



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

Policy Brief: Performance  
on Agriculture Conditional  
Grants

Budget  
Office

Parliamentary

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## 1. Purpose

To provide Members of the Finance and Appropriations Committees with an:

- Overview of the funding structure for the provincial Agriculture sector
- Evaluation of the structure and performance of the Agriculture Conditional Grants in 2019/20

## 2. Introduction

Members of the Appropriations and Finance committees are required to determine value for money and progress with the implementation of policy priorities funded through the division of nationally raised revenue. Monitoring of the implementation of the budget, including of conditional grants, is part of the legislative process and quarterly performance reports are submitted to Parliament.

The reporting on outputs of conditional grants, however, are not institutionalised for the reporting on a quarterly basis. Performance information is included in the schedules to the Division of Revenue Act (DORA) and in the Annual Reports for evaluation purposes.

The Parliamentary Budget Office has started a process to assist Members with their oversight role, specifically to determine the efficiency and effectiveness of the expenditure of nationally raised government revenue. Due to the size and importance of priority funding, the PBO started a series of assessments on the information provided in the schedules to the Division of Revenue Act. These assessments mainly showed that the information provided in the DORA is not adequate to determine effectiveness.

This report continues the process of investigating effectiveness of expenditure by analysing the performance information reflected in Annual Reports of departments. This report focuses on the National Department of Agriculture, firstly providing the funding model for agriculture and secondly evaluating the structure and performance on Conditional Grants that comprise a large proportion of the funding for agriculture. The information provided should also assist Members with discussions on the funding structures and possible revisions to the equitable share formula, specifically including a component for agriculture.

## 3. Background

Nationally raised government revenue is divided between the three spheres of government in the form of an equitable share and conditional grants for specific purposes. The equitable division of revenue (according to a formula) raised nationally among spheres of government is divided among the national, provincial and local spheres of government.

Conditional allocations to provinces from the national government's share of revenue are allocated to provinces to supplement the funding of programmes or functions funded from provincial budgets; specific-purpose allocations to provinces; and allocations-in-kind to provinces for designated special programmes. In addition to directing funds for a specific purpose, conditional grants aim to achieve a particular outcome with a set of generic/common outputs for all provinces. Other conditional grants include funds that are not allocated to specific provinces, which would be allocated to provinces and municipalities to fund immediate responses to declared disasters or housing emergencies.

Agricultural services are provided by the provincial sphere of government, and funded through the Provincial Equitable Share (PES) supplemented by transfers from the National Department of Agriculture in the form of conditional grants.

#### 4. Overview of the funding structure

Table 1 below shows the percentages of the total provincial budgets that were allocated towards the agriculture sector, as well as the proportion of the agriculture budgets that were transferred from the National Department of Agriculture in the form of conditional grants.

Table 1: Budget structure per province

<b>Budget structure: 2019/20</b>	<b>EC</b>	<b>FS</b>	<b>GP</b>	<b>KZN</b>	<b>LP</b>	<b>MP</b>	<b>NC</b>	<b>NW</b>	<b>WC</b>
Total provincial budget	82 198 245	37 274 018	132 442 499	130 474 221	69 500 910	50 908 251	18 255 416	44 028 547	67 191 484
Provincial allocations towards Agriculture	2 340 324	821 354	990 202	2 426 941	2 000 770	1 222 473	538 960	1 472 957	911 131
Agriculture as percentage of total budget	2.8%	2.2%	0.7%	1.9%	2.9%	2.4%	3.0%	3.3%	1.4%
Conditional Grants: towards Agriculture	321 791	243 892	126 169	283 571	328 508	219 470	189 016	240 104	204 994
CG as a percentage of Agriculture total allocation	13.7%	29.7%	12.7%	11.7%	16.4%	18.0%	35.1%	16.3%	22.5%

Source: National Treasury database

Table 1 shows that the North West Province allocated the highest proportion (3.3%) of the provincial budget towards the agriculture sector. The highest proportion of funding through Conditional grants amounted to 35.1 per cent, that is for the Northern Cape Province.

Tables 2a and 2b show the proportion of expenditure in the economy per province and in the provincial sphere of government. The bottom line shows the proportion spent per province of the total agricultural spending by the provincial sphere of government.

Table 2a: Expenditure structure on Agriculture per province

<b>Economic Classification</b>	<b>EC</b>	<b>FS</b>	<b>GT</b>	<b>KZN</b>	<b>LIM</b>
	<b>2019/20 Revised Baseline</b>	<b>2019/20 Revised Baseline</b>	<b>2019/20 Revised Baseline</b>	<b>2019/20 Revised Baseline</b>	<b>2019/20 Revised Baseline</b>
<b>Current Payments</b>	<b>79.1%</b>	<b>77.5%</b>	<b>94.0%</b>	<b>85.3%</b>	<b>84.9%</b>
Compensation of employees	56.4%	51.1%	53.2%	49.3%	60.3%
Goods and services	22.7%	26.3%	40.8%	36.1%	24.6%
<b>Transfers and subsidies</b>	<b>11.3%</b>	<b>12.8%</b>	<b>1.1%</b>	<b>8.6%</b>	<b>10.1%</b>
Departmental agencies and accounts	8.2%	0.0%	0.4%	5.3%	0.0%
Public corporations and private enterprises	0.0%	0.0%	0.2%	2.8%	0.0%
Higher education institutions	2.4%	0.0%	0.4%	0.0%	0.0%
Households	0.7%	12.8%	0.2%	0.4%	10.1%
<b>Payments for capital assets</b>	<b>9.6%</b>	<b>9.7%</b>	<b>4.9%</b>	<b>6.1%</b>	<b>5.0%</b>
Buildings and other fixed structures	6.5%	7.3%	1.6%	4.2%	3.5%
Machinery and equipment	2.5%	2.5%	3.3%	1.9%	1.3%
<b>Proportion per province of total spending on agriculture</b>	<b>18.4%</b>	<b>6.5%</b>	<b>7.8%</b>	<b>19.1%</b>	<b>15.7%</b>

Table 2b: Expenditure structure on Agriculture per province

	MP	NW	NC	WC	Percentage
Economic Classification	2019/20 Revised Baseline	2019/20 Revised Baseline	2019/20 Revised Baseline	2019/20 Revised Baseline	of total
<b>Current Payments</b>	<b>85.0%</b>	<b>85.1%</b>	<b>77.2%</b>	<b>69.0%</b>	<b>82.7%</b>
Compensation of employees	54.9%	46.4%	49.7%	47.7%	52.8%
Goods and services	30.1%	38.7%	27.5%	21.2%	29.9%
<b>Transfers and subsidies</b>	<b>0.7%</b>	<b>9.3%</b>	<b>7.5%</b>	<b>27.9%</b>	<b>9.7%</b>
Departmental agencies and accounts	0.1%	8.9%	0.6%	0.6%	3.7%
Public corporations and private enterprises	0.0%	0.0%	6.5%	25.9%	2.7%
Higher education institutions	0.0%	0.0%	0.0%	0.0%	0.5%
Households	0.6%	0.4%	0.3%	0.5%	2.8%
<b>Payments for capital assets</b>	<b>14.3%</b>	<b>5.6%</b>	<b>15.3%</b>	<b>3.1%</b>	<b>7.6%</b>
Buildings and other fixed structures	13.3%	4.6%	11.1%	0.6%	5.4%
Machinery and equipment	1.0%	1.0%	4.3%	2.5%	2.0%
<b>Proportion per province of total spending on agriculture</b>	<b>9.6%</b>	<b>11.6%</b>	<b>4.2%</b>	<b>7.2%</b>	<b>100.0%</b>

Source: National Treasury database

KwaZulu Natal spent the highest proportion of 19.1 per cent within the provincial sphere's total agricultural budget. The biggest proportion of the agricultural budgets are spent on compensation of employees, with Limpopo having the highest amount of 60.3 per cent. Provincial departments of Agriculture (also include rural development and land reform) transfer funds to departmental agencies, and public corporations and private enterprises to provide services on behalf of the department. The North West province transferred 8.9 per cent of its budget to departmental agencies and the Western Cape transferred 25.9 per cent of its budget to a public corporation and/or private enterprise. Provinces also transfer directly to households, of which the highest proportion of 12.8 per cent was transferred by the Free State Province. Mpumalanga and the Northern Cape are the two provinces that spent the largest proportions, 14.3 and 15.3 per cent, respectively, of their agricultural budgets on capital assets.

In 2019/20, three conditional grants were transferred to provinces by the National Department of Agriculture. These conditional grants are:

- Comprehensive Agricultural Support Programme (CASP).

The purpose of CASP is to provide effective agricultural support services, promote and facilitate agricultural development by targeting beneficiaries of land restitution and redistribution and other previously disadvantaged producers who have acquired land through private means and are engaged in value-adding enterprises domestically or involved in exports. To address damages to infrastructure caused by floods.

- Ilima/Letsema

To assist vulnerable South African farming communities to achieve an increase in agricultural production and invest in infrastructure that unlocks agricultural production.

- Land Care

To promote sustainable development and use of natural resources by engaging in initiatives that support the pillars of sustainability (social, economic and environmental) leading to greater productivity, food security, job creation and better well-being for all.

## 5. Methodology for the Evaluation on the structure and performance of the Agriculture Conditional Grants in 2019/20

The level of quality and completeness of performance information affects oversight bodies' ability to evaluate performance outcomes on expenditure. To be able to determine efficiency, performance indicators should be specific, relevant and linked to the budget. Effectiveness can be determined only by measuring change over time by measuring impact indicators. Impact indicators are mainly measured over a 5-year period and reflected in the Medium Term Strategic Framework of Government.

Performance information from the 2019/20 Annual Report of the National Department of Agriculture is reflected in tables 3 to 5 (Annexure) and arranged according to the purpose of the conditional grants, expected outputs/targets and actual outputs achieved. Expenditure against the budget is also added per conditional grant to get an indication of what the efficiency of the expenditure was in 2019/20.

## 6. Findings

The PBO's assessment of the information as presented in the tables below shows that the schedules to the 2019 Division of Revenue Act (DORA) identified:

- 13 outputs for the Comprehensive Agricultural Support Programme (CASP)
  - Provinces did not set targets for several outputs. One example is the 'number of farms receiving mentoring'
  - Mixed results between provinces, either over or under performance on targets
  - Provinces reported in the annual report on other outputs not identified in the 2019 DORA for CASP. Some of these outputs are linked to the purposes of other conditional grants.
  - From the purpose of the CASP conditional grant it aims to support farmers to get access to markets, while the outputs reflect a high concentration on investment on infrastructure and the cultivation of land.
  - It is also noted that community, household and school food gardens were supported from this conditional grant, which is more in line with the purpose of the Ilima/Letsema conditional grant purpose.

These findings are an indication that the generic/common set of indicators are not suitable for reporting by provinces or provinces are not prepared to change their way of delivering agricultural support services to the identified beneficiaries.

- 7 outputs for the Ilima/Letsema
  - Provinces have set targets for most of the outputs
  - Although the EC, FS, MP, NC under performed on some on the targets, budgets were spent. Limpopo underperformed, but also underspent, while NW performed, even over performed on most of the outputs, while underspending.
  - In addition to the set of indicators, provinces also reported on projects and beneficiaries.
  - The purpose of the Ilima/Letsema grant is also to invest in infrastructure, without any outputs that reflect investment in infrastructure.
- 12 outputs for the Land Care
  - Provinces did not set targets for several outputs. Examples are the 'number of hectares of cultivated land rehabilitated and/or protected against land degradation' and 'number of hectares of land where water resources are protected and rehabilitated'

- In many Provinces output targets were exceeded, while budgets were fully spent, except for the NW province where underperformance may be the result of underspending.
- It is also noted that the 'number of green jobs created are in fact EPWP jobs, which are supposed to be funded by the EPWP appropriation.

In addition to the above, it is also noted that all three conditional grants require outputs with regard to:

- Job creation
- Farmers supported
- Households supported
- Training, skills development and mentoring are other themes throughout the agricultural conditional grants.

## 7. Conclusion

From the analysis of the budget structures of provincial agricultural departments it is clear that not all provinces spend in the same manner. It is, however, clear that compensation of employees (COE) is the main driver of expenditure on provincial agricultural budgets. Transfers and subsidies ranges between 0.7 per cent and 27.9 per cent and spending on capital assets ranges between 3.1 per cent and 15.3 per cent across provinces.

The analysis of the conditional grants identified several structural matters that might influence implementation and inefficiencies. Firstly, the set of generic/common outputs are not reported on, and secondly, there seems to be several duplication of outputs. From the reporting on outputs it is clear that clarity is required between the purpose and outputs of the CASP and Ilima/Letsema conditional grants. Alternatively, these two conditional grants need to be merged to improve efficiency and effectiveness on performance.





Table 3(a): Comprehensive Agricultural Support Programme (CASP)										
Purpose of the grant	To provide effective agricultural support services, promote and facilitate agricultural development by targeting beneficiaries of land restitution and redistribution and other previously disadvantaged producers who have acquired land through private means and are engaged in value-adding enterprises domestically or involved in exports. To address damage to infrastructure caused by floods									
Outputs	Expected EC	Actual EC	Expected FS	Actual FS	Expected GT	Actual GT	Expected KZN	Actual KZN	Expected LIM	Actual LIM
Number of subsistence	240	24	60	119	119	114	374	297	41	38
Number of smallholder	3 374	2 655	150	588	86	103	1 376	725		
Number of commercial farmers supported	18	20			10	11	48	21		
Number of youth	232	67		119		83	340	188		
Number of women farmers supported	1 433	1 132		381		101	739	442		
Number of on-/off-farm infrastructures provided	64	64	4 700	70	142	95	45	32	10	10
Beneficiaries of CASP supported with SA-GAP certification	1	0, (471-Advocacy)		29		11				
Number of jobs created	1 655		350	714	92	144	1 835	1064	120	108
Number of beneficiaries of CASP trained on farming methods	2350	2 820	1100	723	450	1 504	2 000	1 520	1 200	1 399
Number of farms receiving mentoring	40									
Number of Extension Officers maintained in the system	22	22	30	30	5	5	34	36		112
Number of beneficiaries of CASP with markets identified		1083	16	29	40	38	1 424	746		
Number of colleges of agriculture upgrading infrastructure	2	1 TARDI							9 projects	5
<b>(R'000)</b>	<b>Transferred</b>	<b>Spent:</b>	<b>Transfere</b>	<b>Spent</b>	<b>Transfere</b>	<b>Spent</b>	<b>Transfere</b>	<b>Spent</b>	<b>Transfere</b>	<b>Spent</b>
	<b>R244 101</b>	<b>R244 075</b>	<b>R168 373</b>	<b>R168 373</b>	<b>R91 306</b>	<b>R68 941</b>	<b>R199 351</b>	<b>R199 351</b>	<b>R246 542</b>	<b>R212 464</b>

Table 3(b): Comprehensive Agricultural Support Programme (CASP)

Outputs	Expected MP	Actual MP	Expected NC	Actual NC	Expected NW	Actual NW	Expected WC	Actual WC
Number of: subsistence	341	347	1950	855	11 000 ha	19363 ha		
Number of smallholder					550	538	54	24
Number of commercial farmers supported					24	24	61	38
Number of youth	191	191					17	251
Number of women farmers supported	131	139					1150	993
Number of on-/off-farm infrastructures provided	24	17	4597.8	4398.63	4	3	9	71
Beneficiaries of CASP supported with SA-GAP certification	6	6					4	4
Number of jobs created	404	148 EPWP	247	306	119	145	120	120
Number of beneficiaries of CASP trained on farming	6860	6828	1400	1793			3025	3489
Number of farms receiving mentoring	62							4121
Number of Extension Officers maintained in the system	53	53	6	42			32	32
Number of beneficiaries of CASP with markets identified	341	341	600	855			2577	2338
Number of colleges of agriculture upgrading infrastructure							1	1
<b>(R'000)</b>	<b>Transferred</b>	<b>Spent</b>	<b>Transferred</b>	<b>Spent</b>	<b>Transferred</b>	<b>Spent</b>	<b>Transferred</b>	<b>Spent</b>
	<b>R154 076</b>	<b>R154 076</b>	<b>R119 458</b>	<b>R119 458</b>	<b>R164 857</b>	<b>R125 711</b>	<b>R150 261</b>	<b>R150 261</b>

Table 4(a): Ilima/Letsema

Purpose of the grant	To assist vulnerable South African farming communities to achieve an increase in agricultural production and invest in infrastructure that unlocks agricultural production									
	EC	EC	FS	FS	GT	GT	KZN	KZN	LIM	LIM
Outputs	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual
Number of ha planted	35 809	24 168	5 620	3 349	3 600	4 125	5300	5600	14 339	7603.96
Number of tons of maize produced within agricultural development corridors	92 547	72 504	16 860	10 047	10 800	12 375	2 600	1 456	64 525.50	34 217.82
Number of jobs created	831	353 jobs	796	796	50	44 +21	460	1 583	4 039	4 191
Number of households supported	25 822	23 095	12 586	4 943	50	52	760	910		
Number of subsistence farmers/households supported	5 434	23 095	277	289	100	105	22	7	8 286	2 625
Number of smallholder farmers were supported	108	2 740	34	38	10	11	28	10	5 206	1 694
Number of black commercial farmers were supported	21	12							16	61
Projects									113	90
Beneficiaries										
<b>R'000</b>	<b>R66 527</b>	<b>R66 236</b>	<b>R67 104</b>	<b>R67 104</b>	<b>R30 323</b>	<b>R30 301</b>	<b>R71 802</b>	<b>R68 352</b>	<b>R69 103</b>	<b>R54 396</b>

<b>Table 4(b): Ilima/Letsema</b>	<b>MP</b>	<b>MP</b>	<b>NC</b>	<b>NC</b>	<b>NW</b>	<b>NW</b>	<b>WC</b>	<b>WC</b>
<b>Outputs</b>	<b>Expected</b>	<b>Actual</b>	<b>Expected</b>	<b>Actual</b>	<b>Expected</b>	<b>Actual</b>	<b>Expected</b>	<b>Actual</b>
Number of ha planted								
Number of tons of maize produced within agricultural development corridors	8 000	6 595,1	1 036	768	11 000	19363	4 300	4 418
Number of jobs created	32 000	26 380,4		8 448	41201	39290	12 000	15 824
Number of households supported	161	157	421	586	119	145	989	
Number of subsistence farmers/households supported					2 400	2 656		1 482
Number of smallholder farmers were supported	2 801	3 162						31
Number of black commercial farmers were supported	1 920	1 999	565	259	550	538		20
Projects	60	81	14		24	24	66	25
Beneficiaries			3301	1	4	3		
<b>(R'000)</b>	<b>R56 253</b>	<b>R56 253</b>	<b>R61 392</b>	<b>R61 392</b>	<b>R66 009</b>	<b>R54 422</b>	<b>R49 478</b>	<b>R47 437</b>

**Table 5(a): LandCare**

<b>Purpose</b>	<b>To promote sustainable development and use of natural resources by engaging in initiatives that support the pillars of sustainability (social, economic and environmental) leading to greater productivity, food security, job creation and better well-being for all</b>									
<b>Outputs</b>	<b>Expected EC</b>	<b>Actual EC</b>	<b>Expected FS</b>	<b>Actual FS</b>	<b>Expected GT</b>	<b>Actual GT</b>	<b>Expected KZN</b>	<b>Actual KZN</b>	<b>Expected LIM</b>	<b>Actual LIM</b>
Number of ha of natural rangeland rehabilitated and/or protected through sustainable rangeland management systems	3136	5268	3331	3418	0	0	0	0	0	0
Number of ha of cultivated land rehabilitated from and/or protected against land degradation	320	320	0	0	0	0	0	0	0	0
Number of ha of land under Conservation Agriculture.	225	220	397	232	45	20	300	487	59	35
Number of youth successfully attending organised Junior LandCare initiatives	100	700	800	917	520	390	9000	8106	1163	1165
Number of ha of land where water resources are protected and rehabilitated	543	1521	0	0	0	0	0	0	0	0
Number of people with improved capacity and skill levels benefiting from capacity building initiatives	354	429	135	174	0	0	0	0	464	666
Number of capacity building exercises conducted	13	11	1	2	0	0	0	0	18	21
Number of awareness campaigns conducted	6	18	8	10	0	0	7	7	94	88
Number of ha of land where weeds and invader plants are under	2825	3427	0	0	120	126	2295	2700	1719	1258
Number of kms of fence erected	54	48	0	0	0	0	71	44	50	48
Number of green jobs created expressed as FTEs (EPWP)	259.42	190.24	90	124	26	27	238	238.43	349	406
Number of LandCare committees established					0		0	0	4	1
<b>R'000</b>	<b>R11 063</b>	<b>R11 063</b>	<b>R8 415</b>	<b>R7 479</b>	<b>R4 540</b>	<b>R4 530</b>	<b>R12 418</b>	<b>R12 418</b>	<b>R12 863</b>	<b>R12 863</b>

**Table 5(b): LandCare**

<b>Outputs</b>	<b>Expected MP</b>	<b>Actual MP</b>	<b>Expected NC</b>	<b>Actual NC</b>	<b>Expected NW</b>	<b>Actual NW</b>	<b>Expected WC</b>	<b>Actual WC</b>
Number of ha of natural rangeland rehabilitated and/or protected through sustainable rangeland management systems	1160	1434	3000	3000	2550	1571	5500	6773
Number of ha of cultivated land rehabilitated from and/or protected against land degradation	0	0	0	0	0	0	0	0
Number of ha of land under Conservation Agriculture.	3195	2707	1	0	0	0	0	0
Number of youth successfully attending organised Junior LandCare initiatives	601	388	144	146	1100	370	9385	10984
Number of ha of land where water resources are protected and rehabilitated	3014	2674	0	0	0	0	0	0
Number of people with improved capacity and skill levels benefiting from capacity building initiatives	1670	937	55	50	30	28	7177	7981
Number of capacity building exercises conducted	33	34	2	2	3	2	74	135
Number of awareness campaigns conducted	48	48	0	3	20	2	79	107
Number of ha of land where weeds and invader plants are under	681	549	0	0	400	197	1726	1569
Number of kms of fence erected	99	91	24	24	30	0	27	44
Number of green jobs created expressed as FTEs (EPWP)	296	265	93	96	1000	1001	500	1194
Number of LandCare committees established	3	4	5	0	0	0	21	23
<b>R'000</b>	<b>R9 141</b>	<b>R9 141</b>	<b>R8 166</b>	<b>R7 418</b>	<b>R9 238</b>	<b>R8 121</b>	<b>R5 255</b>	<b>R5 255</b>