THE SOUTH AFRICA AGRICULTURE PUBLIC EXPENDITURE REVIEW

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The Department of Agriculture, Forestry and Fisheries wishes to thank and appreciate University of Pretoria, The Land Bank and Moloto Solutions for availing their resources to contribute to the success of this study.
The report presents a range of issues for consideration by the South African government pertaining to resource allocation to agriculture. It highlights that a change in location of budget units creates an impediment for smooth budget tracking process. While a trial was done to analyse data from COFOG system, most of the analysis is based on the SA system. That analysis points to relatively unstable patterns in the total agricultural expenditure budget, which in the main is not that much compared to the total agricultural budget and in real terms. Most interestingly, the share of agricultural public expenditure to the total SA government expenditure is lower that the share of agriculture to GDP.

The report also shows the institutional perspective of the expenditure of South Africa that consists of national level, provincial level and state owned entities level (SOE). It shows the rising importance of provincial institution in agricultural expenditure. For implementation of agricultural programmes, this provincial institution needs to be complemented with SOEs. This review did not cover the expenditure on agriculture in the local government level and other departments. The programme perspective shows that the basic functions (programmes) are stable over time (against expectation), and there was a sharp increase in expenditure on agricultural support – which should produce new or good farmers. Although COFOG is a useful concept, it is not easy system to link with national budgetary nomenclature.

The study was commissioned by the DAFF with support from World Bank and financial assistance from the Bill and Melinda Gates Foundation. It was undertaken through a concerted group effort. The study was executed by the team led by Dr Frik Liebenberg (University of Pretoria), with Dr Moraka Nakedi Makhura (Land Bank) and Kate Moloto (Moloto Solutions). The work also benefited from the contribution of Nontobeko Ndaba (the Junior Economist at the Land Bank) who acted as Research Assistant. In DAFF the project was led by Jacob Hlatswayo (CFO and sponsor of the project), Winston Makabanyane (Director Africa Relations and project manager). The provincial CFOs also assisted in the collection of provincial data. The study benefited a great deal from the guidance of Stephen Mink, the Lead Economist and study leader. Kanego M, Kabelo M and Raisibe Masemene helped to coordinate DAFF and the consultants.
This draft report will be subjected to initial consultation with the Department and World Bank in middle of June. The second round of consultation will take place in a national workshop at the end of June 2014. This will include provincial and national departmental officials as well as selected stakeholders in agriculture.

The report will be then be finalized and made available in print and electronically. It may be updated regularly as feedback from readers is received.
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<tbody>
<tr>
<td>ACB</td>
<td>Agricultural Credit Board</td>
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<tr>
<td>ARC</td>
<td>Agricultural Research Council</td>
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<td>AgPer</td>
<td>Agricultural Public Expenditure Review</td>
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<td>AU</td>
<td>African Union</td>
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<td>BAS</td>
<td>Basic Accounting System</td>
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<td>CAADP</td>
<td>Comprehensive African Agricultural Programme</td>
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<td>CASP</td>
<td>Comprehensive Agricultural Support Programme</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CFO</td>
<td>Chief Financial Office</td>
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<tr>
<td>COFOG</td>
<td>Classification of Functions of Government</td>
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<td>DAFF</td>
<td>Department of Agriculture Forestry and Fisheries</td>
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<tr>
<td>DDG</td>
<td>Deputy Director General</td>
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<td>DG</td>
<td>Director General</td>
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<td>DPs</td>
<td>Development Partners</td>
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<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
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<tr>
<td>DORA</td>
<td>Division of Revenue Act</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ENE</td>
<td>Estimate of National Expenditure</td>
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<td>FFC</td>
<td>Fiscal and Financial Commission</td>
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<td>Land Bank</td>
<td>Land and Agricultural Development Bank of South Africa</td>
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<tr>
<td>MADC</td>
<td>Mpumalanga Agricultural Development Corporation</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>NAMC</td>
<td>National Agricultural Marketing Council</td>
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<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>OBPI</td>
<td>Onderstepoort Biological Products Incorporated</td>
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<td>PDAs</td>
<td>Provincial Departments of Agriculture</td>
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<td>PPECB</td>
<td>Perishable Products Export Control Board</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>SOEs</td>
<td>State Owned Entities</td>
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<tr>
<td>SONA</td>
<td>State of the Nation Address</td>
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<td>SA</td>
<td>South Africa</td>
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<td>Republic of South Africa</td>
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<td>TOR</td>
<td>Terms of Reference</td>
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**UNITS**

- R10 = US$
- R17 = BP
- R14 = Euro

- 1000 = One thousands
- 1 000 000 = One million
- 1 000 000 000 = One billion
- 1 000 000 000 000 = One trilion
EXECUTIVE SUMMARY

Introduction
This South African Agricultural Public Expenditure Review (AgPer) is one of a series of similar studies undertaken in several countries in Sub-Saharan Africa under the Comprehensive Africa Agriculture Development Program (CAADP) of the African Union’s (AU) New Partnership for Africa’s Development (NEPAD) which encourages governments and development partners (DPs) to target public expenditure on the agriculture sector as the most effective way of stimulating growth.

The overall purpose of the budget tracking and public expenditure review is to provide recommendations to address budgetary planning, budget execution, and accountability in the agricultural sector, the creation of a reliable data base, and more effective intra- and inter-sectoral coordination. It is also aimed at stimulating increased resource allocations and to enhance the harmonization and alignment of resources around national and provincial priorities in the agricultural sector.

The report aims to produce the following outputs:

- Foundation data set for understanding reflecting the COFOG and South African nomenclature in budgeting
- Synthesis of the level, composition and quality of budget
- Recommendations for enhancement of the budget tracking process

Investment in the South African agricultural sector stands out from other in African in that public spending in South Africa is complemented by the private sector. Also, as a result of the high level of development in the secondary and tertiary sectors in the economy the share of public expenditure in agriculture is therefore relatively low. As such, the benchmark of the Maputo Declaration of 2003 committing African Heads of State to increase public expenditure on agriculture to ten percent is neither achievable nor appropriate for South Africa.

The AgPer was conducted by analysing the data constructed from combining the budgets and expenditure information in the national and the nine provinces departments. A lack of an integrated program structure and frequent program structure changes posed challenges in developing the database. A harmonised programme structure was used that include: Administration and Services, Production Support, Regulatory Services, Natural Resource Management, Farmer Support & Extension, Financing, Agricultural Economics, Forestry and Fisheries.

The report first provides an overview of the South African economy and presents the agricultural sector context.
Country Context

South Africa is the second largest economy in Sub-Saharan Africa. Until recently, the economy was number one in terms of GDP (Now second to Nigeria). South Africa is faced with the triple challenge of poverty, inequality and unemployment. Just less than half the South African population lives in poverty. The South African rand is convertible – and regarded as one of the most liquid, or tradable, among the developing economies. There are adequate international foreign currency reserves — accessible at many forex points. South Africa has also declared itself as a developmental state.

Dependence of public finance on tax as major revenue source has generally created stability and has pushed Government revenue collection system to be more effective. The major origin of the tax revenue are from the personal income tax and company tax and value added tax, which depend on the economic activity. In view of stringent economic developments and slow growth, some views are that government may start reducing on social spending.

With an annual real GDP growth of 3.4 percent since 2002, the South Africa growth rate has been generally linked and lagging the global growth, except for a few instances when it surpassed the global average over the past 10 years (ie. the early 2000s and mid-2000s). While still facing developmental challenges the economy also displays elements of a developed economy. The main contributors of the GDP are predominantly, the secondary and tertiary sectors.

The agricultural sector has been losing its relative importance. Agriculture in 2013 contributed only 2.5 percent to the GDP, as compared to about 9 percent for the mining sector and 12 percent of manufacturing and 21 percent of Finance, real estate and business services. South Africa is the main member of Southern African Custom Union (SACU) and is a net exporter of agricultural products. In terms of trading partners, Netherlands, UK, Zimbabwe and Mozambique were the top five agricultural export destinations over the past decade, with the USA replaced by Angola. That is, South Africa increased its Africa focus more. While agriculture’s relative contribution to the GDP is increasingly declining, it is still relevant in food security and employment.

Sector Context

South Africa has a diverse agro-ecology with a diverse agricultural investment potential. About 13.7 percent of South Africa is suitable for arable farming. With a mean annual rainfall of approximately 450 mm, South Africa is regarded as semi-arid. As such, large parts of the country are only suitable for extensive livestock farming, particularly sheep and cattle. Periodic droughts and intermittent floods affect most of the agricultural activities and government has been intervening through disaster management to rehabilitate the affected farmers and their farming activities.

In the past, South Africa used to have a dualistic agricultural sector reflected in a modern commercial farming sector and a communal farming sector. With the land reform process and improved support to the communal sector this dichotomy is waning. Mixed farming systems are in use mainly in the communal farming area, where allotments are allocated for arable crop
farming and a common grazing land allocated for livestock production. While the number of commercial farmers has been declining in the recent decade average farm size and productivity has increased. However, information on the number of communal farmers and or emerging farmers is less well known.

Maize, as the main staple food, is grown in the maize triangle that covers the areas of Mpumalanga, Gauteng, Free State and North West. The communal farmers tend to rear mainly livestock, since they are generally part-time with other sources of income. In the commercial farming sector large corporations and agribusiness companies are a dominant feature.

**Land tenure is secure in both communal system and freehold land.** According to the latest Population Census 2011, there are about 2 879 638 farming households practicing some form of agricultural activity.

**Only 15 percent of the arable land is under irrigation contributing 30 percent of the country’s crop production.** In terms of National Development Plan South Africa plans to expand the use of irrigation to increase production and employment.

**Institutions in Agriculture**

The Ministry of Agriculture, together with the nine provincial ministries, is responsible for the public services for the sector. The roles are separated through a constitutional provision (Schedule 6). **Provincial departments of agriculture are subdivided into regional, or districts offices located in the major centres or towns.** Agricultural Service Centres have been established in various parts of the country to assist farmers with extension services. The centres provide general agricultural information and advice and occasionally coordinate the provision of animal feed, production inputs (fertilisers and seeds). Regions or districts are further subdivided into extension wards through which village or area level technical staff is stationed to interface with farmers and other key stakeholders on a frequent basis.

Five major state-owned entities form part of the agricultural support system. These provide support to farmers with a more focused mandate and less bureaucratic processes. **The Agricultural Research Council (ARC)** was established by the Agricultural Research Act 86 of 1990 and is the lead agricultural research institution in South Africa. **Onderstepoort Biological Products (OBP),** established in 2000 under the Onderstepoort Biological Products Incorporation Act of 1999, is a state owned animal vaccine manufacturing company with the mandate to prevent and control animal diseases that impact on food security, human health and livelihoods. **The Land and Agricultural Development Bank of South Africa (Land Bank)** has been the leading agricultural financier in South Africa since 1912. The Land Bank offers tailor made financial services to established and emerging farmers. **The National Agricultural Marketing Council (NAMC)** was established in terms of the Marketing of Agricultural Products (MAP) Act (Act No. 47 of 1996). The NAMC provides strategic advice to the Minister of Agriculture, Forestry and Fisheries on the marketing of agricultural products. The **Perishable Products Export Control Board (PPECB),** constituted and mandated in terms of the PPEC Act (Act No 9, of 1983) is an independent service provider of quality
certification and cold chain management services for producers and exporters of perishable food products.

South African farmers are well organised, though along racial lines. At grassroots level, farmers are members of their local farmers’ association and commodity groups, through which they liaise with local officials to address local agricultural issues.

**Sectoral Perspective of Public Expenditure on Agriculture**

The total South African agricultural expenditure, inclusive of agriculture, forestry and fisheries, has experienced a threefold increase in nominal terms in the 11 years from 2003/4 to 2013/14. This represents an annual growth of 10.8 percent from R5.77 billion in 2003/4 to R16.97 billion in 2013/14 in relation to the total government expenditure of about R291.52 billion in 2002/3 increasing to just over a trillion in 2013/14. After accounting for inflation using a GDP deflator with a 2010 base year the expenditure trend is less impressive. The real agricultural public expenditure increased by only 4.2 percent annually from R9.33 billion in 2003/4 to R14.23 million in 2013/14. **This represents a slightly more than fifty percent increase in agricultural public expenditure compared to a more than threefold increase in total government expenditure.**

The share of agriculture in the economy has declined from about 2.65 percent of the South African GDP to about 2.18 percent in recent years. On the other hand, the share of government spending on agriculture as a share of total government spending has increased from 1.75 percent in 2003/4 to 1.92 percent in 2008/9 from where it has decreased to an average of 1.67 in the recent three years.

Spending per farm worker has grown at 11.2 percent, about four percent faster than the spending per farmer, as a result of the forty percent decrease in employment in the sector since 2002. The 9.9 percent increase in spending per farmer represents a respectable increase in resources/investment available to individual farmers.

**Institutional Perspective of Public Expenditure on Agriculture**

After accounting for inter-institutional transfers, all three institutional cohorts experienced an increase in expenditure with provincial departments experiencing a higher rate of growth than national departments and state owned entities. The national departments — net of transfers to national state owned entities and the provinces — showed a strong annual rate of growth of 18.0 percent from 2003/4 through to 2008/9 when austerity measures led to a decrease in expenditure of R1.25 billion. From 2010/11 it regained its growth in spending at 11.9 percent to date. National level state owned entities have experienced a growth of 9.2 percent during the years prior to 2008/9, improving to 10.3 percent since 2010/11. Over the full 11 year period national level state owned entities experienced an annual growth of 8.8 percent, compared to the 10.5 percent experienced by the national departments.

The growth in expenditure by the provincial departments of agriculture was 11.3 percent throughout the 11 year period since 2003/4. However, the growth rate up to 2008/9 was 13.9
percent annually followed by an 8.9 percent rate of growth from then on. This is lower than the growth rate experienced by the national departments.

In inflation adjusted terms, **State owned entities at national level have only marginally improved their level of expenditure.** Expenditure on agriculture by the provincial administrations has grown by 4.6 percent per year from 2002/3 to date. From 2003/4 to 2009/10 the increase was 7.5 percent per year, but over the past four years this slowed to only 0.3 percent per year.

A salient feature is **the increased role of conditional grants from the DAFF in the overall expenditure of the provincial departments.** Whereas conditional grants were less than 10 percent of overall provincial expenditure a decade ago, this has increased to 14 percent by 2010/11. In 2011/12 this increased to 20 percent and now fluctuates around 22 percent, more than double what it was a decade ago.

**Program Perspective of Public Expenditure on Agriculture**
The two biggest programmes were the Financing and the Farmer Support and Development (FSD) programmes. The expenditure on farmer support and development has shown the strongest growth of all programs. The next large program is the Administration programme. This programme includes the senior management of the departments from the Minister through to DDG as well as corporate services. There are significant differences in the relative importance of this program between the national institutions and the provincial departments. At national level, administration is the third largest program after Financing.

**Functional Perspective**
The total agricultural public expenditure as defined by the COFOG system accounted for 75 to 86 percent of aggregate expenditure on agriculture, forestry, fishing and agricultural R&D and grew by 7.0 percent per year from R7.1 billion in 2003/4 to R13.6 billion in 2013/14. The share of expenditure on R&D decreased from 16 percent in 2003/4 to 11 percent in 2013/14. This is the result of a decrease in R&D expenditure of 1.9 percent per year during the period 2003/4 to 2009/10. Since then expenditure on research has risen by 6.6 percent per year to reach R1.8 billion in 2013/141. Expenditure on forestry and fisheries show a marginally declining trend over the period of 1.2 and 3.9 percent respectively.

**Efficiency of Public Expenditure on Agriculture**
The efficiency of executing the total budget is measured by comparing budgeted against actual expenditure. The actual expenditure by the DAFF has often been much higher than the initial budget, but generally slightly lower than the adjusted appropriation made during the financial year. Actual expenditure generally exceeds the initial budgeted expenditure by 12.2 percent, ranging between 1.0 percent and 47.2 percent. Compared to the adjusted appropriation the

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1 This is probably an underestimate as the unit based budget data do not provide sufficient detail to account for expenditures on sub-functions within the unit (DAFF, 2014a)
actual expenditure on average is 3.3 percent below the adjusted appropriation and ranges between 0.7 percent in 2009/10 and 6.3 percent in 2006/7.

The expenditures trends by economic classification show salaries and goods & services trending high and increasing faster than the other economic classes.

**Qualitative Opinion on public expenditure on agriculture**

Respondents were surveyed and requested to give an opinion on the issues related to budgeting process. The views were with respect to **coding, flow of funds and congruency**. The common view is that the existing financial is good and allows for a uniform programme (objective) and item structure. The view is not surprising since the SA budgeting and expenditure tracking system are participatory and transparent.

In terms of the views on the efficiency of the flow of funds to allocated budget areas are that the level of underspending is very high, attributed to bad planning; e.g. incidence of last minute spending in January to March is quite common. This view is in line with the fact that the revised or adjusted budget is approved late. The underspending has implications for service delivery. Injudicious spending of the budget borders on violation of the public finance management policies.

The views on the efficiency of the budget allocation process (in terms of allocations to priority areas) were invited. Here a need for re-organization and re-prioritization of spending within the sector was identified before an argument for more resources can be made. It should also be borne in mind that the process of allocating budget to the priorities of the programmes is a collective process during which many trade-offs are made.

**Recommendations**

The report recommends the following;

**Recommendation 1:** There is a need to increase the level of public expenditure on agriculture as the current level of spending is regarded as insufficient if compared to the norm for similar economies elsewhere.

**Recommendation 2:** The target of 10 percent of total government spending going to agriculture is not appropriate for South Africa. Spending 10 percent of government spending on agriculture spending is equivalent to R100 billion. This has tremendous implications for policy, prioritisation and capacity to spend an extra more than R800 billion. A gradual increase to levels closer to the sector’s share in the economy, along with appropriate policy and capacity creation are recommended.

**Recommendation 3:** The current open economy policy and the general objective of food self-reliance (security) have to continue. This involves ensuring that there is sufficient options to make food available in the country through own production, import and export. Direct price support and trade restrictions should continue to be managed carefully. On the other hand, non-market-distorting indirect agricultural support should be enhanced. Government should maintain the balance by developing trade relations with all the regions.
Recommendation 4: The budget spending should be balanced among different (institutions, economic classification, programmes, functional) components of expenditure, with more bias towards those that deliver service to farmers. Farmers generally feel less supported as the funds that reach the farmer on the ground are very little. Some farmers (including emerging farmers) don’t experience public service support due to budgetary constraints.

Recommendation 5: There should be a consistent effort to determine and improve return on the expenditure and increasing service delivery to the farmers or projects on the ground. The development of the farmers or agriculture sector or output should be commensurate with the money spent (value for money). As such, clearer delivery indicators should be developed or established.

Recommendation 6: A harmonised national agricultural programme structure should be implemented to aid in expenditure tracking. The programme structure should allow for the inclusion of all government entities national and provincial level and their functions. The COFOG system is too aggregated to inform the day-to-day management of the public sector functions in agriculture. The envisaged structure should align to policy priorities. Efforts should be made to harmonise the accounting system of state owned entities that of the government system.

Recommendation 7: There is a need to rationalise the departmental structures at national level. The process of frequent restructuring of programmes and renaming of institutional component tends to create confusion in understanding some basic functions.

Recommendation 8: Improve coordination of budget within government and with non-governmental stakeholders on the budget issues

Recommendation 9: There is a need to institutionalise the budget tracking and review by setting up a budget tracking function or role in the DAFF to provide regular updates (or budget review) and monitor the performance of the budget. This may require allocation of financial resources and capacity to stabilise the expenditure monitoring process.
SECTION 1 INTRODUCTION AND STRUCTURE OF THE REPORT

1.1 MOTIVATION FOR THE EXPENDITURE REVIEW

The program “Strengthening National Comprehensive Agricultural Public Expenditure in Sub-Saharan Africa” is financed by the Bill and Melinda Gates Foundation and implemented by The World Bank. The aim is to improve the impact of scarce public resources spent by Sub-Saharan African governments on agricultural sector development activities in an effort to improve the welfare of predominantly poor rural populations. It operates in the context of the Comprehensive Africa Agriculture Development Program (CAADP) of the African Union’s (AU) New Partnership for Africa’s Development (NEPAD), which encourages governments and development partners (DPs) to target public expenditure on the agriculture sector as the most effective way of stimulating growth in the sector, thus reducing hunger and poverty.

The overall objective of the project is, through providing analytical support, to promote the articulation and implementation of strengthened national comprehensive agricultural public expenditure programs so as to build consensus for increased levels of public expenditure in the sector in Sub-Saharan Africa, and to enhance its efficiency, effectiveness and equity.

The program is intended to provide evidence-based recommendations that will address, inter alia, budgetary planning, budget execution, and accountability in the agricultural sector, the creation of a reliable data base on public expenditure, and more effective intra- and inter-sectoral coordination. It is also aims to stimulate larger donor contributions and enhanced harmonization and alignment of resources behind national strategies. More specific to CAADP, the program will focus on: the level of expenditure on agriculture, with particular reference to the explicit target by African Heads of State in the Maputo Declaration to allocate 10 percent of national budgets to the sector; to align the composition and priorities of expenditure with respect to stated national strategies; provide evidence of impact; improve the sustainability and absorptive capacity; and improve budget planning and implementation in order to strengthen public financial management in general and in particular budget coherence, outputs, outcomes and supporting mechanisms such as procurement and audit.

South Africa has requested that it benefit from this program, in a communication addressed to the CAADP Secretariat and has solicited a basic agricultural public expenditure diagnostic review.

1.2 BACKGROUND AND OBJECTIVES

The overall purpose of the budget tracking and public expenditure review exercise is to provide evidence-based recommendations to inform subsequent budgetary planning, budget execution, and accountability decisions and practices in the agricultural sector. It is also aimed at stimulating increased resource allocations, and further enhances the harmonization and alignment of resources around national and provincial priorities in the agriculture sector.
To this end an Inception Workshop was held on 5 September 2013 with the CFO’s of the National and Provincial Departments of Agriculture to discuss the study purpose and the proposed outputs of the study and to agree on the milestones and the timelines. The Inception Report was prepared reflecting on the team’s understanding of the TOR and proposing the approach to be adopted in implementing the project.

The specific objectives of the budget tracking and expenditure review exercise were reflected (or agreed) to be among others the following:

1. Collect, analyse data and present findings on the **amounts and composition** of consolidated public allocations to the agriculture sector — combining national and provincial levels — in light of the CAADP 10% target;
2. Collect, analyse and present findings on the **proportions and timeliness** of disbursements of public resources, including the **producer support** measures made by different departments at national and provincial levels;
3. Show the **current and potential relationship** between resource allocations and effective and efficient expenditures, and provincial and national growth targets.
4. Provide a **synthesis of the levels, composition and quality** of public expenditures in the agriculture sector — at national, provincial and (if possible) lower administrative units;
5. **Propose the amount and composition** of agriculture investments, based on analytical evidence, that are required to stimulate small-holder driven agricultural growth-rates.

A number of matters were raised regarding the detail at which the study will be conducted as well as the modus operandi to follow if the institutional capacities are to be created for continued monitoring and evaluation by the departments.

### 1.3 Output and Deliverables

The report aims to produce the following outputs:

- Foundation dataset for understanding Classification of Functions of Government (COFOG) and the Basic Accounting System followed by the South African government
- Synthesis of the level, composition and quality of budget
- Recommendations for enhancement of the budget process

The following deliverables are to be presented

- Two presentations of expenditure data organized according to the SA Treasury Reporting system and the COFOG classification system
- Detailed report
- Qualitative survey instrument and a report
- Abridged executive summary
- Recommendations for improvement of the system
1.4 INTENDED AUDIENCE

1.4.1 Primary audience
The primary audience are the institutions/units who are directly involved in the budget and expenditure process.

- Mainly DAFF
- Provincial departments of agriculture
- Portfolio committee on agriculture
- The presidency
- SOEs
- The National Treasury

1.4.2 Additional audience
Agricultural stakeholders impacted by the agricultural public sector action and also influence agricultural policy serves as the additional audience. This audience needs to be informed and made aware about the expenditure issues:

- Organised agriculture, including farmers’ organizations
- Academia
- NGO’s in agriculture
- Political parties

1.5 PROCESS FOLLOWED TO UNDERTAKE THE STUDY
To track government spending on agriculture across all the budget votes of both national and provincial departments of agriculture and their associated state owned entities a database was structured to allow for the analysis of the level of investment as well as the efficiency in the allocation of resources. A key requirement is that it should enable the analysis hereof in such a manner that it reflects both national budgetary nomenclature and the summary form of the Classification of Functions of Government as used by the UN. Included in the analysis is the ability to track support payments to agriculture.

A complication presented by the Estimates of National Expenditure (ENE) reports of government is that it report expenditure to the level of sub-programs, but present the breakdown of the expenditure by economic classification only at the aggregate program level. This practice limits the ability to identify and appropriate the spending by function and type of support. The process followed to construct the database was to source data on spending by economic classification directly from departmental accounting systems at the unit, or sub-program level.

For the DAFF the source availed to the consultants were the State of Expenditure Reports used to monitor and report on financial allocations. Provincial expenditure data were sourced at the sub-program level according to the harmonised provincial agricultural programs implemented
in some provinces since 2004/05 — a programme structure that treasury recently urged all provincial departments of agriculture to adopt.

1.6 CHALLENGES OF COLLATING BUDGET DATA

A number of challenges presented itself in the course of the data collection process. These were, but not limited to:

1. The data availed to the analysts by the DAFF came in pdf format and all data had to be captured by hand. This presented a challenge in data capturing and forced the analysts to limit the effort to capture only data on budgeted expenditure and actual expenditure to the level of unit totals. Expenditure by economic classification was limited to actual expenditure only.

2. Four of the nine provinces still have to change their budgeting systems to the harmonised provincial program structure — a structure that in itself has undergone a number of evolutions since its inception in 2004/05. Provinces were requested to populate a master template using data from the Basic Accounting System of government.

3. In some provinces the provincial department of agriculture is also responsible for non-agricultural functions such as economic affairs, environmental affairs and tourism. In one instance (Gauteng) it was impossible to adequately isolate the expenditure on agriculture for the years prior to 2008/09.

4. Given that this review ran concurrent to on-going budgetary cycle duties this delayed finalizing the databases to a great extent.

5. Perhaps the biggest challenge in collating the data from the DAFF was to find a uniform basis to present the budget data according to a uniform program structure. The programs of DAFF have changed frequently over the past 10 years. Specific challenges faced in this regard were:
   - The programme structure of the DAFF was revised three times during the past 10 years. Units and directorates were frequently relocated between programs. In some cases directorates were re-located up to three times during the past 10 years. This relocation of units results in structural breaks in spending trends of a program and often leads to misinterpretation of the level of spending. A good example of this is the Administration program of the DAFF where the functions of Finance, Human Resources and certain Auxiliary functions, that were formerly separate programs, were relocated to administration during the latest round of program restructuring.
   - The frequent changes in unit names presented a major source of confusion and were it not for information provided by staff at DAFF, it would have been impossible to consistently trace the history of the units.
   - State owned entities that receive core funding from the DAFF presented a further source of variability in program spending as they were shifted from the responsibility of one program to the next over the years; for example, the ARC was relocated 5 times since 2003/04.
6. The frequency of mergers of units/directorates, and more recently the sub-division of units, was extraordinarily high. Liebenberg (2013) and Roseboom et al (1995) found that these institutional changes were a frequent phenomenon in the history of the department as it tried to re-align itself to the needs of its clientele. The extent of these changes in the recent decade is, however, extreme. The number of accounting units (i.e. ministry, Director-Generals’ office, Deputy Director Generals’, Chief Directorships and Directorates) increased from 55 in 2003/04 to 124 in 2010/11. This was aided by the transfer of the functions of Forestry and later Fisheries since 2008, but even this is a much greater number than in 1988 when the provincial departments, the ARC and Fisheries formed part of the then Department of Agriculture.

7. State owned entities at national level presented a special challenge to source data from as their accounting systems do not always follow the same principles as the BAS and amendments had to be made to incorporate their data according to the economic classification used under BAS. The analysis presented here is limited to the national level state owned entities as provinces did not provide information on this. In many cases these entities were transferred to the responsibility of other departments, such as MADC in Mpumalanga, and no information could be sourced from provincial legislature Estimates of Expenditure reports.

8. Other government departments with functions related to agriculture did not have state of expenditure reports similar to that used by the DAFF and information on their expenditure on agriculture were extracted from the ENE reports to the extent possible.

### 1.7 A Harmonised National Program Structure for Agriculture

Reporting public expenditure on agriculture inclusive of both national and provincial governments by simply following the existing program structure of the DAFF were found to be impossible given the very dissimilar nature and structure of programs. To do so required the refinement of an earlier program structure used by the Department of Agriculture circa 1988. This ‘harmonised agricultural program structure’ was largely still reflected in the accounting unit structure of the DAFF as recently as 2004/05. The earlier structure accommodates the harmonized provincial program structure within seven programs related to agriculture. A further two programs were added, and one each for the Forestry and Fisheries functions. The structure and its associated functions are shown on Table 1.

<table>
<thead>
<tr>
<th>Program</th>
<th>Sub-Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration and Services</td>
<td>Minister, Deputy Minister, Management, Finance, Corporate Services, Communication, Stakeholder relations, legal services,</td>
</tr>
<tr>
<td>Production Support</td>
<td>Programme Administration, Agronomic Research, Animal production research, Horticultural Research, Industrial advice, Livestock improvement schemes, Natural resources, Pasture utilisation research, Plant protection research, Propagation material schemes, Veterinary research</td>
</tr>
</tbody>
</table>

Table 1: Proposed harmonised national programme structure for agriculture
This programme structure is sufficient to provide a framework to incorporate all government departments and state owned entities and their associated functions and may be useful for future expenditure review initiatives.

### 1.8 Allocating Expenditure To COFOG

The COFOG is a classification system intended to present government expenditure in a manner that is comparable across countries. In its current form and for the present analysis it is found to be an inadequate structure lacking sufficient detail to clearly identify and uniquely assign functions (Curtis and Adama, 2013). The procedure followed here was to disaggregate the main categories of COFOG\(^2\) and insert a four level code system to these categories. This approach proved useful enough to assign the detailed budget data to the various COFOG functions.

### 1.9 Structure of the Report

In Section 2 a description is presented of the status of agriculture in the South African economy. Section 3 presents the picture on the overall public spending on agriculture in the country. Section 4 describes the institutions involved in service provision to agriculture. Section 5 highlights the spending by program. Section 6 analyse the functional allocation of resources, followed by an efficiency analysis of resource allocations in section 7. In section 8 a qualitative

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\(^2\) See the CAADP Guidance document on use of COFOG
overview is presented on the perceived impact of government spending on agriculture followed by a summary and recommendations in section 9.
SECTION 2  THE COUNTRY AND THE SECTOR CONTEXT

2.1  ECONOMIC SITUATION AND PUBLIC FINANCE

2.1.1  The Economic Growth and Drivers

In 2013 the gross domestic product (GDP) of South Africa was US$350 billion, making it the second largest economy in Sub-Saharan Africa (SSA) after Nigeria, but ahead of Angola. Normalized against a population of 52.9 million (making it the 4th most populous country in the region) South Africa’s GDP per capita was US$6 618 in 2013 — 6th in SSA, just behind Botswana and ahead of Angola (World Development Indicators, 2014).

South Africa is faced with the triple challenge of poverty, inequality and unemployment. Annexure B shows some selected South Africa development indicators. Just less than half of the South African population still lives in poverty. During the period under review, the poverty level was at 49 percent (2002/3) which declined slightly to 45 percent (by 2011/12). In terms of employment, just about a quarter of the population are unemployed. The Gini coefficient stood at 65 percent in 2011, up from 57.8 percent in 2000.

The South African rand is convertible – and regarded as one of the most liquid or tradable currencies among the developing economies. There are adequate international foreign currency reserves – accessible at many forex points. Following the end of the Apartheid government, South Africa became a Constitutional Democracy that holds elections every five years – currently in its fifth administration. South Africa has been enjoying a positive investment climate with a favourable credit rating. Recently, the country has been facing a negative outlook that left the rating at just a few notches above the point where it loses investment grade. According to the Corruption Perception Survey by Transparency International, South Africa is ranked 72 out of 175 countries. In the continent, it follows Botswana, Cape Verde, Seychelles, Rwanda, Mauritius, Lesotho, Namibia and Ghana. Unfortunately, the country’s corruption index has declined compared to six years ago.

South Africa has also declared itself as a developmental state. It seeks to change the lives of the people, particularly vulnerable groups for the better. In terms of household surveys, from 2002 to 2012, the percentage of households with access to electricity increased from 77 to 85, access to water from 85 to 90, vulnerability to hunger decreased from 24 to 11 percent of the households and 29 to 13 percent of the population (Table 2). Access to assets, such as cell phones increased from 38 to 90 percent, while TV access increased from 59 to 80 percent. Inequality is still an issue (Chitiga et al, 2014).

The economy has grown by 3.4 percent in GDP from 2002 to 2012. The South African growth rate has been generally linked to and lagging the global growth, with a few instances when it over-performed compared to the rest over the past 10 years (periods being early 2000s and mid 2000s).
| Table 2:  Trends amongst Households (% of Households) |
|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Number of Households (000s) | 2002 | 2006 | 2007 | 2008 | 2012 | 2013 |
| Housing | | | | | | |
| Occupy formal dwellings (fully owned) | 53.1 | 68.5 | 54.5 | 54.9 | | |
| Occupy informal dwellings | 13 | 14.5 | 15 | 14.1 | 13.9 | 13.6 |
| Government Housing subsidy received (all types) | 5.5 | 9.4 | 8.8 | 11.2 | 8.2 | | |
| Sanitation | | | | | | |
| Bucket toilet/none | 12.3 | 8.4 | 7.8 | 7.6 | 5.3 | 5.1 |
| Electricity supply | | | | | | |
| Connected to the mains | 77.1 | 80.7 | 82 | 81.9 | 85.3 | 85.4 |
| Energy sources | | | | | | |
| Cooking: paraffin/wood | 35.5 | 30 | 28 | 36 | 19.4 | 17.3 |
| Lighting: electricity (main/generator) | 75.7 | 81.3 | 82.5 | 83.1 | 87 | 88.9 |
| Refuse removal | | | | | | |
| By Municipality | 58.3 | 62.2 | 62.1 | 60.8 | 64 | 64.8 |
| Water | | | | | | |
| Piped/tap water in the dwelling | 84.9 | 88.9 | 89.5 | 88.8 | 90.8 | 89.9 |
| Food | | | | | | |
| Vulnerability to hunger: households | 23.8 | 11.7 | 10.8 | 13.3 | 11.2 | 11.4 |
| Vulnerability to hunger: population | 29.3 | 14.4 | 13.7 | 15.9 | 13.1 | 13.4 |
| Assets | | | | | | |
| Partially owned | 15.5 | 10.5 | 9.8 | 12.4 | 11.1 | 11.5 |
| Fully owned | 52.9 | 59.2 | 57.5 | 61.4 | 54.5 | 54.9 |
| Radio | 80.8 | 79.7 | 79.9 | 80.1 | | | |
| Television | 59.3 | 66.9 | 67 | 72.4 | 79.5 | 80.2 |
| Cell phone | 37.6 | 69.7 | 73.7 | 79.1 | | 94.8 |
| Social security | Receiving at least one grant | 30.1 | | | 29.5 | | |

Source: General household survey (2002 to 2013)

While still facing developmental challenges, it also displays attributes of a developed economy. According to Figure 1 the main sectors to the economy are the secondary and tertiary sectors. The Finance, real estate and business services sector (at one fifth of the GDP), is the main contributor to the South African economy that has been making SA a leading economy in the continent. The Wholesale, retail and motor trade, catering and accommodation (16 percent) and manufacturing (12 percent) contribute just under one third of the economy’s output. These three sectors are also the driver of South Africa’s presence in the rest of the continent.

The primary sectors have been declining in general. South Africa’s economic position has been anchored by mining and minerals. The discovery of gold and diamonds in the 19th and 18th century propelled the economic development and attracted other sectors. Recently, the contribution of mining as a driver has been boosted by the exploration of platinum. South Africa is one of the leading mining countries in the world; in gold, diamond and platinum. The growth in income from mining has contributed to the growth and development of other sectors such as general government services, electricity, gas and water services, as well as other service sectors.
The agricultural sector has been losing its relative importance. Agriculture now contributes only 2.5 percent to the GDP as compared to about 9 percent for the mining sector and 12 percent of manufacturing and 21 percent of Finance, real estate and business services. Over time, other sectors that include mostly tertiary industries, increased from about 50 percent in the 1990s to about 60 percent in 2012. In the 10 years under review, the contribution of these sectors increased by 5 percent. During the same period the contribution of the agricultural sector dropped from about 4 percent in the 1990s to about 2.5 percent by 2012.

While other sectors grew at a faster rate over the past decade growth in the agricultural sector was below the national average. From 2000 to 2013, the sector grew by only 1.7 percent compared to the national average of 3.4 percent. Over the past five years, however, the sector grew by a mere 0.5 percent in the past five years.

Figure 1: Sector share of Gross Domestic Product in 2012
Source: Stats SA (2014)
Table 3: Average Annual growth Rate in GDP (%) by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2000 - 2013</th>
<th>2008-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture*</td>
<td>1.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Mining*</td>
<td>0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Manufacturing*</td>
<td>2.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Electricity*</td>
<td>1.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Construction</td>
<td>6.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Trade Sectors</td>
<td>3.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>4.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Financial Services</td>
<td>5.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Personal Services</td>
<td>2.7</td>
<td>2.1</td>
</tr>
<tr>
<td>General Government</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3.4</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: Stats S.A in Econometrix (2014)

Notes: * Export oriented sectors

2.1.2 Key Features of the Agricultural Sector in South Africa

Figure 2 shows that in inflation adjusted terms gross value of agricultural production grew by 2.8 percent annually since 1991/92. The aggregate gross value of production increased from R90 797 million in 1991/92 to R117 922 million in 2001/02. From here it increased by 30 percent to reach R153 334 million in 2012/13. The share of livestock products varied between about 40 percent of the total value of production and 51 percent over this period.

Figure 2: Gross value of agriculture: trends in constant prices

Source: DAFF (2014b)
Until 1982, the share of field crops was consistently higher than animal products. By 1991/92, the share of livestock products increased to 48 percent with field crops decreasing to 28 percent. In 2001/02, the three sectors were contributing almost equally to the gross value of agricultural production. This change in relative contribution to the value of production is as a result of a government supported initiative to switch marginal arable areas to planted pastures and the growth in demand for protein in response to growing incomes.

South Africa is a net exporter of agricultural products. Since 2002 agricultural imports have increased at a much faster rate than agricultural exports, thus reducing the surplus on agricultural trade. In inflation adjusted terms agricultural exports increased from R44.3 billion in 2002 to R60.8 billion in 2013, while agricultural imports increased from R25.9 billion to R48.1 billion. South Africa is a member of the Southern African Customs Union (SACU) and the SACU’s trade patterns have changed slightly over the past decade. Wine, citrus fruit (fresh or dried) and grapes (fresh or dried) have always been among the top five export commodities over the years. Export of apples (pears and quinces) and maize replaced sugar and preserved fruit and nuts in the top 5 category. Imports of rice, wheat and palm oil have been among the top 5 agricultural imports over the years. Other meat (and edible offal of poultry) and soybean oil-cake replaced tobacco and preparations of bread, jelly powders and other food.

Table 4 shows that in terms of trading destinations, The Netherlands, UK, Zimbabwe and Mozambique were the top five agricultural export destinations over the decade with the USA replaced by Angola. South Africa is thus shifting its export focus to Africa. Argentina, Brazil, and the UK have been among the top five countries from whom South Africa imports with China and The Netherlands replacing the US and Australia. The UK and Netherlands are both among the top five destinations of agricultural exports and origins of agricultural imports. The US has declined in the rank in both trade arrangements.

Table 4: Top Five Agricultural traded commodities and partners for SACU

<table>
<thead>
<tr>
<th>2002</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export (R 000)</td>
<td>Import (R 000)</td>
</tr>
<tr>
<td><strong>Top 5 Traded Agricultural Commodities</strong></td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td>3 000 144</td>
</tr>
<tr>
<td>Sugar</td>
<td>2 280 446</td>
</tr>
<tr>
<td>Citrus fruit</td>
<td>2 274 276</td>
</tr>
<tr>
<td>Grapes</td>
<td>1 616 337</td>
</tr>
<tr>
<td>Preserved fruit &amp; nuts</td>
<td>1 352 210</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>10 523 413</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25 887 894</td>
</tr>
<tr>
<td><strong>Top 5 trading Partner Countries</strong></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>3 294 189</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2 360 093</td>
</tr>
<tr>
<td>US</td>
<td>1 443 402</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 362 811</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1 329 965</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>9 790 460</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25 887 894</td>
</tr>
</tbody>
</table>

Source: DAFF (2014b)
While agriculture’s relative contribution to the GDP is declining, it is still relevant in food security and employment. In 2007 the number of employees and domestic workers on commercial farms were estimated at 773.9 thousand people, a decrease from 921.7 thousand people in 2002. According to the StatsSA’s Quarterly Labour Force Survey workers in Agriculture, Hunting, Forestry and Fishing was 661 thousand by 2012.

2.2 PUBLIC FINANCE

Emerging from Apartheid that excluded the majority of the population from benefiting from the wealth; for the past 20 years, South Africa has taken a position to apply prudent measures in the management of the public resources. The State receives a significant share of revenue through taxes — and has used the resources to realise the developmental state vision by maintaining and improving infrastructure and social development (education, health, housing and social grants).

Dependence of public finance on tax as a major revenue source has generally created stability and has pushed the Government revenue collection system to be more effective. Over the past 20 years, in particular the past 10 years, the revenue collection of government has been stepped up by expanding the revenue base and adding enhanced new collection methods.

The major origins of the tax revenue are from the personal income, company and value added tax, which depend on the economic activity. These sources are heavily dependent on the performance of the economy. When the economic activity slows down, employment declines, company profits and margins narrow and consumer spending is lower. There is thus a continued effort to balance the revenues and spending between the public and private sector by keeping private sector active in economic activities and negotiating policies, and creating efficiencies in revenue collection.

The other revenue sources, such as those from the SACU custom pool are insignificant as the current formula gives a disproportionally high share to the smaller countries of the Union (such as Swaziland, Lesotho, Namibia and Botswana).

In view of restricted economic development and slow growth government may start reducing its social spending. This is in the event the increase in revenues gets constraints. However, there seems to be hope for further areas to tap for additional revenues³.

Realising impossibility to demarcate equal wealth and solve regional inequality through equitable distribution of national revenue, the FFC advises national and provincial legislature on equitable shares and revenue sharing (De Visser, 2014).

The impact of revenue allocation complicated by centralised bargaining system and decentralised provincial budgeting system. Provinces are responsible for service delivery in

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³ Check SARS Strategies and budget framework.
sectors relevant to SERs (Education, health, social services) yet they only raise 3 percent of revenue, with the rest coming from national government (Jagwath & Soltau, 2014)

2.3 AGRICULTURAL SECTOR ADMINISTRATION

The agricultural sector is led by the Ministry of Agriculture and at provincial level through the Members of the Executive Council. At both national and provincial level it is further served through State Owed Entities (SOE).

2.3.1 Ministry of Agriculture

The Ministry of Agriculture of Agriculture, Fisheries and Forestry (MAFF) has its national offices in Pretoria. In line with the Constitution, Provincial Ministries of Agriculture are found in the nine provinces.

Under the Director General of DAFF there are nine branches for Corporate Services, Stakeholder Relations and Legal Services; Policy, Planning and Monitoring & Evaluation; Economic Development, Trade and Marketing; Food Security and Agrarian Reform; Agriculture Production, Health and Food Security; Forestry and Resources Management; Marine Fisheries and Coastal Management; each headed by a Deputy-Director General. Below the Deputy Director General are 24 Chief-Directorate headed by a Chief Director. Below the chief directors are the technical functions headed by a director.

The Provincial offices of the Department of Agriculture are located in major provincial cities and capitals. The provinces execute agricultural functions in terms of Schedule 6 of the SA Constitution (Annexure 5). Provinces are a separate sphere of government with a full complement of other services or departments such as health, education, treasury etc. The Provincial ministries of agriculture are led by the Minister of Executive Council (MEC) and the head of department.

The provincial offices do not necessarily mirror the national ministry and national department at national level. In some provinces the functions of agriculture are combined with that of economic affairs, environmental affairs, etc. The provincial departments were formed in 1995 from the former Agricultural Development Institutes and amalgamated with the former homeland administrations for agriculture. At local government level, government also provides for both District and Local municipalities.

Provincial departments of agriculture are subdivided into regional or district offices located in major centres or towns. The Directorates of Veterinary Services and Animal Husbandry operate livestock advisory centres in all regional offices. The advisory centres provide handling instruments, while the vaccines are available at the cooperatives. Agricultural Service Centres have also been established in various parts of the country to assist farmers with extension services. The centres generally provide agricultural information and advice. They sometimes coordinate the provision of animal feed and production inputs (fertilisers and seeds), particularly during difficult years.
Regions or districts are further subdivided into extension wards in which village level technical staff are stationed to interface with farmers and other key stakeholders more frequently. The number of extension areas in each district depends on the size and farming population. The extension officers are generally trained for two to three years at agricultural colleges. The assistant extension officers would have a matric or junior certificate.

2.3.2 MAFF Establishment

MAFF at national level has about 6245 staff (2011), of whom about 2632 (or 42 percent) are professionally qualified, experienced specialists, middle managers, skilled technical and academically qualified workers, junior management, supervisors and foremen (Annexure 6). These are trained in various agricultural disciplines of agronomy, livestock, husbandry, economics, extension, agricultural engineering, veterinary, services soil conversion, land use etc. The unskilled, semi-skilled and support staff include drivers, messengers, cleaners etc.

2.3.3 Major Support Programmes

MAFF is undertaking the typical functions to provide public goods to the agricultural sector. It provides vaccinations, maintains fences and regulates livestock movement to control animal diseases, engages in research through the Directorate of Research and Innovation – and the Agricultural Research Council. Staff in the local areas provides technical advice to farmers.

There are many support programmes emanating from other ministries, such as roads, housing, water, dams and infrastructure. In addition to the routine public functions, MAFF also maintains special support schemes, as described briefly below. The support schemes provide private goods to farmers and consist mainly of direct and indirect subsidies, infrastructure support and or inputs.

Comprehensive Agricultural Support Programme (CASP)

Soon after attaining democracy in 1994, the Department of Agriculture (now, Department of Agriculture, Forestry and Fisheries) attached greater importance to delivering effective agricultural support services to the agricultural community, particularly previously disadvantaged subsistence, emerging and commercial farmers with the vision to have a united and prosperous agricultural sector in South Africa.

Policy reforms formulated in the White Paper on Agriculture (DoA, 1995), the BATAT document, the Strauss Commission Report into the Provision of Rural Financial Services and the Strategic Plan for South African Agriculture (DoA, 2001) reshaped the agricultural sector over the years and resulted in inter alia:

- the termination of a range of agricultural services and grants, largely due to the deregulation of agriculture and the virtual collapse of support services in communal areas; and
- a growing backlog between access to land and the delivery of services as the government’s land reform programme gained momentum through redistribution and restitution (DoA, 2001).
Many reforms were implemented through the Integrated Sustainable Rural Development Strategy (ISRDS), the Land Redistribution for Agricultural Development sub-programme (LRAD), the Integrated Food Security and Nutrition Programme (IFSS) and the National LandCare Programme. To enable the beneficiaries of land reform access to agricultural support and service delivery, the Comprehensive Agricultural Support Programme (CASP) was introduced in 2004.

CASP aims to provide post-settlement support to targeted beneficiaries of land redistribution and reform, previously disadvantaged producers, and farmers who acquired land through private means and who are engaged in value adding enterprises.

The conceptualization of CASP was based on the outcome of the investigation of the Strauss Commission, which recommended financial “sunrise” subsidies, and the adoption of a “sunrise” package to support the beneficiaries of the land reform programme requiring finance. The package would include a graded entry to repayment, a flexible repayment system, a discount subsidy for timely repayment, and a minimalist insurance scheme.

CASP was also meant to close the gap created when the Agricultural Credit Board (ACB) closed down - when access to formal credit for smallholder producers became even more difficult.

CASP support (services) are organised according to six ‘pillars’ (Department of Agriculture, 2004) as follows:

a) Information, knowledge and management;
b) Technical advice and assistance;
c) Marketing and business development;
d) Training and capacity building;
e) On- and off-farm infrastructure; and
f) Financial and input support.

The target population for CASP services are identified as

a) the hungry (to improve food security);
b) previously disadvantaged subsistence, emerging and commercial farmers (to reduce poverty and increase incomes); and

C) entrepreneurs to establish agribusinesses to increase sustainable employment.

Since its inception, CASP has supported about 387 000 beneficiaries, with a total budget spend of R5.8 billion from inception to 2012/13. This resulted in the programme assisting a total of about 6 098 projects. According to DAFF (2012), the budget allocation for CASP for 2011/12 was R1.029 billion for 588 projects and 36 504 beneficiaries. This translates to an average allocation of R1.75 million per project and R28 226 per beneficiary (Department of Performance Monitoring and Evaluation, 2013).
**Ilima / Letsema**

The mandate of the Department of Agriculture, Forestry and Fisheries (DAFF) is to lead and support sustainable agriculture (including forestry and fisheries) and food security for all South Africans. This is driven through ensuring rural economic development, job creation and the sustainable use of natural resources. The Ilima Letsema funding mechanism was initiated by the Department in the 2008/9 financial year with specific objectives targeting specific areas such as the reduction of poverty through increased food production initiatives.

The primary aim of the intervention is to address the triple challenges of poverty, unemployment, and inequality through increased food production for vulnerable households with the emphasis on women and youth as well as smallholder farmers; and ensuring that the surplus production has a market, thus increasing the incomes of these households and farmers.

The intervention targets households, subsistence and smallholder farmers, who are supported through the provision of starter packs, production inputs and mechanization services. It also invests in infrastructure that will unlock the agricultural potential of the relevant areas, e.g. the revitalization of irrigation schemes.

Since its inception in 2008/9, a total of R1.236 billion was allocated for the intervention, of which R1.201 billion has been spent by provinces up to the end of the 2012/13 financial year. In 2009/10, National Treasury approved the funding for the Ilima Letsema intervention and it was voted as a schedule 5 grant under the Division of Revenue Act (DORA). The funds are transferred and administered by provinces according to the set conditions as required by the Act.

**Microfinance institution of South Africa**

The Micro Agricultural Financial Institutions of South Africa (MAFISA) is the state’s primary instrument for offering production and small equipment loans to smallholder farmers. The Commission of Inquiry into the Provision of Rural Financial Services of 1996 (Strauss Commission) found that the supply of financial services to rural communities at the time was both inadequate and expensive (Strauss Commission, 1996) and recommended the establishment of a rural financial system that is demand-led, draws on existing retail networks such as the Post Bank, and that the state should not provide loans directly to the public (Presidency, 2014). This resulted in the closure of the Agricultural Credit Board in 1997 that historically provided loans below market rates to white farmers who could not access credit through retail banks, other commercial institutions, and the Land and Agriculture Development Bank (Land Bank, 2011).

By 2003, there was consensus within the state that the agriculture sector was underfunded and that financial services to smallholder farmers remained inadequate, particularly production credit.

MAFISA was designed as an independent public development finance institution (separate legal entity) with dedicated staff at national and local levels offering a range of services. Smallholder farmers would access financial services via the diverse financial intermediaries.
that are accredited by DAFF and agricultural extension officers would assist in vetting potential loan applicants and offer loan recipients technical assistance. This approach would facilitate “crowding the market” and R1 billion was made available for MAFISA from the Agricultural Debt Management Account of the former Agricultural Credit Board. MAFISA was to:

1. Facilitate balanced geographical distribution of rural finance capacity and flows in accordance with the distribution of demand for such finance.
2. Reduce the cost of funds for retail lenders in the agricultural sector and hence the cost of finance to end users on a basis which is sustainable at the required scale in the long term.
3. Increase outreach by stimulating the expansion of existing and/or the creation of new retail lending capacity in the rural areas through appropriate support programmes, incentives and funding programmes.
4. Provide an effective and efficient agency service to Government for the management of Government initiated/funded programmes directly related to MAFISA core business functions.
5. Enhance the formulation; implementation, coordination and monitoring of agricultural credit policy.

MAFISA was piloted between July 2005 and December 2007 to test the implementation approach and determine the acceptability through existing structures (Provincial Development Finance Institutions (PDFI) and the Land Bank). In the Eastern Cape, (OR Tambo District) the Eastern Cape Rural Finance Corporation (ECRFC) retailed MAFISA loans while the Land Bank acted as the financial intermediary in KwaZulu Natal (Umkhanyakude District) and Limpopo (Sekhukhunе District) provinces (Presidency, 2014).

The MAFISA pilot offered only two credit products to smallholder farmers i.e. production and small equipment loans. The maximum loan value was R100 000 per person. The financial intermediaries were allowed to lend at an interest rate of 8 percent, with a 1 percent agency fee to the MAFISA Fund at Land Bank and the remaining 7 percent of the interest collected to cover the costs of retail lending. All interest accrued on non-disbursed funds resided with MAFISA (Presidency, 2014). The first loan was disbursed in December 2005.

In 2009 the pilot was expanded into a larger roll-out to include nine financial intermediaries. This extended MAFISA’s reach nationally and to diverse commodity producers, development finance institutions (DFI), and private retailers. The loan amount per individual was raised to R500 000 per person. To date MAFISA remains a programme within the Department of Agriculture, Forestry and Fisheries (DAFF) and not a separate institution (or instituted within the Land Bank’s Development Finance Unit).

2.3.4 State Owned Entities

Four major state-owned entities have been in existence as part of the agricultural support system. These provide additional support to farmers with a more focused mandate and less bureaucratic processes.
The Agricultural Research Council (ARC) was established by the Agricultural Research Act 86 of 1990 (as amended) and is the principal agricultural research institution in South Africa. It is a schedule 3A public entity in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999. The objectives of the ARC are conducting of research, development and technology transfer in order to: promote agriculture and industry; contribute to a better quality of life; facilitate natural resource conservation; and alleviate poverty. In accordance with the need to focus on national development priorities, the ARC conducts agricultural research and development and drives technology development and dissemination.

The organisation performs its functions throughout South Africa and beyond its borders through the following programmes:

- Crop production, improvement and protection;
- Animal health, production and improvement;
- Natural resources management;
- Mechanisation and engineering;
- Agro-processing, food technology and safety;
- Smallholder agricultural development;
- Agricultural economics and commercialisation; and,
- Training and extension.

Onderstepoort Biological Products (OBP), corporatized in the year 2000 under the Onderstepoort Biological Products Incorporation Act, 1999 *Act of 1999, is a South African state owned animal vaccine manufacturing company with mandate to prevent and control animal diseases that impact food security, human health and livelihoods. The mandate is delivered through continued development of innovative products and efficient manufacturing that ensures vaccine affordability and accessibility through varied distribution channels.

The objective of the corporatization was to create an environment that is favorable for the organization to build capacity in manufacturing technologies, infrastructure and the development of new products; the critical success factors for financial viability and sustainability. Over the past 14 years, OBP has been involved in the prevention and control of animal diseases in South Africa, Africa and the world. In its 3-year strategic plan (OBP Strategic Plan 2009-2013), the vision is to be a global biotech manufacturer and provider of animal health products underpinned by a skilled, innovative and passionate team. The mission is to translate science into biological product, knowledge and technology resulting in improved animal and human health, food security and safety for all stakeholders. Basically, OBP exists to prevent and control animal diseases that impact food security, human health and livelihood.

The company’s total budget for 2011/12 was R146.5 million.

The Land and Agricultural Development Bank of South Africa (Land Bank) has been the leading agricultural financier in South Africa since its inception in 1912. Land Bank offers tailor made financial services to established and emerging farmers. The Land Bank does not receive any financial subsidy from the government, but gets its money from the money markets. It competes with other financial institutions to lend money from the markets which it then lends
to clients at market related interest rates. However, because Land Bank does not pay tax and dividends to the government, it uses the money that could have been used in those instances to support development. Stressing the need for the Bank to serve a much broader spectrum of clients, the Strauss Commission Report also emphasized that rural development should not be based on a scaled down version of traditional commercial farming, but on far-reaching innovation. This has involved the development of unique products to provide world-class service and delivery at competitive rates.

Land Bank recognizes that as an institution it may not always directly provide all the elements, as some are not in its competence, but it will seek out partners and create alliances to ensure that collectively, the key ingredients that a farmer requires to be successful are delivered. The alliances and partnership, entered into, will ensure delivery on the most important aspects for emerging farmers' success, which are land, capacity/skills, markets and financial resources.

Since its inception in 1912, Land Bank has undergone various phases of transformation. With recommendations of the 1997 Strauss Commission's report, Land Bank has a new mandate-to de-racialise the agricultural sector and bring onboard farmers from previously marginalized groups to the mainstream of South Africa's agricultural sector.

The National Agricultural Marketing Council (NAMC) was established in terms of the Marketing of Agricultural Products (MAP) Act No. 47 of 1996, as amended by Act No 59 of 1997 and Act No. 52 of 2001. NAMC provides strategic advice to the Minister of Agriculture, Forestry and Fisheries on the marketing of agricultural products. The work of the NAMC is aligned to the four strategic objectives as set out in Section 2 of the MAP Act, 1996 namely;

- to increase market access for all market participants;
- to promote the efficiency of the marketing of agricultural products;
- to optimize export earnings from agricultural products; and
- to enhance the viability of the agricultural sector.

The council’s total budget for 2011/12 was R32,5 million

Perishable Product Export Control Board (PPECB) constituted and mandated in terms of the PPEC Act, No 9, of 1983, is an independent service provider of quality certification and cold chain management services for producers and exporters of perishable food products. Its services reduce risk for the producers and exporters of these products. PPECB has been delivering valuable services to the perishable products industry by enhancing the credibility of the South African Export Certificate and by supporting the export competitiveness of South Africa’s perishable products industries since 1926.

PPECB also delivers inspection and food safety services as mandated by the Department of Agriculture, Forestry and Fisheries under the APS Act, No.119 of 1990. PPECB presence in the export industry is further enhanced by its approval as 3rd country inspection authority through the EU 1580/2001 standard. PPECB controls all perishable exports from South Africa, the value of which is around R20 billion a year. PPECB employs more than 300 people, who
deal with more than 200 products and 500 varieties. There are 50 service types, over 30 offices in 11 production regions, at more than 1,500 locations. The company’s total budget for 2011/12 was R146.5 million.

**The South African Veterinary Council** is the regulatory body for the veterinary and para-veterinary professions in South Africa and has a statutory duty to determine scientific and ethical standards of professional conduct and education. The vision is to be a representative organization of the veterinary and para-veterinary professions, promoting the health and well-being of all peoples of South Africa through the promotion of animal health, production and well-being.

The South African Veterinary Council seeks, through the statutes of the Veterinary and Para-Veterinary Professions Act, 1982 to serve the interests of the people of South Africa by promoting competent, efficient, accessible and needs-driven service delivery in the animal health care sector; protect the health and well-being of animals and animal populations; protect and represent the interests of the veterinary and para-veterinary professions; regulate the professional conduct of the veterinary and para-veterinary professions; and set and monitor standards of both education and practice for the veterinary and para-veterinary professions.

**Ncera Farms** is a schedule 3B company in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999). The company has the mandate to perform development functions on identified land administered by the DAFF. The company’s total budget for 2011/2012 was R4.2 million.

**2.3.5 Farmers’ Associations**

South African farmers are highly organised, though along racial lines. At grassroots level, farmers are members of their local farmers’ associations and commodity groups, through which they liaise with local officials to address local agricultural issues. The local farmers’ associations delegate representatives to district or provincial agricultural unions — which liaise with provincial authorities to address issues affecting farmers in the province. The provincial agricultural unions in turn send representatives to the national unions. Farmers may voluntarily be part of organised agricultural structures through local farmers’ associations, cooperatives or commodity organisations. The national level associations and unions include Agri SA, National African Farmers’ Union of South Africa (NAFU SA), TAU SA and African Farmers Association of South Africa (AFASA).

**SECTION 3 SECTORAL PERSPECTIVE OF PUBLIC EXPENDITURE ON AGRICULTURE**

**3.1 TOTAL PUBLIC EXPENDITURE ON AGRICULTURE**

The total South African agricultural expenditure, inclusive of agriculture, forestry and fisheries, has increased almost threefold in nominal terms in the 11 years from 2003/4 to 2013/14. This represents an annual increase of 10.8 percent from R5.77 billion in 2003/4 to R16.97 billion in
2013/14. From Figure 3 public expenditure on agricultural has grown at a rate of 15.0 percent per year until 2008/9, stagnated briefly for two years before resuming to growth at 8.9 percent per year to 2013/14. The initial phase follows on the adoption of the agricultural sector strategy in 2001.

Figure 3: Total expenditure on agriculture, forestry and fisheries
Source: see text
Notes: Inter-institutional transfers from DAFF to SOE’s included in the analysis and provincial departments were accounted for to avoid double-count

After accounting for inflation using a GDP deflator with a 2005 base year the expenditure trend is less impressive as shown in Figure 4. The real agricultural public expenditure increased by 4.2 percent annually from R9.33 billion in 2003/4 to R14.23 million in 2013/14. Except for a brief decrease of R1.51 billion in 2010/11 expenditure has remained stagnant at the 2009/10 levels and reached R14.27 billion in 2013/14.

Starting in 2008/9 and accompanied by the austerity measures introduced to head the international financial crises the main agricultural support programs were restructured to introduce the Comprehensive Agricultural Support Program (CASP). This led to a stronger focus on agricultural rural development and farmer settlement and financing. These changes coincided with restructuring of the DAFF and the transfer of Forestry and Fisheries to the portfolio of the Ministry of Agriculture.
Figure 4: Total agricultural public expenditure (R billion 2010 value)

Source: See text

Notes: Deflated using the GDP Deflator with base year 2005. Inter-institutional transfers from DAFF to SOE's and provincial departments were accounted for to avoid double-count

3.2 SHARE AND CONTRIBUTION OF AGRICULTURE SECTOR

The issue of total agricultural budget is contentious and critical when thinking about the overall economy, the importance of food and its contribution to the overall economy, and associated bias against rural sectors such as agriculture in the budget and resource prioritisation. In South Africa, the position of agriculture is rarely calibrated to other economic sectors in policy and budgetary terms. However, the agricultural data are frequently presented along with other economic indicators. When it comes to the budget process it is viewed in isolation or absolute terms. This study attempts to integrate the economic importance and contribution of agriculture with the budgetary and thus policy attitude towards agriculture.

Figure 5 shows that the share of agriculture to GDP has declined from 2.65 percent of the South African GDP to 2.18 percent in recent years. The share of government spending on agriculture as a share of total government spending has increased from 1.75 percent in 2003/4 to 1.92 percent in 2008/9 from where it has decreased to an average of 1.67 in the recent three years. This is far below the 10 percent target of the Maputo Declaration. However, one would expect a loose degree of congruency between the share of the agricultural contribution to the economy and its share in total government expenditure.
Figure 5: Relative contribution of agriculture
Source: Stats SA (2014)

Given that the secondary and tertiary sectors in the South African economy are more developed than in other African countries this target is not entirely valid for South Africa. It should be noted that agriculture is largely driven by private activity, and private investment, hence it is not surprising that at certain stages of economic development public spending on agriculture is not as high a share of the sector contribution to GDP, as say social sectors such as health or education.

This can be substantiated when public expenditure on agriculture in South Africa is viewed over the long-run since 1910. Figure 6, panel a, shows the trend in the share of public expenditure on agriculture and the contribution of the sector to the GDP of the country. Liebenberg (2013) reports that during the first two decades after the establishment of the Union of South Africa expenditure by the Departments of Agriculture fluctuated at fairly low levels of around 4 to 6 percent (R214 to R599 million in inflation adjusted values) of total government expenditure whilst agricultural contribution to the economy hovered around 18.3 percent. This period was characterised by high levels of poverty and recessionary phases in the economy (Lumby, 1990). Spurred by the depression and the subsequent drought and aided by the changing fortunes of the gold mining sector government increased its levels of investment in agriculture and rural infrastructure starting in FY 1933 — spending on agriculture increased from 7.7 percent of total government expenditure in FY 1932 to 16.9 percent in FY1933, slightly higher than the 12 percent average agricultural share of the economy for the 1930 decade. This investment largely took the form of subsidies aimed at soil and veld reclamation interventions and subsidies on the transport of livestock and fodder to and from drought stricken areas and marks the earliest steps in policy change to the era of industrialization of farming in South Africa.
Panel a: Share of Agriculture in economy, vs Agricultural share of government expenditure

![Chart showing the share of agriculture in the economy and the agricultural share of government expenditure over time from 1910 to 2010.]

Panel b: Agricultural expenditure as a share of RSA GDP

![Chart showing the agricultural expenditure as a share of RSA GDP from 1910 to 2010.]

Figure 6: Long-run trend in agricultural share of government spending and economic contribution, 1910-2013

Source: Liebenberg (2014)

Notes: Public expenditure by Agricultural Research Council, DAFF and the provincial departments of agriculture only.

With the outbreak of the Second World War spending on agriculture declined slightly, but in FY1942 the share of government spending on agriculture again increased to reach 14.2 percent (R5 674 million) in FY1947 — agricultural share of the economy averaged 12.6 for the 1940s increasing to 15.4 for the 1950’s. From here spending on agriculture erratically decreased to
reach 2.2 percent of total government expenditure in FY1980 — with a 5.8 percent share of the GDP in that year. The drought relief payments and subsidies paid to assist farmers in marginal crop production areas to switch to livestock farming increased the share of public spending on agriculture to 5.07 percent in FY 1981, which also mark the shift in policy development to the phase of deregulation aimed at achieving ‘optimal production in agriculture’ (DAEM 1984). From here the share of government spending on agriculture declined to reach 1.7 percent of total government expenditure in FY 1994 (GDP share 4.9). The change to a fully democratic dispensation in 1994 marked the change to a new era in policy development in agriculture. With the closure of the control boards and the scrapping of the Agricultural Credit Board from 1996 to 1997 most of the support programs administered by them also ceased to exist and spending on agriculture stagnated around 1.4 percent of total government spending during this policy phase.

3.3 Total Agricultural vs Total Government Expenditure

The total South African agricultural budget ranged from R7.68 billion in 2002/3 to R18.14 billion in 2013/14 in relation to the total government expenditure, as shown in Figure 7, of about R291.52 billion in 2002/3 and just over a trillion in 2013/14. This represents a slightly more than twofold increase in agricultural public expenditure compared to a more than threefold increase in total government expenditure. As a result the share of public spending on agriculture has decreased over the study period from 2.64 percent in 2003/4 to 1.73 percent in 2013/14. The share has remained relatively stable at 2.11 percent from 2004/5 to 2008/9, but decreased sharply in 2010/11 to a low of 1.60 percent before slightly recovering to 1.79 percent in 2012/13.

![Figure 7: Total government expenditure vs share of agricultural public expenditure](image)

Source: See text
As a share of the economy, spending on agriculture fluctuated between 0.24 percent and 0.56 percent during the first two decades since 1910. As shown in Figure 6, panel b, this increased to an all-time high of 1.9 percent in 1933. The only time this level was approached again was in 1947. Most of the peaks observed since then coincided with adverse weather or market conditions. This metric reached its lowest level in 1995 when spending on agriculture represented only 0.22 percent of the RSA economy. Today it hovers around 0.5 percent (if spending by non-agricultural departments is included). According to Table 5 in most developing countries and OECD countries this share averages between 1-2 percent of the GDP. This indicates that the fiscal costs of agricultural policy relative to the size of the overall economy are very low. South Africa is not prioritising agriculture sufficiently in its fiscal policy.

Table 5: Importance of agriculture – country comparison

<table>
<thead>
<tr>
<th>2010-2012</th>
<th>Share of agriculture in GDP</th>
<th>Share of agricultural budget expenditure in the national GDP</th>
<th>Share of agricultural budget expenditure in the agricultural GDP</th>
<th>Share of agricultural expenditure to national expenditure</th>
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</thead>
<tbody>
<tr>
<td>High income revenue countries</td>
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<tr>
<td>Australia</td>
<td>3.0%</td>
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<td>10.0%</td>
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<td>UE</td>
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<td>28.0%</td>
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<td>USA</td>
<td>1.6%</td>
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<td>46.0%</td>
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<td>Middle income countries</td>
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<td>Turkey</td>
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<td>Low income countries</td>
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<td>Cameroon, 2012</td>
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<td>Burkina Faso, 2004-2011</td>
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<td>Senegal, 2009</td>
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<td>Guinee, 2003-12</td>
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<td>41.0%</td>
<td>1.9%</td>
<td>4.6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank (2011)

Agriculturally related spending by other government departments has changed markedly since the early half of the century. In the 1920s, for example, spending by non-agricultural departments added the equivalent of 20 percent to the annual spending by the agricultural departments (Union of South Africa 1922). Currently agricultural related spending by non-agricultural departments is estimated at about 5.9 percent of spending by the agricultural
departments — inclusive of the provincial Departments of Agriculture and the Agricultural Research Council (National Treasury, 2009).

The picture that is unfolding is that despite the strong growth in public spending on agriculture, driven by the increased focus on support to farmer development and settlement the emphasis of government spending has shifted toward support to the rest of the economy. Agriculture has not been able to maintain its relative importance in government support. Stated differently, this means that agriculture has been contributing more than is has been supported from public funding.

3.4 AGRICULTURAL SPENDING INTENSITIES

The exact number of farmers involved in farming in South Africa varies according to the definitions used. The agricultural censuses traditionally only focus on the larger commercial farmers and completely exclude smaller farmers, especially black farmers in the communal areas. Here the number of commercial farmers as identified in the Labour Force Surveys since 2000 is used as basis (StatsSA, 2014). The same is true for employment in agriculture.

The spending per farmer, or employee, presents a measure of the resources, services provided to the individuals within the sector. Bearing in mind that the number of farmers has decreased by 0.3 percent annually since 2002 and that the number employed in the sector by 4.6 percent, one would expect that this measure would trend upward.

Figure 8 shows that in inflation adjusted terms public expenditure on agriculture per worker has increased at 11.2 percent or about four percent faster than the spending per farmer. This is as a result of the forty percent decrease in employment in the sector since 2002. The 9.9 percent increase in spending per farmer represents a respectable increase in

![Figure 8: Spending intensity per farmer and workers](source: See text)
resources/investment available to individual farmers.

With the closure of the commodity control boards and the scaling down and eventual phasing out of most support payments to farmers commercial farmers have adapted remarkably well to this more competitive environment. However, this has in time resulted in a growth in farming unit sizes and major cost cutting exercises, such reducing the number of workers employed and a gradual switch to more mechanized farming. Given that the mandate of the departments has expanded to now support subsistence farmers the intensities quoted here is misleading. The exact number of these farmers remains an elusive number as no agricultural census has been conducted since the introduction of the new democracy. The Population Census of 2011 found that there are 2.8 million households involved in a farming activity, with the reason for doing so still to be tested. According to the GHS of 2012, this number is about 2.6 million of which 1.7 million are involved in backyard gardening and only 214 000 are producing to sell for an income. If the latter are considered to be commercial farmers, they represent about four times as many commercial farmers as the 53 000 upon which the intensity ratio calculated here. If so, then the level of spending on agriculture is woefully inadequate.
SECTION 4 INSTITUTIONAL PERSPECTIVE OF PUBLIC EXPENDITURE ON AGRICULTURE

4.1 EXPENDITURE BY THREE CATEGORIES OF INSTITUTIONS

The institutional arrangement of South Africa budget is based on three tiers of government; national, provincial and, each with its own affiliated state owned entities. In this study only the national departments, provincial departments of agriculture and national level SOEs are included. The provincial level agencies and municipalities will need to be considered in a further round of budget tracking.

Table 6 lists the institutions incorporated in this review, each with its associated agencies. The DAFF which is responsible for general policy administration provides funding to state owned entities such as the Agricultural Research Council, the Agricultural Marketing Council, Onderstepoort Biological Products as well as the Perishable products Export Control Council. Funding to the Land Bank are only included to the extent to which transfers/subsidies are made to its operations, but since it is profit based its total expenditure are not considered to be public expenditure and therefor excluded from the aggregates.

Table 6: Institutions within each tier of government

<table>
<thead>
<tr>
<th>National Institutions</th>
<th>Provincial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Agriculture Forestry and Fisheries</td>
<td></td>
</tr>
<tr>
<td>Land Affairs (Land Reform For Agriculture)</td>
<td></td>
</tr>
<tr>
<td>Water Affairs (lack agricultural specific data)</td>
<td></td>
</tr>
<tr>
<td>Agricultural Research Council</td>
<td>Eastern Cape</td>
</tr>
<tr>
<td>National Agricultural Marketing Council</td>
<td>Free State</td>
</tr>
<tr>
<td>Onderstepoort Biological Products</td>
<td>Gauteng</td>
</tr>
<tr>
<td>Marine Living Resources Fund</td>
<td>KwaZulu-Natal</td>
</tr>
<tr>
<td>Ncera Farms Perishable Products Export Control Board</td>
<td>Limpopo</td>
</tr>
<tr>
<td>Land Bank</td>
<td>Mpumalanga Agricultural</td>
</tr>
<tr>
<td>Ncera Farms Marine Living Resources Fund</td>
<td>Development Corporation</td>
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<tr>
<td></td>
<td>Northern Cape</td>
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<td>North West</td>
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<td></td>
<td>Western Cape</td>
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<td>Casidra</td>
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</table>

For national departments with agriculturally related programs only the programs that have a direct agricultural focus were included. Water Affairs, although identified as important to include, were not able to provide the study team with information.

For provincial level state owned agencies, involved in agricultural and rural development, it was decided at the inception of the study that this would be excluded from the study. The reason being that for most provinces the task of sourcing and then structuring their historic expenditure data to fit the new harmonised provincial agricultural programs presented enough of a challenge and that the provincial level agencies and local government programs should
wait for a further round of analysis. The impression was that the amounts spend through these entities are not (perceived to be) sufficient to warrant the effort.

Figure 9, Panel a, shows the trends in spending of the three cohorts of institutions involved in agricultural service delivery. After accounting for inter-institutional transfers, all three institutional cohorts experienced an increase in expenditure with provincial departments experiencing a higher rate of growth than national departments and State owned entities. The national departments — net of transfers to the national agencies included in this study and the provinces — showed a strong annual rate of growth of 18.0 percent from 2003/4 through to 2008/9 when austerity measures led to a decrease in expenditure of R1.25 billion. From 2010/11 it regained its growth in spending at 11.9 percent to date. National level SOE’s have maintained experienced a growth of 9.2 percent during the years prior to 2008/9, improving to 10.3 percent since 2010/11. Over the full 11 year period national level SOEs experienced an annual growth of 8.8 percent, compared to the 10.5 percent experienced by the national departments.

The growth in expenditure by the provincial departments of agriculture was 11.3 percent throughout the 11 year period since 2003/4. However, the growth rate up to 2008/9 was 13.9 percent annually followed by an 8.9 percent rate of growth from then on. This is lower than the growth rate experienced by the national departments.

In inflation adjusted terms, Figure 9, Panel b, it is evident that State owned entities at national level have only marginally improved their level of expenditure. For national departments the growth occurred in the earlier part of the decade under review and they currently hover around almost the same level of expenditure as 9 years ago. Provincial departments have experienced a more persistent growth over the period, largely supported by the increases in conditional grant transfers from the DAFF.
Panel a: Expenditure by institutional cohort (R billion)

Figure 9: Total agricultural expenditure by institutions
Source: This study
Notes: Transfer from the national Departments to provinces and SOE’s included in the analysis were deducted from the expenditure of the national departments.

4.1.1 National departments
The expenditure trends of the individual national departments have followed remarkably different growth paths in the past decade (Figure 10). Stripped of transfer payments to provincial departments expenditure by DAFF has grown at 5.1 percent per annum until 2007/8,
before decreasing by nearly R1 billion over the subsequent three years as the transfers under CASP started to take prominence. From 2010/11 expenditure at DAFF renewed its growth by 6.6 percent per year and now fluctuates around the same level as nine years ago.

Transfers to the ARC and the NAMC — included in the expenditure data for DAFF — represented about 24 percent of the expenditure of DAFF after accounting for conditional grants to the provinces. Starting at 21 percent in 2003/4 and decreasing to 19 percent by 2009/10, however, the share of their transfers has increased to around 27 percent per year. This phenomenon will be analysed in the following section.

Expenditure on the Land reform for agriculture by the Department of Land Affairs grew from R0.7 billion in 2003/4 to slightly over R1.1 billion by 2006/7. It then tripled to R3.2 billion in 2008/9. Hit by the same austerity measures faced by all government departments, expenditure on this program decreased by 40.8 percent over the subsequent two years before recovering to roughly R2.5 billion per year since 2011/12.

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**Figure 10: Expenditure by national departments**

*Source: This study*

*Notes: Transfer from the DAFF to provinces and SOE’s included in the analysis were deducted from the expenditure of the national departments.*

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### 4.1.2 State owned entities

The trend in expenditure by state owned entities is shown in Figure 11 to average around R1.2 billion per year during most of the period. Since 2011/12 it is increasing, however, this is as a result of increased core support payments to the ARC and the NAMC rather than increasing its expenditure from non-core funding sources. Whereas the Parliamentary Grant to the ARC
constituted about 58.6 percent of the ARC turnover during the first four years since 2003/4 its dependence on core funding from the DAFF has increased to an average of 81.5 percent in the recent five years. This is in contrast to its aim of achieving a 50:50 proportion between core funding and external income.

As a science council the ARC is expected to generate additional income and to use its core funding to funding as a strategic investment in science. This high dependence on PG is a concern and may be indicative of an organisation that no longer competitive in the agricultural R&D environment.

In contrast, the NAMC is not expected to generate additional income and is largely borne by its core funding from the DAFF.

![Expenditure on agriculture by state owned entities](image)

**Figure 11: Expenditure on agriculture by state owned entities**

*Source: This study*

*Notes: Only actual expenditure is of the ARC is included in the analysis and not its total income as its objective is not to make a profit.*

### 4.1.3 Provincial departments of agriculture

In South Africa each province has its own department of agriculture which has a shared competence under Schedule 6 of the Constitution with the DAFF over agriculture (Annexure 5). Formed from the former regionally focussed Agricultural Development Institutes these departments are primarily responsible for the development of the agricultural sector within each province. Regulatory services, such as veterinary inspection services and soil conservation, were transferred to the responsibilities of the former ADI’s to form the new
provincial administrations. Overall coordination is handled through technical working groups between the national and provincial departments.

Figure 12 shows the aggregate spending by the provincial departments of agriculture since 2003.4. In inflation adjusted terms expenditure on agriculture by the provincial administrations has grown by 4.6 percent per year from 2002/3 to date. From 2003/4 to 2009/10 the increase was 7.5 percent per year, but over the past four years this slowed to only 0.3 percent per year. An interesting feature is the increased role of conditional grants from the DAFF in the overall expenditure of the provincial departments. Whereas conditional grants were less than 10 percent of overall provincial expenditure a decade ago, this has increased strongly to reach 14 percent by 2010/11. In 2011/12 this has increased to 20 percent and now fluctuates around 22 percent. In fact, expenditure by the provincial departments originating from allocations from the provincial treasury has in recent years decreased by 2.5 percent per year since 2009/10. This indicates a growing reliance by provincial departments on support from the national government and that provincial treasuries are substituting provincial resources with transfers from DAFF.

Figure 12: Agricultural public expenditure by provinces
Source: This study

The relative share of expenditure on agriculture by provincial departments has shown little change over the past 11 years. Figure 11, panels a to b, shows the relative share of each province in the overall provincial expenditure on agriculture. The three main provinces (Limpopo, Kwazulu-Natal, and Eastern Cape) has retained their position as the biggest spenders, the relative position of provinces such as Northern Cape has increased significantly in recent years.
Figure 13: Relative share of provinces in agricultural expenditure
Source: This study

4.2 TRANSFERS PAYMENTS AND SUPPORT

Much of the services provided to the sector by government are outsourced to other departments (mainly at provincial level), public agencies, non-profit organizations, universities, foreign institutions, and private organizations. Included in the transfer payments are support payments (subsidies) to households, which may take the form of input subsidies/grants and compensation for disaster relief (droughts, flood damage). Figure 14 show the trend in these types of transfers for all institutions included in this review (panel a) and for agricultural departments and
agencies only (panel b). When including the Land Reform programme of the Department of Land Affairs the top three types of transfers are public agencies and accounts (largely driven by the agricultural holding account), provincial departments and offices and transfers to households support payments for farmer settlement.

Panel a: Total public expenditure on agriculture

Panel b: Agricultural departments only

Figure 14: Transfers payments and support
Source: This study
As land administration and settlements are not typically regarded as part of what is understood to be expenditure on agriculture, Panel b shows the trend in expenditure by the agricultural departments and agencies only. Here the main transfers are transfers to provincial departments by the DAFF, public agencies (mainly the ARC and the Agricultural Marketing Council), and households followed by transfers to public corporations such as the Land Bank and development corporations. Transfers to provinces show a distinct and strong growth over the whole period, rising from third most important (7 percent) a decade ago to the largest (41 percent) type of transfer payments today. Transfers to the public agencies changed from being the largest (60 percent) to the second largest (27 percent) although this has been increasing steadily since 2005/6. The share of transfers to non-profit institution changed from 23 percent in 2003/4 to only 2 percent today, whereas transfers to households increased from only two percent a decade ago to 19 percent today.

The transfers between the DAFF, provincial departments and state owned agencies included in this review represent a significant risk of double accounting. Figure 15 show the extent of the transfer payments to these institutions since 2003/4. Starting at 11 percent of total expenditure on agriculture (transfers excluded) this share has increased to 15 percent in 004/5 from where it has in the past three years increased to 21 percent. This emphasises the need for analysts to pay attention to this phenomena when analysing the investments made in agricultural service provision.

Figure 15: Pattern of inter-institutional transfers
Source: This study
SECTION 5  PROGRAMME PERSPECTIVE OF PUBLIC EXPENDITURE ON AGRICULTURE

The previous sections looked at the total agricultural public expenditure in terms of how they reflect policy and strategy through fiscal spending on agriculture. It was followed by the analysis of institutional perspective that locates institutions implementing delivery of services. This section analyses the expenditure pattern from the perspective of focal areas or programmes. The programmes are in the main a reflection of strategies themselves. As discussed in section 1, over the past 11 years there has been a number of restructuring processes that led to fundamental changes to the programme structure for agricultural services at both national and provincial tier of government. This presents a challenge to tracing the expenditure patterns on these programmes in a synergistic manner. Using the proposed harmonized programme structure discussed in section 1, about nine programmes were identified. Two of these focus on forestry and fisheries and the remainder on agriculture and land reform. Here the management and corporate services were aggregated as this relates better to the manner in which the departments of agriculture manage its own affairs and thus better understood. This then yields the following program structure:

- Administration and Management
- Production Support
- Regulatory Services
- Natural Resource Management
- Farmer Support & Extension
- Financing
- Agricultural Economics

These seven programmes thus form the basis to analyse the focal areas of expenditure of agricultural service delivery in aggregated form for the country.

5.1 SHARE AND TRENDS IN AGRICULTURAL PUBLIC EXPENDITURE BY PROGRAMMES

Figure 16 show that of the seven programmes presented here the two biggest programmes were the Financing and the Farmer Support and Development (FSD) programmes. The expenditure on farmer support and development has shown the strongest growth of all programs. The next large program is the Administration programme. This programme includes the senior management of the departments from the Minister through to DDG as well as corporate services. Surprisingly, there are significant differences in the relative importance of this program between the National institutions and the provincial departments. At national level administration is the third largest program after Financing. At provincial level administration represents the second largest programme — total administration cost at provincial level is three times as much as the national departments in aggregate, or three quarters of the total expenditure on administration in agriculture. This is a disconcerting statistic and raises the
question as to the cost of the pseudo federal basis for administrating public sector agricultural service delivery under the new constitutional dispensation.

Next to the Financing program the Regulatory Services programme shows the next highest growth per year and the fourth largest programme. A position it has maintained throughout the period. The Natural Resource Management programme has also grown significantly over the 11 year period by 23.9 percent per year. It currently represents the fifth largest programme followed by production support — the latter includes the expenditure by the Agricultural Research Council. The Agricultural Economics programme is a relatively small program, but has increased fourfold over the past decade.

Figure 16: Trends in the agricultural expenditure by programmes
Source: This study

Figure 15 shows the changing relativities in expenditure per programme. The largest expenditure was on Financing with a 30 percent to 41 percent share of overall expenditure by programme. The Farmer Support and Development programme (mostly extension support) increased in importance from 24 percent to 32 percent today reflecting the change in policy position to support farmer settlement. The remainder of the programs retained their relative positions in terms of the share of expenditure on programs.
Figure 17: Programme share of agricultural public expenditure (2003/4; 2008/9; 2013/14)
Source: This study
SECTION 6  FUNCTIONAL PERSPECTIVE OF PUBLIC EXPENDITURE ON AGRICULTURE

This section presents the trends of agricultural public expenditure based on the COFOG system of classification which classify government spending according to the purpose of for which funds are used. Within this classification system agriculture, forestry and fisheries appears as a group under the heading of ‘Economic Affairs’ and is then listed as three separate classes for agriculture, forestry and fisheries and hunting (multi-purpose development projects are excluded). Within each class expenditure is distinguished by categories for:

- Administration of agricultural affairs and services;
  - conservation, reclamation or expansion of arable land;
  - agrarian reform and land settlement;
  - supervision and regulation of the agricultural industry;
- construction or operation of flood control, irrigation and drainage systems, including grants, loans or subsidies for such works;
- operation or support of programmes or schemes to stabilize or improve farm prices and farm incomes;
  - operation or support of extension services or veterinary services to farmers,
  - pest control services,
  - crop inspection services and
  - crop grading services;
- production and dissemination of general information, technical documentation and statistics on agricultural affairs and services;
- compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop, or for allowing land to remain uncultivated.

Excludes: multi-purpose development projects

Expenditure on R&D is accounted for as a separate group from agricultural policy administration under the heading ‘R&D Economic Affairs’ and includes expenditure on forestry and fishery research and development as well.

6.1 EXPENDITURE BY MAIN FUNCTION

Figure 18 shows the total agricultural public expenditure as defined by the COFOG system. Expenditure on agriculture accounted for 75 to 86 percent of aggregate expenditure on Agriculture, forestry, fishing and agricultural R&D and grew by 7.0 percent per year from R7.1 billion in 2003/4 to R13.6 billion in 2013/14. The share of expenditure on R&D decreased from 16 percent in 2003/4 to 11 percent in 2013/14. This is the result of a decrease in R&D expenditure of 1.9 percent per year during the period 2003/4 to 2009/10. Since then
Expenditure on research has risen by 6.6 percent per year to reach R1.8 billion in 2013/14. Expenditure on forestry and fisheries show a marginally declining trend over the period of -1.2 and 3.9 percent respectively.

Figure 18: Functional public expenditure on agriculture
Source: This study

6.2 AGRICULTURE

Figure 19 shows the expenditure by class within the agricultural expenditure group. Administration of agricultural affairs and services (not to be confused with the management programme of the South African public expenditure nomenclature) represent 46 to 49 percent of total expenditure on agriculture. The expenditure on the operation or support of programmes or schemes to stabilize or improve farm prices and farm income represent the most important share of the expenditure focus. This varied between 45 and 53 percent of expenditure on agriculture over the 11 year period since 2003/4. Expenditure on irrigation, information and general support in aggregate ranged between 9 and 11 percent from 2003/4 to 200/10 and is currently about 5 percent. This is largely as a result of decreased spending on irrigation.

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4 This is probably an underestimate as the unit based budget data do not provide sufficient detail to account for expenditures on sub-functions within the unit.
Figure 19: Agricultural public expenditure by level 4 (based on COFOG system
Source: This study

6.3 FISHERIES AND FORESTRY

Information on the expenditure on Fisheries and Forestry pre-2010/11 still needs some improvements as the administration of these function were then part of other government departments and the detail on their financials could not be obtained. However, Figure 20 and 21 shows that the administration of the affairs of these function make up 76 percent of the overall expenditure of these functions. This is much higher than with agriculture, but here government support programs play a much less significant part in the economic activities of these industries.
Figure 20: Expenditure on Forestry
Source: This study

Figure 21: Expenditure on Fisheries
Source: This study
6.4 R&D EXPENDITURE

In Figure 22 the trend in expenditure on agricultural and Fisheries research is shown (expenditure on forestry research, or transfers to forestry research institutions, was impossible to identify from the state of expenditure data files provided). Both show largely the same trend of an initial phase of decrease followed a period of recovery to date. The expenditure on fisheries research consist of transfers to the marine and living resources fund, whereas the expenditure on agricultural research is the aggregate of the expenditure by the Agricultural Research Council, the Grootfontein Agricultural Development Institute and the provincial technology research and development program. This in all likelihood is an under representation of the investment made in agricultural research by the departments, since the level of accounting from which the underlying data was drawn is still too aggregated to pin down this information accurately.

![Figure 22: Total research expenditure](image)

**Figure 22: Total research expenditure**
Source: This study

Figure 23 shows the levels of spending by agricultural research institutions. The Agricultural Research Council is by far the largest research service provider in agriculture followed by the and Provincial Departments of Agriculture. In inflation adjusted terms the expenditure by the Agricultural Research Council has increased by 2.2 percent per year since 2003/4, whereas the Grootfontein Agricultural Development Institute has showing clear signs of stagnation since 2008/9. In contrast the provincial departments have experienced a 4.1 percent annual growth over the period.
It is worth noting the changing landscape in terms of the share in agricultural research as shown in Figure 24. In 2003/4 North West province were responsible for 27 percent of the expenditure on agricultural R&D followed by the Western Cape Province (18 percent). Kwazulu-Natal at that time represented 12 percent of the total provincial level expenditure on agricultural R&D, but by 2013/14 the situation has changed significantly with Kwazulu Natal now being the leader with a 27 percent share, followed by the Eastern and Western Cape departments of agriculture.
An interesting phenomenon is the disparities in structure of research expenditure differ across these institutions. In figure 25 the average of the share of salaries of expenditure on agricultural R&D is shown. The Agricultural Research Council maintained an average spending on salaries of about 59.8 percent compared to the 40.4 percent of Grootfontein Agricultural Development Institute and the 67.2 percent of the provincial departments. Among the provincial departments the share of salaries of expenditure on agricultural R&D varied between 47.8 percent for Gauteng and over 70 percent in Eastern Cape and Mpumalanga. In the case of Gauteng the low share is explained by the fact that the province, due to its proximity to the research institutes of the Agricultural Research Council, relies on outsourcing of its research needs. For provincial departments, however, a ratio of salaries to total expenditure this high is indicative of having too little operational funds available.
Figure 25: Five year average share of salaries since 2004/05
Source: This study
SECTION 7  EFFICIENCY OF PUBLIC EXPENDITURE ON AGRICULTURE

In executing the budget institutions are responsible for different responsibilities and mandates. In the main this section tries to unravel some of the objectives of the study viz assessing the levels, amount, composition and quality of the agricultural budget determining the relationship between the resource allocations and effective expenditures and also overview the timeliness of disbursements of the public resources. This is basically the “efficiency” analysis and the congruence (World Bank 2011).

7.1 BUDGETED VS ACTUAL PUBLIC EXPENDITURE ON AGRICULTURE

The efficiency of executing the total budget is measured by comparing the budgeted against the actual expenditure. Note that under the MTEF mid-year adjustments are made to appropriation allocations to program budgets. These can represent, and often do, major shifts in financial resources available to departments, or to programs within a department. The difference between the adjusted appropriation and the actual expenditure are marginal and over, or under expenditure never exceed the margins permissible under the PFMA. It has been mentioned by some officials that fluctuations between budgeted expenditure and actual expenditure is a source of instability in their program execution.

Here the analysis is limited to the DAFF and the provincial departments of agriculture only as the information on budgeted expenditure, and adjusted appropriation in the case of DAFF, were only consistently available for these departments.

The point on the differences between budgeted, adjusted appropriation and actual expenditure made above is illustrated by the information of the DAFF. Figure 26 shows that the actual expenditure by the DAFF has often been much higher than the initial budget, but generally slightly lower than the adjusted appropriation made during the financial year.

On average the adjusted appropriation exceeds the initial budget by 16.1 percent, ranging from as little as 0.6 percent for preliminary data for 2013/14 to as high as 53.4 percent in 2007/8.

Consequently the actual expenditure generally exceeds the initial budgeted expenditure by 12.2 percent, ranging between 1.0 percent and 47.2 percent. Compared to the adjusted appropriation the actual expenditure on average is 3.3 percent below the adjusted appropriation and ranges between 0.7 percent in 2009/10 and 6.3 percent in 2006/7.
These adjustments introduce a fair degree of instability in the expenditure patterns of the DAFF, especially around points where program changes are introduced as in 2007/8.

For provincial departments of agriculture the situation is significantly different. Here the deviations from budget is less extreme, but the extent of over and under spending is much larger. On average for the period 2005/6 to 2013/14, the proportion of over spending on the adjusted appropriation is 1.3 percent, however, this ranges from an under spending in 2007/8 of 7.4 percent to over spending of 14.3 percent in 2009/10. These events can be explained by the variations in transfer payments under the CASP program to provinces. In 2007/8 the amount paid to provinces almost doubled from 2006/7 and in 2009/10 the payment was nearly three quarters less than in the previous year.

Figure 26: Budgeted vs Actual expenditure by DAFF
Source: This study
This variation in transfers from the national department to the provincial departments obviously disrupts the programme activities of the provincial departments. Naturally, provincial administration would be more cautious in their endeavours and from 2011/12 they tended to under spend between 0.6 and 3.4 percent on the adjusted appropriation allocated to them.

### 7.2 Agricultural Expenditure by Economic Classification

The economic classification is divided into 4 main categories⁵:

- Salaries
- Goods and services
- Capital
- Transfers payments made by a department for which the department does not directly receive anything in return

The expenditures trends by economic classification show salaries and Goods & services trending high and increasing faster than the other economic classes. Expenditure on salaries has increased by 150 percent from R3.5 billion in 2002/3 to about R5.3 billion in 2013/4.

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⁵ Payments for financial assets (payments made by departments as loans to public corporations or as equity investments in public corporations) as these are not part of the core business of the agricultural departments and really small in total.
However, the continuing investment in human capacity – thus it may be conjectured that the human capacity in the department is expected to improve. Turnaround of expenditure on salaries around 2006/7 should a sharper increase as compared to the earlier period. This increasing trend turns up as well around 2010/11.

The reality of the increasing spending on salaries could have been better explained by checking the head count. That is to determine whether the salary bill is due to additional staff or due to increase in remuneration. This could not be determined as total staff numbers could not be obtained from the departments in time for this analysis. Nonetheless the fact is that the Department is retooling itself to take up neglected functions. In that regard it is critical to manage vacancy rate. If effort is made to fill vacancies these may lead to more growth in spending on salaries. It is also important to determine and monitor where the growth is happening.

Figure 28: Total agricultural public expenditure according to economic classification
Source: This study
Notes: Excluding transfers to ARC, NAMC, and provinces

The expenditure on goods and services has also been trending parallel to salaries. It showed an increase from just above R1.7 billion in 2002/3 (and about R1.8 billion in 2003/4) to just above R2.9 billion in 2013/14. This represents an increase of 59 percent from 2003/4, but it has been largely stagnant since 2008/9. In relation to expenditure on salaries until 2008/9 the two items have been increasing parallel. From then the gap started widening.
SECTION 8 SYNTHESIS OF QUALITATIVE PERSPECTIVE TO AGRICULTURAL PUBLIC EXPENDITURE

This section provides an overview and highlight of the opinion survey conducted to explain and validate the results of the agricultural public expenditure. The survey involved soliciting perceptions from expert informants either involved in the budgeting process and/or involved in agriculture at high level. This was due to the suspicion that the budget process in South Africa is not very linked with stakeholders in the agricultural sector.

The qualitative responses were solicited with the aid of the questionnaire. The questionnaire required respondents to complete or answer the list of questions rating different angles from 1 to 5 - representing the lowest score to the highest score. The respondents were identified from the list of expert informants compiled by the team together with the DAFF. The informants were identified on the basis of their active involvement in the sector. Out of the long list, the target respondents were purposefully selected taking account of their willingness and availability. Initially the intention was to have a face to face talk. However, because of time, the questionnaires were emailed to about 20 respondents. About nine questionnaires were returned. Some respondents were followed up with telephone calls to clarify other issues.

The purpose of the opinion survey was to provide complementary information in lieu of group discussion with stakeholders. The questionnaires were analysed using frequencies.

8.1 PERCEPTIONS ON THE THREE PERFORMANCE AREAS

The respondents were requested to give an opinion on the issues related to budgeting process. The views were with respect to coding, flow of funds and congruency. These areas are subsequently rated by different dimension. Put differently, Different dimensions of the public budgeting system are then rated for coding, flow of funds and congruency.

8.1.1 Coding / tracking of expenditure

The respondents were requested to give opinion on the accessibility of the South African system of coding and tracking of agricultural expenditure. This involves the classification of agricultural expenditure and how easy / difficult it is to track expenditure on crucial areas over a number of years from available resources. The common view is that the SA system in place is good and allows uniform programme (objective) and item structure. The view is not surprising since the SA budgeting and expenditure tracking system has been there for a while and the budgeting process has been participatory and made transparent. For example, The Minister of Finance has always solicited tips on budget from the public. The budget is also presented through public platforms (TV’s and radio channels). The National Treasury also publishes the Estimate of National Expenditure on annual basis as point of seven years reference for 3 year expenditure.
8.1.2 The flow of funds.

The views on the efficiency of the flow of funds to allocated budget areas are:

The level of under-spending is very high, and attributed to bad planning; e.g. incidence of last minute spending in January to March is quite common. This view is in line with the fact that the revised or adjusted budget is approved late. Accordingly there is an under-spending trend against the adjusted budget, but there is overspending against the budget. Accordingly, the under-spending is not as dramatic. It is viewed that with an improved timing and clearer communication about pending adjusted budget.

The under-spending has implications for service delivery. On the other hand, there are also lots of challenges linked to service delivery. Service delivery is very slow; e.g. Disaster Relief Funds take up to 2 years at times to reach beneficiaries. The slow implementation is generally associated with the public service bureaucracy, a necessary pill to ensure that disbursement of public funds is done appropriately.

Injudicious spending of the budget borders on violation of the public finance management policies. Some of comments from the respondents asserted to the lot of wastage, especially at local (provincial / local government) level, for instance on workshops. This mostly results in inefficient spending away from planned areas. As a result, there may not be effective development in intended focus areas.

Perhaps the most pointed view pertained to the perceived behaviour of public servants. In particular, one of the reasons in under-spending and/or not delivering is the lack of discipline in public officials - e.g. not being in office during working hours. There is also very little empathy from Government officials with the needy public; i.e. little demonstration of the required “ubuntu /batho pele.”

8.1.3 Congruency

The views on the efficiency of the budget allocation process, - (in terms of allocations to priority areas) were invited.

There is a need for re-organization and re-prioritization of spending within the sector before an argument for more resources can be made. It should also be borne in mind that the process of allocating budget to the priorities of the programmes is a collective and trade off process. It is not left to the programme concerned. The programme would prepare its business case for funding but whether that gets approved is a function of intensive deliberations and trade-offs. Against this back-drop the views of not being consulted and insufficient of budget priorities and process by some major stakeholders is thus a concern.

The National treasury has reprioritized funds from land acquisition to invest in emerging commercial farms.
8.1.4 The Local Government level information and programmes

There is very little information available and yet it’s the level facing the most service delivery challenges. It is not yet clear whether this is due the absence of activity or effective information management or flow.

8.1.5 Public Private Partnerships

Most stakeholders support PPPs, but the implementation from Government side is poor.

8.2 Key Departments/Sectors

The study was also interested in determining the level of agricultural public expenditure in different departments. These departments or sectors also implement some of agricultural or farming activities directly or indirectly. As such, they keep or influence the spending of agricultural budget. These departments include National Treasury, National Department of agriculture, Forestry and Fisheries (DAFF), The Presidency, Respondent’s department or organization, private sector and donors. The Forestry and fisheries were included as subsectors since they have been separate from agriculture for the most part of the study period.

The respondents were requested to rate the different departments in terms of the three rating criteria; namely coding, flow of funds and congruent. The rating ranged from poor (1), fair (2), average (3), good (4), and excellent.

Table 7 shows the rating of the performance of each department with respect to coding, funds flow and congruency as follows. In terms of coding, the respondents rated the departments into two groups; National Treasury, National Department of agriculture and respondents’ own organization were average to above average. The Private Sector, Forestry, The Presidency and Donors were rated fair to poor on coding. National Treasury could be rated high since it is its primary role to guide and track the budget. With agriculture and own department, it may be that the respondents are more familiar with the tracking system. It is instructive that there is poorer perception about the coding and tracking of agricultural spending for others.

With the flow of funds, the departments were rated on average worse than for coding. National Treasury, National Department of Agriculture, Own Department and Private Sector were rated higher (fairly to above average), while other were rated lower (just fair). It is interesting that the private sector is rated better for flow of funds as to tracking.

In terms of congruency, Donors seems to implement their budget more appropriately than other sectors. National Treasury, National Department of Agriculture and Private Sector are then rated being fairly congruent.

Table 7: Average rating of Departments and Sector

| Department                        | Coding | Flow of Funds | Congruency |
|-----------------------------------|--------|---------------|------------|------------|
|                                   |        |               |            |            |
Views on the performance of key departments/sectors follow below

### 8.2.1 National Treasury
National Treasury is rated highly (highest) by most respondents as above average for coding and average for flow of funds and congruency. Total expenditure is however only available at financial year end after the audit is completed and has been published by National Treasury. No access to any information in between. CFO’s are reluctant to give out any information during this period especially on spending or commitments.

### 8.2.2 National Agriculture Department
The DAFF is ranked second highest as average for coding and slightly below average for flow of funds and congruency. The department is said to sometimes delay the transfers to provinces for conditional grant funding, sometimes withholding funding earlier than necessary. They do on occasion agree to an arrangement of “spend and claim” and default or delay refunds.

Whilst there is understanding that DAFF has to make tough decisions w.r.t. provincial allocations, there is also a perceived lack of support with regard to requests for additional funding. Stakeholders believe there is no consultation and they do not have sufficient knowledge of the budget process.

### 8.2.3 The Presidency
No direct interaction by most respondents.

### 8.2.4 Private Sector
The lack of bureaucracy in the Private Sector, whereby most CEOs have delegated authority, results in relatively quick decisions.

### 8.2.5 Donors
Funds received from Donors are generally in support of Government priorities. Strict adherence to the purpose is required failing which future tranches could be withheld.
8.3 The Agricultural Programmes

The budget is normally implemented through the programs. As indicated earlier, for this analysis, the programs were categorized into eight. They include Administration, Resource Management, Farmer Support and Development, Research and Development Services, Agricultural economics, Training and Agricultural Development Planning. Respondents were requested to rate the programs in terms of coding, flow of funds and congruency.

The rating of the performance of each department with respect to coding, funds flow and congruency are as follows:

Table 8: Rating table 4

<table>
<thead>
<tr>
<th>Programme</th>
<th>Coding</th>
<th>Flow of funds</th>
<th>Congruency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Administration</td>
<td>3.4</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>2.0</td>
<td></td>
<td>1.4</td>
</tr>
<tr>
<td>Other admin costs</td>
<td>3.6</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>2. Sustainable Resource Management</td>
<td>3.0</td>
<td>2.6</td>
<td>1.8</td>
</tr>
<tr>
<td>3. Farmer Support and Development</td>
<td>2.6</td>
<td>2.4</td>
<td>2.0</td>
</tr>
<tr>
<td>5. (Technology) Research and Development Services</td>
<td>3.0</td>
<td>2.4</td>
<td>1.6</td>
</tr>
<tr>
<td>5. Agricultural Economics</td>
<td>2.4</td>
<td>2.6</td>
<td>1.6</td>
</tr>
<tr>
<td>6. Training</td>
<td>2.4</td>
<td>2.2</td>
<td>1.6</td>
</tr>
<tr>
<td>7. Agricultural Development Planning</td>
<td>2.2</td>
<td>1.8</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Views on the performance of the various programs follow below:

8.3.1 Administration, Personnel Costs & Other admin costs

Personnel items are standard across various departments. That is why the high ranking on coding. Flow of funds and congruency are however rates just under-average.

8.3.2 Sustainable Resource Management

The Agricultural sector has tremendous problems in obtaining funding for disasters like droughts, veld fires and floods. In some cases it can take up to two years to obtain funds. The Disaster Management Act, 2002 however has a very good system in place. It appears then that the problem is insufficient capacity, in the form of qualified and trained people, with the necessary will and drive.

8.3.3 Farmer Support and Development

It is seen as lowest ranking in terms of efficient prioritization. However the National Treasury has re-prioritized funds from land acquisition to investment in emerging commercial farms. Concern with the use of unskilled staff who have never been on a farm.
NAMC budget has been allocated to Farmer support and development.

**8.3.4 Veterinary Services**
Activities are driven by the Vets and are less challenging when it comes management and alignment.

**8.3.5 (Technology) Research and Development Services**
Inadequate budget has been allocated towards research and development services over the years.

**8.3.6 Agricultural Economics**
Of the NAMC budget 37 percent are allocated to Agricultural economics. The prioritization within the agricultural sector should consider the diversity of production systems and agricultural economic units in rural areas.

**8.3.7 Training**
Inadequate training takes place as the major reason for slow service and flow of funds is lack of skills. Inadequate budget has been allocated towards training of emerging commercial farmers.

**8.3.8 Agricultural Development Planning**
The activities of this programme are not yet as standardized and may therefore vary from province to province.

**8.4 Special Focus Areas**
The rating of the performance of each focus area with respect to coding, funds flow and congruency are as follows:

<table>
<thead>
<tr>
<th>Per focus area</th>
<th>Coding</th>
<th>Flow of funds</th>
<th>Congruency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.Producer support</td>
<td>2</td>
<td>2.2</td>
<td>1.6</td>
</tr>
<tr>
<td>2.Small-holder support</td>
<td>1.8</td>
<td>2.2</td>
<td>1.4</td>
</tr>
<tr>
<td>3.Tax incentives</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
</tr>
<tr>
<td>4.Trade and marketing</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>5.Regulatory services</td>
<td>1.8</td>
<td>1.8</td>
<td>1.6</td>
</tr>
</tbody>
</table>

The information for these special focus areas is very scanty; hence the low ranking of even the coding for these expenses.

**8.5 Recommendations**
The following recommendations can be made with respect to these matters:
- National Treasury needs to be stricter on disallowing roll-overs (to curb bad planning and transfer of funds to unplanned low-priority areas)
- Recruitment to key positions to be more in line with skills requirements.
- More and better training of staff, including support staff.
- The project segment on the accounting system should be configured to identify specific focus areas so as to be able to better track these.
- Better consultation with key stakeholders on particularly budget priorities and a more robust feedback / monitoring and evaluation mechanism.
  - It is essential to form public-private partnerships to ensure that large value chain players are incentivized and supported to provide proper technical assistance to small producers of their commodities. Assistance could also be given to commodity organizations to develop more effective small farmer development programmes with greater outreach. This will necessitate more data collection on commodity production in traditional tenure areas.
- Reference has been made to a study on ”An alternative funding model for disasters” for the Fiscal and Financial Commission (FFC) which is believed would alleviate the (slow disaster support process) if the recommendations are followed.
- More research and therefore spending there-on are required.
SECTION 9  SUMMARY AND RECOMMENDATIONS

9.1  SUMMARY OVERVIEW OF FINDING

This review assesses public expenditure on the agricultural sector and contributes to the effort to enhance the budget and policy prioritisation of the agricultural sector in Sub-Saharan Africa. The review has three goals:

• To provide a base for future review and tracking studies of public expenditure on the agricultural sector
• To develop an initial database that links the South African budget system with COFOG system
• To identify the emerging patterns on the level, composition and quality as well as effectiveness of expenditure

The report presents a range of issues for consideration by the South African government pertaining to resource allocation to agriculture. It highlights that the frequent unit name changes and its allocation to different programs creates an impediment for smooth budget tracking process. While a trial was done to analyse data using the COFOG system, most of the analysis is based on the South African budget nomenclature. The analysis points to relatively unstable relativities in the total agricultural expenditure amongst the different tiers of government, but a relatively stable trend in total agricultural expenditure in nominal and in real terms. The total agricultural public expenditure has increased by an annual average of about 10.8 percent in nominal terms from R5.77 billion to R16.97 billion over 10 years. However, in real terms, the increase was far less from about R9.33 billion to R14.27 billion.

The share of public expenditure on agriculture in total South African government expenditure is lower that the share of agriculture in the economy. Share of expenditure has decreased from about 2.5 to less than 2 percent, whilst the contribution of agriculture to GDP decreased from a little over 4 percent to about 2.5 percent.

The institutional expenditure trends (consisting of national, provincial and state owned entities) shows the rising importance of provincial departments in agricultural expenditure. The implementation of agricultural programmes at provincial level is complemented by provincial level with state owned entities and local government. This review did not cover the expenditure on agriculture in the local government level in this round of analysis. The programme perspective shows that the spending on the programmes are stable over time, but with significant increase in expenditure on agricultural support. The use of the COFOG for the analysis of spending by function proved to be a useful concept, but do not provide sufficient detail in its construct to assist in the detailed analysis of agricultural functions executed by government.
9.2 RECOMMENDATIONS

9.2.1 Level of expenditure

**Recommendation 1:** There is a need to increase the level of public expenditure on agriculture in relation to other sectors.

*Motivation:* Although public expenditure on agriculture has increased over the 10 years both in nominal and real terms, as a share of the economy the level of spending fluctuated 0.5 percent during the past decade. In most developing countries and OECD countries this share averages between 1-2 percent of the GDP. This indicates that the fiscal costs of agricultural policy relative to the size of the overall economy are very low.

**Recommendation 2:** Reaching the Maputo target of 10 percent of the budget for agriculture is neither achievable nor appropriate for South Africa given the degree to which the secondary and especially the tertiary sectors in the economy have developed. The South African government should, however, determine an appropriate target for spending on agriculture along the lines of recommendation 1.

*Motivation:* The 10 percent share of government spending for South Africa is equivalent to R100 billion — more than four times the current level of spending. This has tremendous implications for policy, prioritisation and capacity to spend an extra R80 billion more than the current level. At best the South African government can be expected to double its expenditure on agriculture, but this will still require the development of twice the current capacity in agriculture to absorb and invest the increased budget wisely.

The Maputo Declaration is still a noble position to encourage South Africa to allocate more funds to the agricultural sector. There is still scope to increase agricultural investments through support emerging and new farmers, investing in irrigation, intensive and technology driven productivity improvement and strengthening its regulatory services. This could be done in the context of NPD 2030.

**Recommendation 3:** The current open economy policy and the general objective of food self-reliance (security) have to continue. This involves ensuring that there is sufficient options to make food available in the country through own production, import and export. The reliance on direct price support and trade restrictions has to be minimised. On the other hand, non-market distorting indirect agricultural support should be enhanced. Government should maintain the balance by developing trade relations with all trade partners.

*Motivation:* Since the deregulation of the agricultural sector and the new political dispensation, South Africa has focused on creating a competitive agricultural sector that is subject to global economic developments.
The trade relations have shifted from emphasising relations with the West, to building relations with the East, the South and with the rest of the African continent. As such, the government has to navigate through a complex of requirements imposed by different trade relations. Effectively, the country has signed different trade agreements including those that avoid market distortion.

### 9.2.2 Composition of Expenditure

**Recommendation 4:** The budget spending should be balanced among different (institutions, economic classification, programmes, functional) components of expenditure, with more bias towards those that deliver service to farmers. Farmers generally feel less supported as the funds that reach the farmer on the ground are perceived to be very little. Some farmers (including emerging farmers) don’t experience public service support due to budgetary constraints.

**Motivation:**
There is an increasing proportion of expenditure by provinces. As the institution responsible for the administration of programmes at regional level this development should be supported with appropriate amount of funding at the right time.

The expenditure by economic classification shows that salaries represent a probably disproportionate share of expenditure leaving insufficient funds for developmental (operational) expenditure. The diverging spending relativities between provinces indicate a need for benchmarking proportions of expenditure.

Spending by program shows that the Finance and Farmer Support and Development Programs have grown strongly. The Agricultural economics and Production support programs have experienced the lowest levels of growth in expenditure. These programs together with regulatory control and natural resource management are the basic tenets of agriculture and should enjoy more emphasis if the flow of funds is deemed to be appropriate (to the farmers). Functional support shows more spending on income support and administrative support and less on technical support, which is a concern.

### 9.2.3 Quality of expenditure

**Recommendation 5:** There should be consistent effort to determine and improve return on the expenditure in the interest of increasing service delivery to the farmers or projects on the ground. The development of the farmers or agriculture sector or output should be commensurate with the money spent (value for money). As such, clear indicators should be developed or established to measure performance.

**Motivation:**
There is a wide divergence between budgeted and adjusted expenditure. Less so, however, between the adjusted budget and actual expenditure, with the latter being generally a little lower than the adjusted budget estimates. This means that not all of the allocated funds are spent. The reason for this is that the budget adjustments are done late and provinces are unable to
implement timeously. This has implications for service delivery and the quality of the expenditure.

While the expenditure per farmer or farming population increased, there is a need to create a working definition and number of farmers in South Africa to enable the consistent and reliable determination of average agricultural public spending per farmer. This may require a review of the definition and the conduct of a comprehensive census of agriculture.

A need has also been identified to enhance the response time to service delivery by reducing duplication of approval process. For example, currently the response time to disaster has been very slow because CASP funds are used for disaster relief instead of generating a new budget. To deliver on disaster relief requires approval of two Directors.

**9.2.4 Process of budget management**

**Recommendation 6:** To develop or establish a harmonised programme structure adapted from the proposed programmes. This would result in realigned programme structure at national and provincial level. The structure should thus be harmonised to priorities and the same should be applied across national, provincial, SOEs and local level. Efforts should be made to harmonise the accounting systems of state owned entities with the overall government system.

**Recommendation 7:** Rationalisation and maintenance of the institutional structure, particularly at national level. The process of frequent restructuring of programmes and renaming of institutional units tends to create confusion in understanding some basic functions. In so doing caution must be exercised not to mix program structure changes with institutional structure. There has been a pattern to copy institutional structure with programme focus. While it may be easier to see high level position of units, service delivery gets affected. Programmes should be used to deliver services, while institutional structure provides the functional/disciplinary capacity to implement.

**Recommendation 8:** Improve coordination of budget within government and with non-governmental stakeholders on budget issues.

**Motivation**

Improve coordination and effective guidance or leadership by national department on the shared functions with provinces. This also encompasses strong guidance when introducing new units or programmes in relation to existing programmes to ensure continued coordination. The case of deterioration of enterprise budgets and production economics are pointers. Create understanding and awareness about agricultural budgeting process by involving stakeholders in the process.

**9.2.5 Institutionalisation of budget tracking and review**

**Recommendation 9:** There is a need to establish a Budget tracking function or role in the DAFF to provide regular updates and monitor the performance of expenditure and service
delivery throughout the whole system. This may require allocation of additional resources and capacity to affect the expenditure monitoring process.

Motivation:
The review also created an opportunity to consider a system-wide M&E system for agricultural spending, which can be done within the existing means in collaboration with National Treasury. This would involve reporting on quarterly basis on actual spending to budget, spending by critical focus areas, and staff capacity trends.

9.3 Further Work

As it stands the database that underpins this analysis needs further development for it to become a sound basis for policy analysis. It do, however, present a firm basis to develop an annual basis to monitor the levels of expenditure on agriculture and presents an opportunity, if linked to the human resources databases and the monitoring of output targets and reported delivery, to develop a useful tool for the DAFF and Treasury to track the performance of the sector. For this to happen, a number of activities need to be implemented:

1. The harmonised program structure used here is based on a system that was in use in the late 1980s, which allowed for a much richer technical sub-division of functions. Since the data availed were unit level expenditure data (in the case of DAFF) and sub-program level (level four of the BAS at provincial level) the database currently fail to reach the level of detail that would be desirable for in-depth analysis of functions (see next point) and it is advised that the exercise should be repeated using more detail in order to more accurately account for the various functions of government. For example, the expenditure report for Grootfontein Agricultural Development Institute include spending on extension, research and training — all three of which are critical inputs in the farmer support and development, Technology Development and Training initiatives of government and key pillars under the CASP. It is essential that one then accurately track the investment in these functions.

2. A further example of a function that needs to be analysed in detail is Research. This function within the various departments’ links to state owned entities and other public institutions, such as universities, as well as he private sector. Together with the training and extension functions/services it forms an area of government investment in the development and capacity within the sector that in aggregate represent a significant level of investment and therefore would require careful monitoring. For the past four decades it has continuously been lamented that investment into these functions, with R&D being at the forefront of the complaints, are woefully too low. However, as experience has shown we do not have the ability to accurately measure the level of investment in R&D in the sector. To plan for capacity development we are in dire need of accurate estimates of the true level of investment in these areas and should therefor allow for more detailed analysis on this in the database. In doing so, the department would also do away with the need to contract expensive surveys to determine the investment levels within the public sector on R&D.
3. The claim is often made that South Africa do not support its farmers properly in terms of subsidies, etc. However, by unpacking the transfer payments properly this study has shown that some support to households (farmers) does happen, but insufficient detail is available from the expenditure reports to analyse the nature of these support payments. As these support programs form the focus of trade negotiations, etc. it is advisable to adapt the database to allow for quick access to the information when required. The basis for doing this is provided for if one refine the COFOG coding by either, 1) using a fifth level of coding, or 2) by adopting a different classification system as discussed in this report.

4. An effort must be made to develop a more elaborate/comprehensive inventory of all the public institutions involved in agriculture, especially at local government level. Here we mostly excluded the provincial level state owned entities and municipalities, but as they present another tier of service delivery it is essential that future development of the expenditure tracking framework to include them as they are/may become an important vehicle in service delivery to agriculture.

The basis for institutionalizing these activities to become an ongoing function within the government system is best left to the DAFF and Treasury to decide upon. Lest be said that it would be wise if such a monitoring function becomes the responsibility of the DAFF as it is the lead institution responsible for the development of the agricultural sector and needs the information to improve on the use of financial resources for agriculture throughout the government sector.
REFERENCE LIST


Econometrix. 2014. Quarterly Group Presentation


Union of South Africa. (1922) *Estimates of Expenditure to be Defrayed from the National Income Account*. Pretoria: Department of Finance


ANNEXURES
## Annexure 1: COFOG Coding

<table>
<thead>
<tr>
<th>COFOG Coding</th>
<th>Description of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 2 1 1</td>
<td>Agriculture (CS)</td>
</tr>
<tr>
<td>4 2 1 2</td>
<td>- <strong>Administration/Management</strong> of agricultural affairs and services</td>
</tr>
<tr>
<td></td>
<td>1 conservation, reclamation or expansion of arable land;</td>
</tr>
<tr>
<td></td>
<td>2 agrarian reform and land settlement;</td>
</tr>
<tr>
<td></td>
<td>3 supervision and regulation of the agricultural industry;</td>
</tr>
<tr>
<td></td>
<td>2 <strong>Irrigation Works</strong>: construction or operation of flood control, irrigation and drainage systems, including:</td>
</tr>
<tr>
<td></td>
<td>1 Grants</td>
</tr>
<tr>
<td></td>
<td>2 Loans</td>
</tr>
<tr>
<td></td>
<td>3 Subsidies</td>
</tr>
<tr>
<td>4 2 1 3</td>
<td>- <strong>Income Support</strong>: operation or support of programmes or schemes to stabilize or improve farm prices and farm incomes;</td>
</tr>
<tr>
<td></td>
<td>1 operation or support of extension services or veterinary services to farmers,</td>
</tr>
<tr>
<td></td>
<td>2 pest control services,</td>
</tr>
<tr>
<td></td>
<td>3 crop inspection services and</td>
</tr>
<tr>
<td></td>
<td>4 crop grading services;</td>
</tr>
<tr>
<td></td>
<td>4 <strong>Information</strong>: production and dissemination of general information;</td>
</tr>
<tr>
<td></td>
<td>1 general information</td>
</tr>
<tr>
<td></td>
<td>2 technical documentation</td>
</tr>
<tr>
<td></td>
<td>3 statistics</td>
</tr>
<tr>
<td>4 2 1 5</td>
<td>- <strong>General Support</strong>: compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.</td>
</tr>
<tr>
<td>4 2 2 1</td>
<td>Forestry (CS)</td>
</tr>
<tr>
<td>4 2 2 2</td>
<td>- <strong>Administration</strong> of forestry affairs and services;</td>
</tr>
<tr>
<td></td>
<td>1 protection, propagation and rationalized exploitation of forest reserves;</td>
</tr>
<tr>
<td></td>
<td>2 supervision and regulation of forest operations and issuance of tree-felling licences;</td>
</tr>
<tr>
<td>4 2 2 3</td>
<td>- <strong>Operation</strong> or support of</td>
</tr>
<tr>
<td></td>
<td>1 reforestation work,</td>
</tr>
<tr>
<td></td>
<td>2 pest and disease control,</td>
</tr>
<tr>
<td></td>
<td>3 forest fire-fighting and fire prevention services and</td>
</tr>
<tr>
<td></td>
<td>4 extension services to forest operators;</td>
</tr>
<tr>
<td>4 2 2 4</td>
<td>- production and dissemination of general information, technical documentation and statistics on forestry affairs and services;</td>
</tr>
<tr>
<td>4 2 3 1</td>
<td>- grants, loans or subsidies to <strong>support</strong> commercial forest activities.</td>
</tr>
<tr>
<td>4 2 3 2</td>
<td>Fishing and hunting (CS)</td>
</tr>
<tr>
<td></td>
<td>This class covers both <strong>commercial fishing and hunting</strong>, and fishing and hunting for sport.</td>
</tr>
<tr>
<td>4 2 3 3</td>
<td>- <strong>Administration</strong> of fishing and hunting affairs and services;</td>
</tr>
<tr>
<td></td>
<td>1 protection, propagation and rationalized exploitation of fish and wildlife stocks;</td>
</tr>
<tr>
<td></td>
<td>2 supervision and regulation of</td>
</tr>
<tr>
<td></td>
<td>3 freshwater fishing,</td>
</tr>
<tr>
<td></td>
<td>4 coastal fishing,</td>
</tr>
<tr>
<td></td>
<td>5 ocean fishing,</td>
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<tr>
<td></td>
<td>6 fish farming,</td>
</tr>
<tr>
<td></td>
<td>7 wildlife hunting and</td>
</tr>
<tr>
<td></td>
<td>7 issuance of fishing and hunting licences;</td>
</tr>
<tr>
<td>4 2 3 4</td>
<td>- <strong>Operation</strong> or support of</td>
</tr>
<tr>
<td></td>
<td>1 fish hatcheries,</td>
</tr>
<tr>
<td></td>
<td>2 extension services,</td>
</tr>
<tr>
<td></td>
<td>3 stocking or culling activities, etc.</td>
</tr>
<tr>
<td>4 2 4 1</td>
<td>- production and dissemination of general information, technical documentation and statistics on fishing and hunting affairs and services;</td>
</tr>
<tr>
<td>4 2 4 2</td>
<td>- grants, loans or subsidies to <strong>support</strong> commercial fishing and</td>
</tr>
<tr>
<td></td>
<td>2 hunting activities,</td>
</tr>
<tr>
<td></td>
<td>3 including the construction or operation of fish hatcheries.</td>
</tr>
</tbody>
</table>
COFOG Coding | Description of Items
--- | ---
 | Excludes: control of offshore and ocean fishing (03.1.0); administration, operation or support of natural parks and reserves (05.4.0).
4 8 2 | R&D Agriculture, forestry, fishing and hunting (CS)
4 8 2 1 | - **Administration and operation** of government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing and hunting;
 | 1 Agriculture
 | 2 Forestry
 | 3 Fishing
 | 4 Hunting
4 8 2 2 | - **Grants, loans or subsidies to support** applied research and experimental development related to agriculture, forestry, fishing and hunting undertaken by non-government bodies such as research institutes and universities.
4 8 2 2 1 | Agriculture
4 8 2 2 2 | Forestry
4 8 2 2 3 | Fishing
4 8 2 2 4 | Hunting
Annexure 2: South Africa development indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP @ current prices (in R mil)</td>
<td>1 171 085</td>
<td>1 272 537</td>
<td>1 415 273</td>
<td>1 571 081</td>
<td>1 767 422</td>
<td>2 016 184</td>
<td>2 256 484</td>
<td>2 406 402</td>
<td>2 659 366</td>
<td>2 917 539</td>
<td>3 155 195</td>
</tr>
<tr>
<td>Per capita growth (in %)</td>
<td>1.60</td>
<td>1.10</td>
<td>2.80</td>
<td>3.60</td>
<td>4.00</td>
<td>4.10</td>
<td>2.30</td>
<td>-2.70</td>
<td>1.90</td>
<td>2.30</td>
<td>1.50</td>
</tr>
<tr>
<td>Population (in thousand)</td>
<td>45 454</td>
<td>46 429</td>
<td>46 586</td>
<td>46 889</td>
<td>47 391</td>
<td>47 850</td>
<td>48 686</td>
<td>49 321</td>
<td>49 991</td>
<td>50 587</td>
<td>52 982</td>
</tr>
<tr>
<td>% of population living in poverty</td>
<td>49%</td>
<td>48%</td>
<td>47%</td>
<td>45%</td>
<td>43%</td>
<td>41%</td>
<td>56.8%</td>
<td>45.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>27.20</td>
<td>27.10</td>
<td>24.70</td>
<td>23.90</td>
<td>22.60</td>
<td>22.30</td>
<td>22.90</td>
<td>23.90</td>
<td>24.90</td>
<td>24.90</td>
<td>25.10</td>
</tr>
</tbody>
</table>

Annexure 3: Key Agricultural Indicators

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2000</th>
<th></th>
<th>2006</th>
<th></th>
<th>2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Area (in mil)</td>
<td>Production (1000t)</td>
<td>Consumption Kg per year</td>
<td>Area (in mil)</td>
<td>Production (1000t)</td>
<td>Consumption Kg per year</td>
</tr>
<tr>
<td>LIVESTOCK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td>13.5</td>
<td>524</td>
<td>554</td>
<td>13.9</td>
<td>830.7</td>
<td>849</td>
</tr>
<tr>
<td>Sheep</td>
<td>23.5</td>
<td>105.4</td>
<td>159</td>
<td>21.9</td>
<td>141.1</td>
<td>183</td>
</tr>
<tr>
<td>Goats</td>
<td>2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poultry</td>
<td></td>
<td>869</td>
<td>938</td>
<td>1200</td>
<td>1470</td>
<td>1529</td>
</tr>
<tr>
<td>FIELDCROP</td>
<td>1000ha</td>
<td>1000t</td>
<td>Kg per year</td>
<td>1000ha</td>
<td>1000t</td>
<td>Kg per year</td>
</tr>
<tr>
<td>Maize</td>
<td>3 189</td>
<td>7 772</td>
<td>90.46</td>
<td>2 897</td>
<td>7 339</td>
<td>65.76</td>
</tr>
<tr>
<td>Sunflower</td>
<td>522</td>
<td>691</td>
<td>8.68</td>
<td>316</td>
<td>312</td>
<td>5.28</td>
</tr>
<tr>
<td>G Sorghum</td>
<td>88</td>
<td>206</td>
<td>1.92</td>
<td>69</td>
<td>202</td>
<td>1.86</td>
</tr>
<tr>
<td>HORTICULTURE</td>
<td>R1000</td>
<td>Kg per year</td>
<td>R1000</td>
<td>Kg per year</td>
<td>R1000</td>
<td>Kg per year</td>
</tr>
<tr>
<td>Viticulture</td>
<td>1 551 712</td>
<td>39.59</td>
<td>2 785 205</td>
<td>44.40</td>
<td>4 277 469</td>
<td>45.73</td>
</tr>
<tr>
<td>Citrus fruit</td>
<td>1 531 422</td>
<td>18.64</td>
<td>2 956 939</td>
<td>6.99</td>
<td>7 924 992</td>
<td>14.66</td>
</tr>
<tr>
<td>Subtropical fruit</td>
<td>1 008 261</td>
<td>28.23</td>
<td>1 673 453</td>
<td>25.10</td>
<td>2 743 196</td>
<td>23.36</td>
</tr>
</tbody>
</table>

Source: DAFF (2014b)
Annexure 4: Number of agricultural households involved in specific activity by province

<table>
<thead>
<tr>
<th>Province</th>
<th>Livestock production</th>
<th>Poultry production</th>
<th>Vegetable production</th>
<th>Production of other crops</th>
<th>Fodder/grazing production</th>
<th>other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>28 334</td>
<td>29 176</td>
<td>39 337</td>
<td>22 725</td>
<td>16 516</td>
<td>23 804</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>330 354</td>
<td>334 665</td>
<td>246 412</td>
<td>99 052</td>
<td>24 335</td>
<td>33 493</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>28 040</td>
<td>25 853</td>
<td>9 334</td>
<td>11 324</td>
<td>4 518</td>
<td>5 415</td>
</tr>
<tr>
<td>Free State</td>
<td>45 207</td>
<td>51 414</td>
<td>106 809</td>
<td>63 193</td>
<td>11 106</td>
<td>13 811</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>268 656</td>
<td>356 881</td>
<td>340 743</td>
<td>109 580</td>
<td>27 393</td>
<td>45 715</td>
</tr>
<tr>
<td>North West</td>
<td>88 633</td>
<td>117 453</td>
<td>36 620</td>
<td>42 923</td>
<td>16 013</td>
<td>25 301</td>
</tr>
<tr>
<td>Gauteng</td>
<td>62 047</td>
<td>82 403</td>
<td>147 870</td>
<td>89 167</td>
<td>50 650</td>
<td>78 847</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>72 896</td>
<td>127 759</td>
<td>91 214</td>
<td>59 885</td>
<td>11 439</td>
<td>20 595</td>
</tr>
<tr>
<td>Limpopo</td>
<td>172 683</td>
<td>173 681</td>
<td>105 181</td>
<td>161 888</td>
<td>13 995</td>
<td>31 067</td>
</tr>
<tr>
<td>South Africa</td>
<td>1 096 854</td>
<td>1 299 288</td>
<td>1 123 524</td>
<td>659 740</td>
<td>175 968</td>
<td>278 051</td>
</tr>
</tbody>
</table>

Source: Stats SA Census 2011 Agricultural Households
Annexure 5: Division of agricultural functions between the national and provincial spheres of competence.

<table>
<thead>
<tr>
<th>NATIONAL</th>
<th>PROVINCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination of norms and standards.</td>
<td>Rendering of support to farmers and agricultural communities regarding:</td>
</tr>
<tr>
<td>Plant improvement.</td>
<td>Extension services.</td>
</tr>
<tr>
<td>Livestock improvement.</td>
<td>Training.</td>
</tr>
<tr>
<td>Subdivision of agricultural land.</td>
<td>Financing.</td>
</tr>
<tr>
<td>Agricultural resource conservation.</td>
<td>Household food security.</td>
</tr>
<tr>
<td>Utilisation of agricultural resources.</td>
<td>Disaster aid.</td>
</tr>
<tr>
<td>Agricultural credit and financial assistance.</td>
<td>Agricultural economics.</td>
</tr>
<tr>
<td>Regulation of:</td>
<td>Agricultural engineering technology.</td>
</tr>
<tr>
<td>Plant health.</td>
<td>Irrigation.</td>
</tr>
<tr>
<td>Agricultural marketing.</td>
<td>Stock-watering systems.</td>
</tr>
<tr>
<td>Combating of agricultural pests.</td>
<td>Promotion of:</td>
</tr>
<tr>
<td>Co-operatives.</td>
<td>Agricultural resource conservation.</td>
</tr>
<tr>
<td>Quality of plant and animal material and products.</td>
<td>Sustainable utilisation of agricultural resources.</td>
</tr>
<tr>
<td>Veterinary public health.</td>
<td>Agricultural technology development, adaptation and transfer.</td>
</tr>
<tr>
<td>Livestock brands.</td>
<td>Improvement of livestock, plants and related products.</td>
</tr>
<tr>
<td>Determination of macro agricultural policy</td>
<td>Agricultural marketing.</td>
</tr>
<tr>
<td>Control of:</td>
<td>Rendering of:</td>
</tr>
<tr>
<td>Import and export of animals, agricultural material and products.</td>
<td>Animal health services</td>
</tr>
<tr>
<td>Agricultural and stock remedies, stock feeds and fertilisers.</td>
<td>Veterinary public health services.</td>
</tr>
<tr>
<td>Rendering of:</td>
<td>Plant health services.</td>
</tr>
<tr>
<td>Specialised diagnostic and research services regarding animal diseases.</td>
<td>Agricultural statistical services.</td>
</tr>
<tr>
<td>Agricultural statistical services.</td>
<td>Veterinary laboratory services.</td>
</tr>
<tr>
<td>Financial assistance in national disaster situations.</td>
<td>Determination of agricultural economic policy.</td>
</tr>
<tr>
<td>Maintenance of international agricultural relations.</td>
<td>Administration of matters pertaining to state agricultural land.</td>
</tr>
<tr>
<td>Promotion of agricultural research, technology development and transfer.</td>
<td>Combating of agricultural pests.</td>
</tr>
<tr>
<td>Production of vaccines and other animal health products.</td>
<td>Regulation of abattoirs and subdivision of agricultural land.</td>
</tr>
</tbody>
</table>

Source: PSC (1994)
Annexure 6: MAFF Establishment by occupational bands, gender and race

Total number of employees in each occupational category as at 31 March 2014

<table>
<thead>
<tr>
<th>Occupational category</th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>African</td>
<td>Coloured</td>
<td>Indian</td>
<td>White</td>
<td>African</td>
<td>Coloured</td>
<td>Indian</td>
<td>White</td>
<td></td>
</tr>
<tr>
<td>Legislators, Seniors, Officials and managers</td>
<td>47</td>
<td>7</td>
<td>-</td>
<td>7</td>
<td>29</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td>360</td>
<td>22</td>
<td>12</td>
<td>109</td>
<td>294</td>
<td>26</td>
<td>14</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>509</td>
<td>115</td>
<td>8</td>
<td>98</td>
<td>454</td>
<td>52</td>
<td>9</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Clerks</td>
<td>243</td>
<td>37</td>
<td>3</td>
<td>14</td>
<td>454</td>
<td>64</td>
<td>7</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>Service and sales workers</td>
<td>336</td>
<td>4</td>
<td>1</td>
<td>15</td>
<td>102</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Craft and related trade workers</td>
<td>33</td>
<td>6</td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Plant, Machine operators and assemblers</td>
<td>178</td>
<td>9</td>
<td>-</td>
<td>1</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>1033</td>
<td>113</td>
<td>-</td>
<td>5</td>
<td>926</td>
<td>40</td>
<td>-</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2739</td>
<td>313</td>
<td>24</td>
<td>260</td>
<td>2268</td>
<td>188</td>
<td>32</td>
<td>291</td>
<td></td>
</tr>
</tbody>
</table>

The provincial establishments are reflective/not related to the national level establishment.
Annexure 7: Policy Context

A7.1 Evolving policy context

The South African agricultural development and the budget processes have been generally affected and directed by national policies. Since 1994, these policies have evolved as the quest to rebuild the country unfolded. The evolution can be divided into three phases: The reconstruction and development phase underpinned by adoption of the Constitution, first democratic elections and implementation of the reconstruction and development programme (RDP). These were guided by the globalising environment that urged the country to liberalise and deregulate its markets. The White Paper on Agricultural Policy (DOA, 1995) aimed at opening up the sector, i.e broadening agricultural thrust. Major agricultural programmes for the period involved redesigning land reform, agricultural finance, agricultural marketing and trade, and resource management programs.

The second phase could be dubbed the consolidation phase that involved tightening of the macro-economic environment and making the economy resilient. This phase saw the introduction of the Growth, Employment and Redistribution (GEAR; 1996) policy that intended to maintain the shared growth and reduce class differences. During this phase the integrated rural development strategy was implemented to uplift poor municipalities (nodes). In the agricultural sector the sector strategy was developed to create a united and prosperous agricultural sector. This saw increased role of the market for both outputs and inputs.

The final/current or third is the advancement phase. This is about identifying critical areas for transformation and creating programmes and outcomes. This phase is underpinned by the National Development Plan (NDP, 2011). During the phase, five priority areas were identified that include; education, health, human settlement, security and corruption, and rural development and land reform. The rural development outcome was reflected or to be measured by the level of expansion of commercial farming and agri-processing to create jobs, and increase in the number of small-holding farmers and their market share.

Table A7.1 presents a policy map showing the pattern of policy developments over these years.

Agriculture and the allocation of fiscal resources are not immune to the policy developments. Sometimes the development might have been too abrupt and not as continuous. Such direction would also be reflected in the resource allocation, but it also ends up affecting the structural or institutional arrangements and programming of the department of agriculture.

A7.2 Agricultural sector strategy
The study period starts in 2002/3, following the adoption of the agricultural sector strategy the previous year. The vision of the agricultural sector is (Department of Agriculture, 2001: pp viii and 3):

A united and prosperous agricultural sector

The strategic goal to support the vision is to “generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all”

The three core strategies were:

- Equitable access and participation through land reform and support services;
- Global competitiveness and profitability by addressing factor conditions, demand conditions, related and supporting industries, supply chain performance, enabling policy environment, risk management and international trade;
- Sustainable resource management through genetic development, conservation, investment in infrastructure and services, biotechnology, horticulture production and farming system perspective; and
- With complementary strategies that include good governance, integrated sustainable rural development, knowledge and innovation, international cooperation, as well as safety and security.

Table A7.1: Policy Map

<table>
<thead>
<tr>
<th>Period</th>
<th>Policy Event</th>
<th>Implication for Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>The Restitution of Land Rights Act, No 22 of 1994</td>
<td>To restore or compensate people for land rights they lost because due to discriminatory laws of 1913</td>
</tr>
<tr>
<td>1995</td>
<td>White Paper on Agriculture</td>
<td>Definition of the farmer: as anyone involved in any agricultural activities</td>
</tr>
<tr>
<td>1996</td>
<td>Growth Employment &amp; Redistribution ((GEAR)</td>
<td>Growing agricultural sector with employment</td>
</tr>
<tr>
<td>1996</td>
<td>Land Reform Act (No 3 of 1996)</td>
<td>Provide for land reform through restitution, redistribution and tenure security</td>
</tr>
<tr>
<td>1995</td>
<td>Agriculture as share competence</td>
<td>Creation of Provincial departments</td>
</tr>
<tr>
<td>1996</td>
<td>National Agric Marketing Act</td>
<td>Deregulated agriculture</td>
</tr>
<tr>
<td>1997</td>
<td>Closure of all control boards</td>
<td>Loss of institutions to support emerging farmers</td>
</tr>
<tr>
<td>1997</td>
<td>Extension of Security of Tenure Act (ESTA) No 62 of 1997</td>
<td>Deregulated agriculture</td>
</tr>
<tr>
<td>1997</td>
<td>Closure of ACB</td>
<td>Land Bank to accommodate developing farmers</td>
</tr>
<tr>
<td>Period</td>
<td>Policy Event</td>
<td>Implication for Agriculture</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1999</td>
<td>General Elections</td>
<td>Growth &amp; unity in agriculture</td>
</tr>
<tr>
<td>2000</td>
<td>Integrated Sustainable Rural Development Strategy</td>
<td>Nodal poor municipalities: agricultural projects to relieve poverty</td>
</tr>
<tr>
<td>2001</td>
<td>Agricultural Sector Strategy</td>
<td>A united and prosperous agricultural sector</td>
</tr>
<tr>
<td>2001</td>
<td>Land Redistribution for Agricultural Development (LRAD)</td>
<td>Sub program of Redistribution Programme designed to provide grants to black SA to access land for agricultural purpose</td>
</tr>
<tr>
<td>2001</td>
<td>Land Bank Act</td>
<td>Land and agricultural development through finance</td>
</tr>
<tr>
<td>2002</td>
<td>Biosecurity (through Animal Health Act 7 of 2002)</td>
<td>To promote animal health and to control animal diseases and movement</td>
</tr>
<tr>
<td>2002</td>
<td>South Africa acceded to Kyoto Protocol</td>
<td>Commitment to reduce combined greenhouse emissions by promoting sustainable form of agriculture and enhancing energy efficiency</td>
</tr>
<tr>
<td>2003</td>
<td>AgriBEE (2005)</td>
<td>Transformation charter for the agricultural sector to encourage agricultural businesses to measure and report on the role they play in uplifting the society they operate in</td>
</tr>
<tr>
<td>2005</td>
<td>AgriBEE (2005)</td>
<td>Transformation charter for the agricultural sector to encourage agricultural businesses to measure and report on the role they play in uplifting the society they operate in</td>
</tr>
<tr>
<td>2004</td>
<td>Comprehensive Agricultural Support Programme (CASP)</td>
<td>Provide post settlement support to the targeted beneficiaries of land reform and producers who acquired land through private means</td>
</tr>
<tr>
<td>2005</td>
<td>MAFISA</td>
<td>State’s primary instrument for offering production and small equipment loans to smallholder farmers in South Africa</td>
</tr>
<tr>
<td>2006</td>
<td>Integrated Food Security and Nutrition Programme</td>
<td>To reduce number of food-insecure households by half by 2015 – through increased domestic food production</td>
</tr>
<tr>
<td>2007</td>
<td>LARP: Land and Agrarian reform</td>
<td>Apex priority project to establish 10 000 farmers in two years</td>
</tr>
<tr>
<td>2008/</td>
<td>Global financial crisis</td>
<td>Economy shrinks: agricultural</td>
</tr>
<tr>
<td>2009</td>
<td>General elections</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>SONA: Rural development as priority</td>
<td>Agriculture to drive rural development</td>
</tr>
<tr>
<td>2011</td>
<td>New Growth Path</td>
<td>Creation of 5 million jobs and reduction of unemployment from 25 percent to 15 percent</td>
</tr>
<tr>
<td>2011</td>
<td>NDP – National Development Plan</td>
<td>Increase capacity of the economy and productivity of agriculture to create jobs in 20 years.</td>
</tr>
<tr>
<td>2012</td>
<td>Integrated Growth &amp; Development Plan</td>
<td>Outline of key development areas integrating the three sectors of agriculture, forestry and fisheries over the medium term</td>
</tr>
</tbody>
</table>