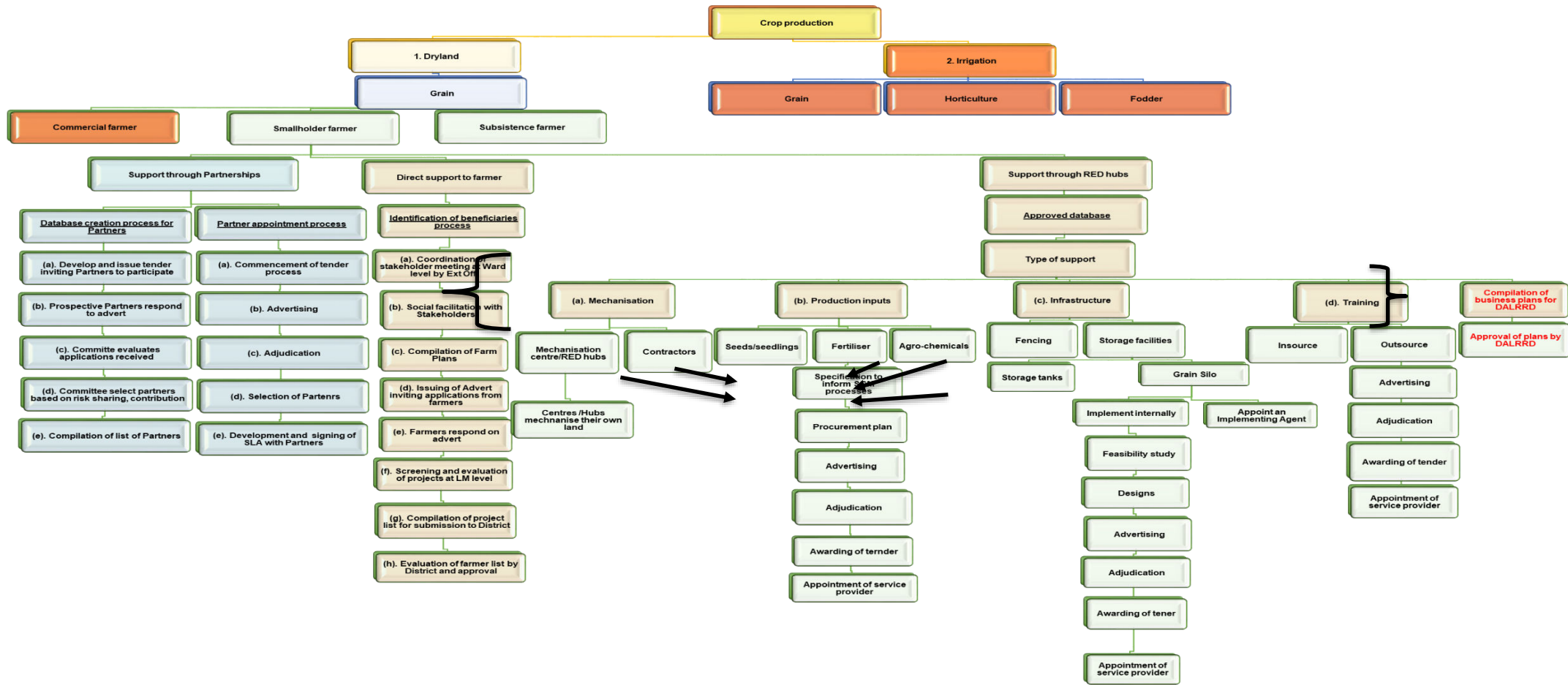
#### *Farmers*

- Partners on their own engage with farmers and they get to agreement to work together;
- If the farmers applied to be supported by the Department and his partner wins to be appointed, then that farmer will be supported through the partnership approach;
- The Department ensures that farmers don't get supported through two approaches leading to double dipping

#### **Terms and Conditions for the Partners' Contract**

- The partners must provide monetary value of its contribution towards production
- Support farmers towards marketing produce
- Have entered into agreements with the farmers that will be cropping with
- Existence of agreement governance structure between farmers and their partner
- Partner to provide regular reports into the Department Local Office
- Must have technical capacity to support production through its staff
- Must be already been operating on the commodity producing

Figure 3: Programme Processes



The Department's Role:

- Facilitate the initial meeting that will introduce the Agreement between DRDAR and Partner.
- Interpret the Provincial and Departmental agenda that must be followed in implementing the project and keep records of activities under this agreement.
- Allocate Extension Officers, Economists and Crop Scientists that will participate in the management, advise and monitor the progress of the programme.
- Facilitate linkages and collaboration between partner and functional government agencies in rural development and amongst rural communities.
- Visit sites and monitor projects.
- Manage spatial data of the projects.
- Organise all meetings envisaged in this agreement.
- Verify and approve progress reports.

List of the current grain partners are:

- GFADA
- GrainSA -
- Ukhanya Famer Development -
- Dalasile Agri-Park -
- WIPHold -

### **3.2 Direct Support to Farmers process**

Farmers decide on their own on whether to affiliate to the commodity groups / partners or access the department's support directly. Therefore, farmers who do not want to participate in a partnership are still free to apply for support in the department; however, with the same proviso that they make the minimum contribution of R1 800 per hectare.

#### **Process**

**The flow of the process undertaken for the delivery of support is shown below:**

- Department issue out adverts for cropping support
- Application forms with ID copies are received
- Title deed / lease agreement or any proof of entitlement to use the land
- Acknowledgement of receipt of application
- Feasibility study / assessment report in the case of new farms or areas to be planted
- Proof of farmer contribution (bank statements)
- Screening process both at Local and District level (minutes, attendance register and agenda) takes place
- Screening committee at Provincial level sit and make a final recommendation for submission to the Head of Department for approval
- Approval letter of the successful application is issued by the HoD
- Production / Business Plans are made available at district level
- Procurement of the goods and services indicated in the successful applications is initiated by the districts working hand in hand with the Head Office
- Delivery of production inputs or mechanization services to the different projects.
- Contracting of mechanisation between the service providers and the Department takes place (for mechanisation services)
- Delivery note (for distribution of production inputs) is issued
- Progress report on crop establishment as per production plan

- Mechanization completion certificates issued as evidence that the service has been delivered for mechanisation services

### **3.3 The Implementation Process per Each Area of Support**

#### **3.3.1 Mechanisation:**

- The department outsources the mechanisation services through normal procurement processes.
- The departmental officials at local level visits the contractors annually to assess their capacity, which is then used to assess the area of land that each contractor can be able to handle within the appropriate time.
- As reflected above the area allocated per contractor depends on the assessed capacity
- Farmers are entitled to receive the follow mechanisation services:
  - Ploughing/Ripping
  - Discing
  - Pre-plant spraying
  - Planting
  - Post-emergent spraying.
- The implementation process varies for each district but is more dependent on the onset of the first rains during the ploughing season i.e late October, November and December in some instances.
- The time lag is dependent on the size of the farm/s and therefore is not standard but the idea is to plant all the areas as early as possible if there is sufficient moisture available in the soil.
- The district has officials assigned to the projects and these officials are responsible for the monitoring of these services.
- The budget for mechanisation services is decentralized.
- The department has capped the subsidy at R3 200/ha for mechanization irrespective of the crop. The service provider is paid for the services rendered within the R3 200 and a mechanisation completion certificate must furnished to complete the payment.

#### **3.3.2 Production inputs:**

- The farmers decide on the type of production to use through the advice of their Extension Officer and the local and district specification committees sits and finalize the list of what to be procured in that order taking in to consideration the specific soil requirements of the area

##### *Procurement Process for Production Inputs*

- Procurement is conducted by the Department through normal procurement processes
- The procurement for seeds, seedlings, fertilizer, agro-chemicals is processed separately because the supply of these goods has different requirements in terms of logistics (manufacturing, suppliers, storage, transportation, etc
- Furthermore, the group of service providers that provide these goods are different and therefore, this eliminates any chances of confusion in the issuing and management of the procurement processes.
- The department uses services providers in the provincial Centralised Supply Database (CSD) which is administered by the Provincial Treasury.
- The start of the procurement process is governed by the crop in question, e.g. for maize, all the production inputs should be available by the end of September/early

October. The procurement process is therefore aligned accordingly to ensure that the required inputs are delivered within the specified timeframes.

- The production inputs are delivered to the Service Centres of the department across the province and the farmers collect from there. However, some of the deliveries may be done directly to the farmers depending on the nature and logistic requirements of the goods delivered. The tender documents are always clear on how the logistics will be managed.
- The budget is decentralized to the districts. Using maize as an example, the farmers contribute R1 800/ha and the department subsidise this with the R3 200 per hectare to reach R5 000/ha which is the minimum cost per hectare. The department has a standardised subsidy of R3 200 per hectare, irrespective of the crop as outlined in the DRDAR Food Production Policy.

### **3.4 ECRDA - Rural Enterprise Development (Red) Hubs**

The Eastern Cape Rural Development Agency (ECRDA) is a schedule 3c entity in terms of the Public Finance Management Act (PFMA). It was established as a result of two public entities, namely, the Eastern Cape Rural Finance Corporation (ECRFC) and AsgiSA – Eastern Cape (Pty) Ltd. ECRDA has a dedicated focus on formulating, promoting, and ensuring the implementation of a comprehensive integrated rural development strategy for the eastern cape.

The entity has six programmes mainly: Agriculture and Agro-processing; Livestock Development; Forestry Development; Alternative Energy; Rural Finance; RED hubs. However, the focus is on the RED hubs.

The RED hub model prioritises the village as the centre of operation and has at its core a Mega Farm approach, which emphasises the establishment of viable economic units which entail pulling together fallow land in rural communities and turning these dormant assets into productive clusters.

Currently the entity has five RED hubs, mainly Mqanduli; Ncora; Emalahleni; Mbizana and Tshabo. The first four are for grain and the last one is for flora. The analysis will only focus on grain. Mqanduli and Ncora were initially funded by Jobs Fund, Eastern Cape Development Corporation (ECDC) and ECRDA, whilst Emalahleni and Mbizana were funded by ECRDA and DRDAR. However, they are unable to sustain themselves due to number of challenges like insufficient maize feedstock from local farmers, mill capacity is very small and access to markets.

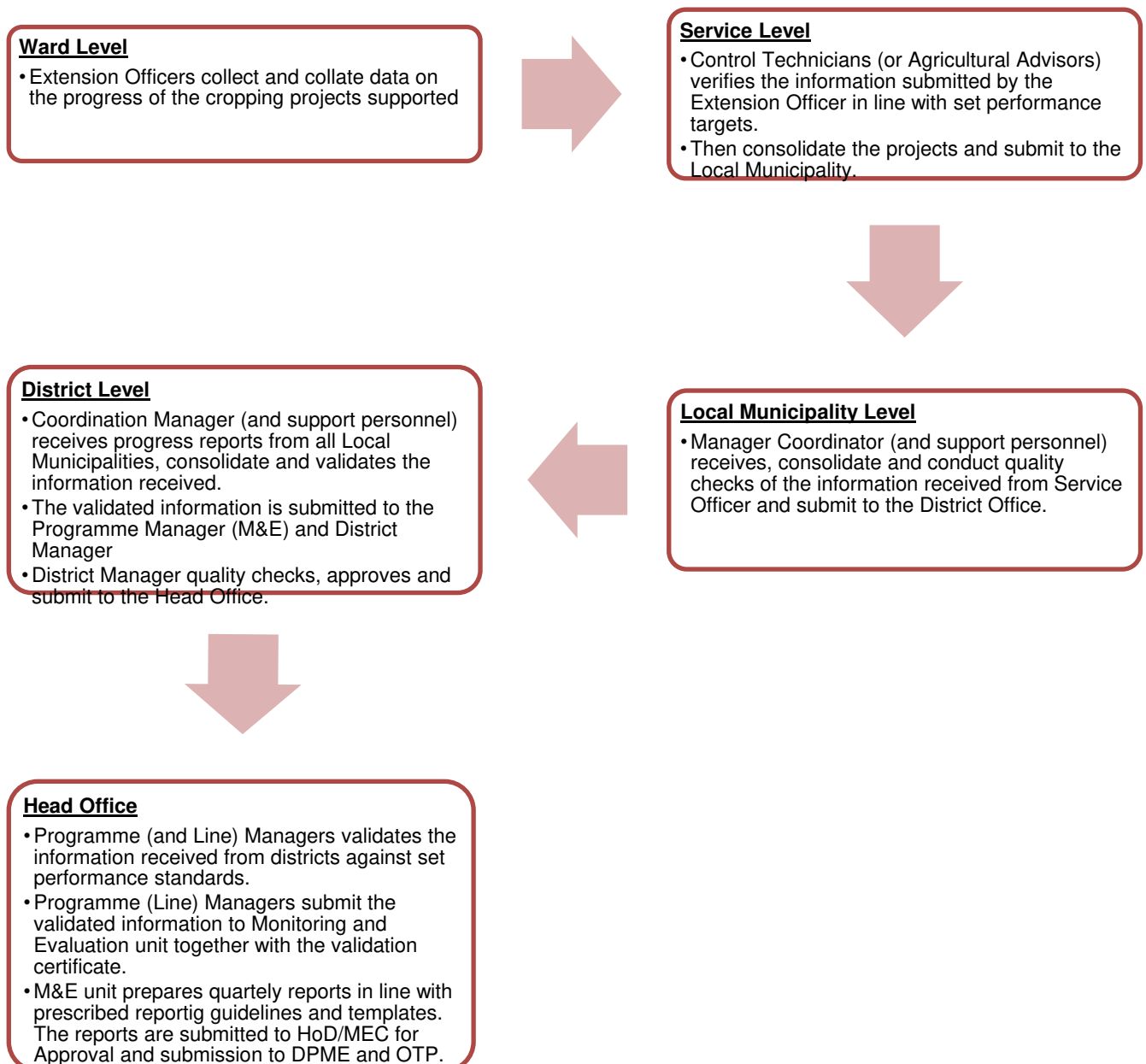
## **4 Programme Logical Frameworks**

The programme log frame is attached as **Annexure A**.

## 5 Performance Analysis

Figure 4 reflects the process of performance data within the department.

Figure 4: Performance Monitoring process





The table below sets out the performance indicators for DRDAR and reflects the main crop related indicators and details on the performance.

**Table 5: DRDAR Performance Indicators**

Indicators	2016/17		2017/18		2018/19		2019/20		2020/21	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
<b>Farmer Support</b>										
Number of smallholder producers receiving support	8	2,911	627	3,457	2,719	1,837	5,999	4,878	13,052	17,522
<b>Extension Services</b>										
Number of smallholder producers supported with agricultural advice	-	1,656	1,540	1,861	1,606	1,864	1,702	1,890	8,574	15,117
<b>Food Security</b>										
Number of hectares planted	-	50,713	4,500	50,000	55,000	18,946	31,294	19,839	28,785	28,808
Number of tons produced from hectares of maize planted	-	23,710	10	79,436	20	55,650	-	-	-	-
<b>Production Economics and Marketing Support</b>										
Number of agri-businesses supported with marketing services	-	-	-	-	219	412	1,811	2,785	928	2,444
Number of agri-businesses supported with production economic services	-	-	-	-	3,641	3,236	1,567	1,640	598	3,262
Number of agricultural economic studies conducted to inform decision-making for business development	114	512	71	496	-	-	-	-	-	-
Number of clients who have benefitted from agricultural economic advice provided	533	5,483	656	5,617	-	-	-	-	-	-

Source: DRDAR, own analysis

### Farmer Support

Number of smallholder producers that received infrastructure support increased from 2 911 in 2016/17 to 17 522 in 2020/21.

It is noted that this indicator includes both crop and livestock infrastructure.

Crop infrastructure for dry land cropping is mainly fencing and storage facilities (i.e., grain silos).

### **Extension Services**

Number of smallholder producers supported with agricultural advice increased from 1 656 in 2016/17 to 15 117 in 2021.

This indicator is for both crop and livestock production as extension officers support all farming projects in collaboration with other agricultural professionals.

### **Food Security**

Food security includes crop and livestock production and remains the key priority of the department in fighting poverty and supporting smallholder farmers to commercialise. With regards to cropping the major support provided is mechanisation and production inputs (ie agro-chemicals, fertiliser and seeds).

- Number of hectares planted declined from 50 713 in 2016/17 to 28 808 in 2020/21. Among others, budget cuts have also contributed to the decline of hectares in recent years.
- Number of tones produced from hectares of maize planted increased from 23 710 in 2016/17 to 55 650 in 2018/19. There is no data for the other years and the department is being engaged about this information.

### **Production Economics and Production Support**

The two original indicators were revised from 2018/19 and are currently:

- Number of Agri-businesses supported with marketing services increased from 114 in 2016/17 to 2 444 in 2020/21.
- Number of Agri-businesses supported with production economic services increased from 533 in 2016/17 to 3 262.

## 6 Expenditure Analysis

### 6.1 Overview of spending by the department

The table below reflects the source of funding for the department. in 2020/21 the total appropriation was some R 2,26 billion.

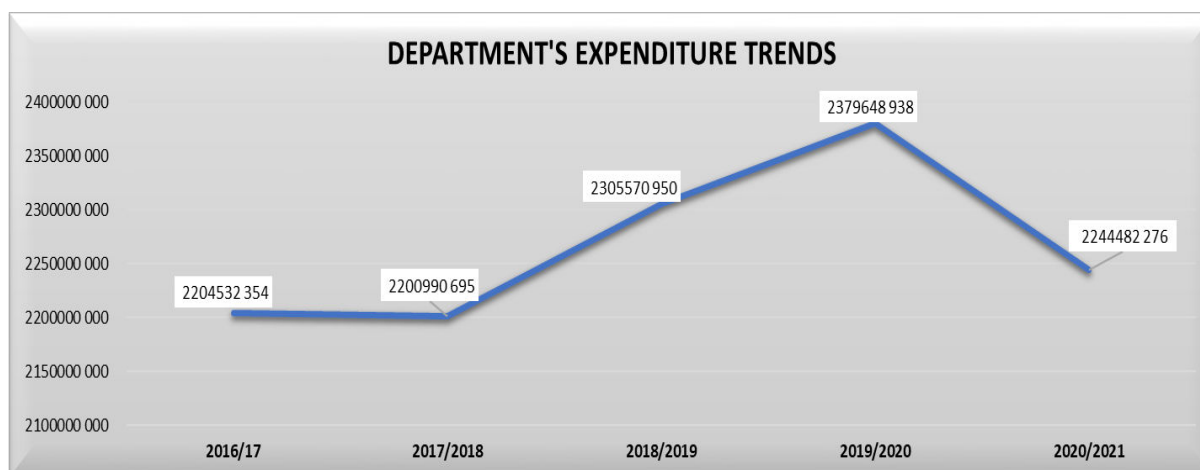
**Table 6: DRDAR Appropriations 2016/17-202/21**

	Final Appropriation					% share of budget				
	2020/21	2019/20	2018/19	2017/18	2016/17	2020/21	2019/20	2018/19	2017/18	2016/17
<b>Equitable Share</b>	<b>2 012 408</b>	<b>2 062 978</b>	<b>1 981 344</b>	<b>1 882 452</b>	<b>1 861 352</b>	<b>89%</b>	<b>86%</b>	<b>83%</b>	<b>85%</b>	<b>84%</b>
<b>Conditional grants</b>	<b>247 311</b>	<b>344 314</b>	<b>404 821</b>	<b>330 164</b>	<b>353 770</b>	<b>11%</b>	<b>14%</b>	<b>17%</b>	<b>15%</b>	<b>16%</b>
CASP	182 317	255 496	284 140	248 996	276 803	8%	11%	12%	11%	12%
Ilima	50 360	66 627	71 263	67 356	64 335	2%	3%	3%	3%	3%
Landcare	12 224	19 863	46 916	11 812	10 632	1%	1%	2%	1%	0%
EPWP	2 410	2 328	2 502	2 000	2 000	0%	0%	0%	0%	0%
<b>TOTAL</b>	<b>2 259 719</b>	<b>2 407 292</b>	<b>2 386 165</b>	<b>2 212 616</b>	<b>2 215 122</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Annual reports, Audited IYM, Pre-audited IYM

The graph below provides the spending of the department for five year period from 2016/17 – 2020/21 as extracted from the BAS system.

**Figure 5: Departmental Expenditure trends**



The spending of the department reflected a steady growth from R 2.204 billion recorded in 2016/17 to R 2.379 billion in 2019/20 financial, however the expenditure declined in 2020/21 to R 2.244 billion. The increase is mainly attributed to concerted effort by the province to prioritise agriculture and thus allocating additional resources to the sector which include amongst other things the implementation of the Agricultural Economic Transformation Strategy. The decline in the outer years is largely attributed to adjustments to the baseline due to impact of new data updates in the equitable share as well as fiscal consolidation.

**Table 7: Expenditure by programmes**

	2016/17	2017/2018	2018/2019	2019/2020	2020/2021
ADMINISTRATION	455,431,423	453,777,910	474,156,576	501,453,104	455,875,370
AGRICULTURAL ECONOMICS SERVICES	33,838,227	74,251,665	87,931,246	34,104,329	33,758,245

	2016/17	2017/2018	2018/2019	2019/2020	2020/2021
FARMER SUPPORT & DEVELOPMENT	805,543,831	780,531,079	793,762,001	788,268,567	799,199,920
RESEARCH & TECHNOLOGY DEVELOP	176,281,298	123,489,899	133,530,222	137,531,599	126,600,074
RURAL DEVELOPMENT	182,121,012	192,875,885	189,792,598	285,291,513	253,029,582
SUSTAINABLE RESOURCE MANAGE	114,516,065	124,618,261	148,500,064	133,581,030	114,824,189
VETERINARY SERVICES	295,262,268	305,183,395	316,136,486	330,636,786	296,545,182
STRUCTURED AGRICULTURAL EDUCATION AND TRAINING	141,538,231	146,262,601	161,761,756	168,782,013	164,649,714
<b>Grand Total</b>	<b>2,204,532,354</b>	<b>2,200,990,695</b>	<b>2,305,570,950</b>	<b>2,379,648,938</b>	<b>2,244,482,276</b>

Source: BAS, own analysis

The table above provides the spending trends between 2016/19 - 2020/21 per programme. The department has eight programmes that are used to discharge its functions. The expenditure reports reveals that the spending of the department is largely directed towards Farmer Support and Development, Administration as well as Veterinary Services programmes.

Over the 5 year period, these programmes combined contributed to approximately 70 per cent of the total expenditure recorded. Farmer Support and Development as well as Veterinary Services programme are the key programmes that drive the primary production (livestock and crop) which is amongst the core functions of the department. These two critical programmes are supported by the four programmes namely Sustainable Resource Management for engineering services, Structured Agricultural Education and Training with training, Research and Technology Development for research services as well as Agricultural Economic Services for provision of economic advice to farmers. The crop production expenditure can be traced in all programmes. However, the focus of this study will be primary production in particular support provided to grain farmers in the dry land areas.

**Table 8: Expenditure per district**

Tesh, can you check, may this is Head Office

	Value (Rand)					%				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
(blank)	147,734	1,650,104	8,600,323	8,884	(233,021)	0.0%	0.1%	0.4%	0.0%	0.0%
ALFRED NZO MUNICIPALIT IES	161,831,191	168,360,288	178,055,451	176,211,199	186,066,256	7.3%	7.6%	7.7%	7.4%	8.3%
AMATOLE MUNICIPALIT IES	301,224,196	332,776,938	361,758,047	333,093,803	316,232,566	13.7%	15.1%	15.7%	14.0%	14.1%
BUF BUFFALO CITY	1,037,031,805	1,018,710,990	1,019,389,809	1,138,126,815	1,001,507,665	47.0%	46.3%	44.2%	47.8%	44.6%
CHRIS HANI MUNICIPALIT IES	201,663,395	197,263,585	210,585,358	206,055,185	220,555,500	9.1%	9.0%	9.1%	8.7%	9.8%
JOE GQABI MUNICIPALIT IES	94,438,535	93,793,887	113,371,375	111,260,807	118,093,362	4.3%	4.3%	4.9%	4.7%	5.3%
NMA NELSON MANDELA BAY	1,599,999	559,491			1,035,001	0.1%	0.0%	0.0%	0.0%	0.0%
O.R. TAMBO MUNICIPALIT IES	287,125,009	274,673,439	286,287,991	282,769,211	278,599,430	13.0%	12.5%	12.4%	11.9%	12.4%

	Value (Rand)					%				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
SARAH BAARTMAN MUNICIPALITIES	119,470,491	113,201,973	127,522,597	132,123,033	122,625,517	5.4%	5.1%	5.5%	5.6%	5.5%
<b>Grand Total</b>	<b>2,204,532,354</b>	<b>2,200,990,695</b>	<b>2,305,570,950</b>	<b>2,379,648,938</b>	<b>2,244,482,276</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: BAS, own analysis

The table above provides department expenditure per district over the 5 year period. In terms of spatial distribution, the BAS report reflects that the department's expenditure is largely directed towards Buffalo City Municipality (with 47 per cent) followed by Amathole District Municipality (with 13.7 per cent) and OR Tambo District municipality (with 13 per cent). The bulk of the administration services are centralised in the Head Office, hence the budget is largely skewed towards Buffalo City municipality.

## 6.2 Crop Implementation programme

### 6.2.1 Overall Spending Trends

The tables below provide the spending trends of the cropping programme over the 5 year period. The programmes are funded both through equitable share and conditional grant. The related expenditure for crop programme can be traced in most of the department's programmes however, with the bulk of the spending being derived from Farmer Support and Development.

Table 9: Spending trends of crop programme by Economic classification

CROP PROJECTS					
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
CoE	92 143 375	96 498 421	103 391 894	106 891 281	99 402 463
G&S	120 510 484	101 653 294	114 643 511	101 047 601	108 648 621
Inv: Farming supplies (Seeds/Seedlings)	99 076 179	77 148 868	32 744 050	23 519 691	26 426 918
Inv Farming supplies (Fertiliser)	-	695 502	19 346 421	13 790 684	14 578 724
A&S (Agrochemicals)	-	-	3 043 440	3 385 781	4 085 104
A&S (Mechanisation)	-	-	29 858 714	34 504 384	53 369 756
Cons Supplies (fencing)	1 265 008	-	-	-	-
Contractors (fencing)	600 000	-	-	-	-
Inventory: Other Supplies (fencing)	-	479 336	-	-	-
Inventory Material and Supplies (fencing)	-	817 762	2 917 238	-	-
Inventory Material and Supplies (storage)	-	-	256 957	-	-
Infrastructure and Planning (Storage)	-	-	-	33 759	799 108
Training and Development	1 032 926	1 477 457	2 127 979	1 934 560	140 822
Other Goods and Services	18 536 371	21 034 370	24 348 711	23 878 741	9 248 189
Interest	-	-	75 506	-	-
Transfers	1 614 000	17 664 000	24 060 000	-	23 694 294
CAPEX	25 483 782	25 431 299	26 135 103	32 570 328	18 542 023
<b>TOTAL</b>	<b>239 751 642</b>	<b>241 247 014</b>	<b>268 306 015</b>	<b>240 509 211</b>	<b>250 287 401</b>

CROP PROJECTS	Growth rates				Average growth rate	% share of budget				
	2017/2018	2018/2019	2019/2020	2020/2021		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
CoE	4.7%	7.1%	3.4%	-7.0%	1.9%	38.4%	40.0%	38.5%	44.4%	39.7%
G&S	-15.6%	12.8%	-11.9%	7.5%	-2.6%	50.3%	42.1%	42.7%	42.0%	43.4%
Transfers	994.4%	36.2%	-100.0%	-	95.7%	0.7%	7.3%	9.0%	0.0%	9.5%
CAPEX	-0.2%	2.8%	24.6%	-43.1%	-7.6%	10.6%	10.5%	9.7%	13.5%	7.4%
<b>TOTAL</b>	<b>0.6%</b>	<b>11.2%</b>	<b>-10.4%</b>	<b>4.1%</b>	<b>1.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: ??

The expenditure under Compensation of Employees has increased moderately over the years from R 92,143 million in 2016/17 to R 99,404 million in 2020/21. The Compensation of Employees contributes approximately 40 per cent to the total crop expenditure recorded. The key personnel under Compensation of Employees are Extension Officers, which attributes to approximately 89 per cent of the total expenditure and the remainder is attributed to personnel from other units. In total, the department has approximately 540 Extension Officers supporting both crop and livestock farmers.

**Table 10: Extension Officers per district**

	Alfred Nzo	Amathole	Chris Hani	Joe Gqabi	OR Tambo	Sarah Baartman	Total
Number of Extension Officers	87	165	83	38	129	38	540
% share	16%	31%	15%	7%	24%	7%	100%

The table above provides the breakdown of the Extension Officers per district. In terms of breakdown, it should be noted that the bulk of these Extension Officers are located under Amathole District Municipality (with approximately 31 per cent), OR Tambo District Municipality (with approximately 24 per cent) as well as Alfred Nzo District Municipality (with approximately 16 per cent). However, these Extension Officers are mandated to support all farmers irrespective of their focus group. The analysis is thus based on assumption that these Extension Officers spend at least 27 per cent of their work time driving dryland cropping. The basis for ascertaining the Compensation of Employees expenditure is thus based on this.

In terms of Goods and Services, over the 5 year period, the expenditure declined from R 120,510 million in 2016/17 to R 108,648 million in 2020/21. The percentage share of the Goods and Services decreased from 50.3 per cent to below 45 per cent owing mainly due to baseline reductions. The main services that are driven through Goods and Services include procurement of mechanisation contractors; fertilisers; seeds; agro-chemical; fencing; training and storage facilities.

Transfers and Subsidies reflected a significant increase from R 1,614 million recorded in 2016/17 to R 23,694 million. With the introduction of the Agricultural Economic Transformation Strategy which focused on the involvement of the private sector through partnerships for improved agricultural productivities, the transfer has significantly increased from contributing 0.7 per cent in the overall spending to 9.5 per cent. The expenditure in 2016/17 related only to fencing which was implemented through ECRDA, in 2017/18 the partners GFADA and GrainSA were introduced to assist in improving farmer productivity. In 2019/20, the funds were allocated under Goods and Subsidies in line with (Circular 21 of SCOA) to confirm this. In 2020/21, the department transferred funds to ECRDA for provision of mechanisation and RED hubs as well as payment of casual labourers. There seems to be inconsistencies in the department's decision to deliver its service which makes difficult to track spending.

**Table 11: Transfers and Subsidies expenditure**

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
<b>TRANSFERS AND SUBSIDIES</b>					
ECRDA (Food Security sub-programme)					19 390 000
ECRDA - Mechanisation					8 190 000
ECRDA - RED hubs					11 200 000
ECRDA (Infrastructure sub-programme)	1 614 000	-	-	-	4 304 294
FENCING	1 614 000				
CASUAL LABOURERS					4 304 294
GRAIN FARMER DEV AGENCY(GFADA)		8 064 000	14 460 000		
GRAIN SA		9 600 000	9 600 000		
TOTAL	1 614 000	17 664 000	24 060 000	-	23 694 294

In respect to Payment for Capital Assets, the department has recorded a decline from R 25,483 million in 2016/17 to R 18,542 million in 2020/21. The expenditure mainly relates to fencing for crop related projects as well as machinery and other equipment utilised by Extension Officers and other key personnel.

## 6.2.2 Units Costs

The table below links tries to link the non-financial performance and financial performance between 2016/17 – 2020/21 to establish the real performance trends in the cropping programme. Sourcing a credible non-financial data has been a challenge, and therefore the conclusion is based on the hectares figures as extracted from the Annual reports in each respective year. It was also difficult to clearly ascertain the exact number of hectares that relates to the dryland areas for grain production. For this exercise, the total number of hectares were used. The hectares planted over the 5 year period has significantly declined from 50 713 to 28 808, although the expenditure has been increasing steadily. This is a cause for concern as it demonstrates some inefficiencies in how the department delivers this programme.

**Table 12: Total cost per hectare**

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
TOTAL CROP EXPENDITURE	239 751 642	241 247 014	268 306 015	240 509 211	250 287 401
<b>Number of hectares planted</b>	<b>50 713</b>	<b>50 000</b>	<b>18 946</b>	<b>19 839</b>	<b>28 808</b>
<i>Cost per hectare</i>	4 728	4 825	14 162	12 123	8 688

The department uses a standard subsidy rate of R 3,200 per hectare towards supporting farmer crop farmers (either on production inputs or mechanisation). Although the rate used is the same, the type of support offered per district differs based on preference of farmers in that region. The expenditure increased from R 99,076 million in 2016/7 to R 117,850 million in respect to these areas. The expenditure includes the transfers that are done to the partners that are contracted to assist the department to better deliver the cropping programme. Comparing the expenditure recorded and hectares planted over the same period, it should be noted that real subsidy rate used has fluctuated R 1,910 – R 5,756. As alluded above, the significant variations between each reporting year are a cause for concern, as it indicates inefficiencies in the programme delivery and management.

**Table 13: Actual subsidy versus the standard subsidy rate**

PRODUCTION INPUTS AND MECHANISATION ONLY					
Farming supplies (Seeds/Seedlings)	99 076 179	77 148 868	32 744 050	23 519 691	26 426 918
Farming supplies (Fertiliser)	-	695 502	19 346 421	13 790 684	14 578 724
Farming Supplies (Agrochemicals)	-	-	3 043 440	3 385 781	4 085 104
A&S (Mechanisation)	-	-	29 858 714	34 504 384	53 369 756
ECRDA transfer (Mechanisation)	-	-	-	-	8 190 000
ECRDA transfer (Red hubs)	-	-	-	-	11 200 000
GFADA (mechanisation or inputs done through partners)	-	8 064 000	14 460 000	-	-
GRAINSA (mechanisation or inputs done through partners)	-	9 600 000	9 600 000	-	-
<b>TOTAL</b>	<b>99 076 179</b>	<b>95 508 369</b>	<b>109 052 626</b>	<b>75 200 541</b>	<b>117 850 503</b>
<b>Number of hectares planted</b>	<b>50 713</b>	<b>50 000</b>	<b>18 946</b>	<b>19 839</b>	<b>28 808</b>
<b>SUBSIDY RATE</b>	<b>3 200</b>	<b>3 200</b>	<b>3 200</b>	<b>3 200</b>	<b>3 200</b>
<b>Actual subsidy based on cost</b>	<b>1 954</b>	<b>1 910</b>	<b>5 756</b>	<b>3 791</b>	<b>4 091</b>

## 7 Recommendations

- This Expenditure Review need to be taken as the foundation of further analysis that needs to be carried out in order to ensure that the effective and efficiency of the current cropping programme is thoroughly evaluated;
- The department should invest in the development and sustainability of the data portal project with World Bank in order to ensure that it is properly maintained as data is critically in making important decisions;
- More work needs to be done in improving performance indicators so as to ensure that programmes are properly costed, monitored and evaluated for improved performance and efficiencies; and
- The department should further assist in providing data whilst working with the World Bank on the data portal.

## 8 Actions

- Further work or second Expenditure Review is greatly needed in order to ensure that a complete analysis of expenditure against performance data is performed focusing on the following:
  - Cost per farmer (requires some data issues to be resolved)
  - Cost and efficiency per extension Officer
  - Cost of training per farmer
  - (Possibly) Cost comparison of inputs
  - Sector data comparison (e.g. Grain SA) on comparative input costs and yields as well as other provinces
- Present the Expenditure Review to the department; and
- Advise the department on the importance of this exercise as well as the need for the department to internalise the findings and recommendations so as to improve the programme and its implementation thereof;