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**PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA**

**ANNOUNCEMENTS, TABLINGS AND COMMITTEE
REPORTS**

TUESDAY, 19 NOVEMBER 2019

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

The Speaker and the Chairperson

1. Bills passed by Houses – to be submitted to President for assent

- (1) Bill passed by National Assembly on 19 November 2019:
 - (a) **Foreign Service Bill** [B 35B – 2015] (National Assembly – sec 75).

National Council of Provinces

The Chairperson

1. Referral to Committees of papers tabled

- (1) The following papers are referred to the **Select Committee on Education and Technology, Sports, Arts and Culture** for consideration and report:
 - (a) Convention establishing the Square Kilometre Array (SKA) Observatory, tabled in terms of section 231(2) of the Constitution, 1996.
 - (b) Explanatory Memorandum to the Convention establishing the Square Kilometre Array (SKA) Observatory.
 - (c) Agreement between the Government of the Republic of South Africa and the International Centre for Genetic Engineering and Biotechnology (ICGEB) on the Establishment of an International Centre for Genetic Engineering and Biotechnology (ICGEB) Component in the Republic of South Africa, tabled in terms of section 231(2) of the Constitution, 1996.
 - (d) Explanatory Memorandum to the Agreement between the Government of the Republic of South Africa and the International Centre for Genetic Engineering and Biotechnology (ICGEB) on the Establishment of an International Centre for Genetic Engineering and Biotechnology (ICGEB) Component in the Republic of South Africa.
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TABLINGS

National Assembly

1. The Minister of Finance

- (a) Proposed Joint Standard on Margin Requirements for Non-Centrally cleared Over-the Counter Derivative Transactions, made in terms of section 107 of the Financial

Sector Regulation Act, 2017 (Act No 9 of 2017), read with section 106(1)(a), 106(2)(a) and (e) of that Act.

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL [B15 – 2019], DATED 19 NOVEMBER 2019

The Standing Committee on Appropriations having considered the *Division of Revenue Amendment Bill [B15 - 2019]* (National Assembly – section 76 (the Bill), reports as follows:

1. Introduction

The Minister of Finance tabled the Division of Revenue Amendment Bill (henceforth referred to as the Bill) in Parliament on 30 of October 2019 during the presentation of the 2019 Medium Term Budget Policy Statement (MTBPS). The Bill was referred to the Committee on 13 November 2019 and the Committee received a briefing thereon from the National Treasury the following day. To facilitate public participation, the Committee published adverts in print media in all 11 official languages from 3 November 2019 to 8 November 2019. The Organisation Undoing Tax Abuse (OUTA) and Equal Education made submissions on the Bill in response to the afore-mentioned advertisements. The Committee further invited National Treasury to brief the Committee on the Bill in its entirety and the Financial and Fiscal Commission commented on the Bill.

The Bill and its annexures address the following matters:

- Changes in the equitable division of nationally raised revenue among the spheres of government;
- Adjustments to Provincial Allocations;
- Adjustments to Local Government Allocations; and
- Changes to Conditional Grant frameworks.

This report focuses on the proposed amendments to the 2019 Division of Revenue Act as tabled by the Minister of Finance and the matters raised during the engagements with National Treasury, the Financial and Fiscal Commission, and the Organisation Undoing Tax Abuse, as well as the submission made by Equal Education.

2. Equitable division of revenue raised nationally among the spheres of government

Table 1 below outlines the equitable division of revenue raised nationally among the three spheres of government (National, Provincial and Local). The net effect of the 2019 adjustments is an increase in the 2019/20 budget allocation by R24 644 884 000, increasing the budget

allocation from R1 658 707 425 000 to R 1 683 352 309 000. The R24 644 884 000 adjustment allocation is attributed largely to the government financial support to Eskom through the *Special Appropriation Bill [[B10 – 2019] (Reprint)]*, and to a lesser extent, debt services costs, the contingency reserve, and provisional allocations.

Table 1: Schedule 1: Equitable Division of Revenue Raised Nationally Among the Three Spheres of Government

Spheres of government	Column A		
	2011/20 Main Allocations	Adjustment	2019/20 Adjusted Allocation
	R'000	R'000	R'000
National ^{1 2}	1 084 180 207	24 644 884	1 108 825 091
Provincial	505 553 753		505 553 753
Local	68 973 465		68 973 465
Total	1 658 707 425	24 644 884	1 683 352 309

Source: National Treasury (2019 Division of Revenue Amendment Bill)

3. Adjustments to provincial government conditional grant allocations

3.1. Shifting of funds to support disaster recovery

Provincial Road Maintenance Grant: A total of R60.733 million has been shifted to, and ring-fenced in the provincial road maintenance grant for the Eastern Cape Department of Transport to repair flood-damaged roads in the province. The funds were shifted from the Municipal Disaster Recovery Grant for Joe Gqabi District Municipality and ring-fenced to the Provincial Roads Maintenance Grant to repair flood-damaged roads within Joe Gqabi District Municipality. The R60.7 million was erroneously allocated to the Joe Gqabi District Municipality in EC under Municipal Disaster Recovery Grant (MDRG) as the damaged roads are provincial roads, the funds will be shifted to the Provincial Roads Maintenance Grant and ring fenced to fund the repair of these roads.

3.2. Creation of new indirect grant

¹ National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserves, provisional allocations and special appropriations.

² The direct charges for the provincial equitable share are netted out.

Ilima/Letsema Project Grant: A total of R45.268 million has been shifted from the Ilima/Letsema Direct Grant in order to create an Ilima/Letsema Indirect Grant to fund the National Food and Nutrition Survey to be conducted by the Human Sciences Research Council (HSRC). The survey is aimed at setting a baseline of poverty and vulnerability, for food security forecasting purposes. The R45.268 million was originally ring-fenced within the direct grant, which required each of the nine provinces to transfer the funds to the HSRC, whereas the new indirect grant allows the national Department of Agriculture, Land Reform and Rural Development to transfer the funds directly to the HSRC.

3.3. Grant funding reprioritisation

Reprioritisation to the Human Resources Capacitation Grant: A total of R300 million has been added to the grant in order fund the carry-through costs of post filled in the Health Sector in 2018/19 financial year. This is funded through reprioritisation that included R115 million from the National Health Insurance (NHI) Indirect Grant: non-personnel services component, R40 million from the NHI Indirect Grant: personnel services component, R43 million from the Human Papillomavirus Vaccine Grant. R11 million has also been declared in savings in the Human Papillomavirus Vaccine Grant and funds have also been reprioritised from programmes within the National Department of Health to the Human Resources Capacitation Grant.

Reprioritisation from the NHI Indirect Grant: A total of R289.3 million is shifted from the NHI Indirect Grant: personnel services component to the NHI Direct Grant for health professionals contracting. Provinces already contract these professions and this shift will allow provinces to make payments directly, rather than claiming reimbursement from the national department.

3.4. Roll-over funds from grants allocation

NHI Grant: A total of R89.3 million is rolled-over for the NHI Indirect Grant on the health revitalisation component. These funds will be used for settling payments to service providers for medical equipment procured for hospitals in Limpopo.

3.5. Reductions to indirect conditional grants allocations

A total of R310 million is reduced from indirect grant allocations to provinces in order to stay within the 2019/20 expenditure ceiling and due to projected underspending as follows:

- A total reduction of R40 million from the School Infrastructure Backlogs Grant;
- A total reduction of R230 million from the NHI Indirect Grant: personnel services component;
- A total reduction of R10 million from the NHI Indirect Grant: non personnel component; and

- A total reduction of R30 million from the NHI Indirect Grant: health facility revitalisation component.

4. Changes to local government indirect conditional grant allocations

4.1. Conversion of a direct to indirect grant allocation

A total of R19.5 million is converted from the Neighbourhood Development Partnership Grant direct component to the indirect component as follows;

- A total of R12 million is converted for the West Rand District Municipality for road widening and upgrades, and
- A total of R7.5 million for road upgrade projects at Emfuleni Local Municipality, which were approved in 2017.

4.2. Roll-over funds from grant allocation

Regional Bulk Infrastructure Grant: A total of R241.9 million is rolled-over for the regional bulk infrastructure indirect grant for the Vaal River System (VSR) pollution remediation intervention in the Emfuleni Local Municipality.

4.3. Reductions to indirect grant allocations

A total of R445.5 million in reductions to indirect grant allocations are made as follows in order stay within the expenditure ceiling and due to projected underspending:

- A total reduction of R10.5 million from the Municipal Systems Improvement Grant;
- A total reduction of R185 million from the indirect Regional Bulk Infrastructure Grant; and
- A total reduction of R250 million from the Integrated National Electrification Programme (Eskom) Grant.

5. Corrections to gazetted conditional grant frameworks

Together with the tabling of the Division of Revenue Amendment Bill, National Treasury also submitted to Parliament, the proposed changes to the gazetted conditional grant frameworks and allocations. Section 16(4) of the Division of Revenue Act, 2019, requires National Treasury to consult Parliament on any proposed changes to a conditional grant framework for the purposes of correcting an error or omission, as envisaged in Section 16(2) of the Division of Revenue Act, 2019. The following proposed changes were submitted by the Minister of Finance with the Bill;

- **Ilima/Letsema grant framework:** The framework is amended to include conditions for the new indirect component and allow the national Department of Agriculture, Forestry and Fisheries to make payments directly to the HSRC to undertake the National Food and Nutrition Survey using funds that were previously ring-fenced on the direct grant for the survey.
- **School Infrastructure Backlogs Grant:** The framework is amended to reflect an increase in the number of schools provided with improved sanitation from 195 to 717 schools and water from 177 to 227 schools. This is the result of an additional R700 million being allocated in 2019/20, shifted from the Education Infrastructure Grant, to cater for the Sanitation Appropriate for Education (SAFE) infrastructure initiative.
- **NHI Direct Grant:** A new grant framework for the NHI Direct Grant will be gazetted for 2019/20. This grant framework did not form part of the Division of Revenue Act, 2019, but it is introduced as a result of the shift in funds for health professionals contracting. This will allow provinces to make direct payments for health professionals already contracted by provinces rather than claiming reimbursement from the national department.
- **Human Papillomavirus Vaccine Grant:** The grant framework is amended to include the vaccination of grade 5 school girls since the original framework only catered for grade 4 girls.
- **Human Resources Capacitation Grant**
 - The grant framework is corrected to rectify the grant purpose and outcome statement to be in line with the intended function of the grant,
 - A condition for the procurement of statutory posts is corrected to allow the grant to be used for non-statutory posts, if the posts were filled in 2018/19. This correction allows for the grant to pay for the carry-through costs of posts already funded from the grant in the previous financial year, without requiring approval from National Treasury.
- **NHI Indirect grant: health facility revitalisation component:** The grant framework is amended to allow for the payment for linen and beds that were procured under the discontinued beds and laundry services component that was introduced in 2018/19 and this allows for the completion of outstanding projects from 2018/19.
- **Provincial Roads Maintenance Grant:** The grant framework is amended to ring-fence the R60.7 million added to the grant for the repair of flood damaged roads in the Joe Gqabi District Municipality in the Eastern Cape.
- **Integrated Urban Development Grant**
 - The grant framework is amended to rephrase a condition for the transfer of the second tranche to align the requirements of the spending on the first tranche with the payment schedule.

- The condition “the second transfer will only be released to municipalities that spent at least 50 per cent of their transfer funds by the end of the second quarter” is replaced with “the second transfer will only be released to municipalities that have spent at least 50 per cent of their first tranche.” This correction is needed because the second tranche is transferred before the end of the second quarter of the municipal financial year.

6. Changes to local government grant allocations

Municipal Infrastructure Grant (Sports allocation): To correct allocations ring-fenced for sports project in the Municipal Infrastructure Grant (MIG), a total of R3.6 million is proposed to be shifted to Prince Albert Local Municipality in the Western Cape, consisting of:

- A total of R1.6 million from Emthanjeni Local Municipality in Northern Cape; and
- A total of R2 million from Magareng Local Municipality in the Northern Cape.

The allocations were not captured correctly in MIG allocations, necessitating this correction and this will ensure that sufficient funds are available to complete all planned sports infrastructure projects in the three affected municipalities.

Municipal Disaster Recovery Grant: A total of R133.2 million in the grant that was unallocated at the beginning of the financial year is allocated to eThekweni Metropolitan Municipality and Ugu District Municipality in KwaZulu-Natal for the repair of roads damaged by floods in 2017 as follows;

- A total of R113 million is allocated to eThekweni Metropolitan municipality, and
- A total of R20.3 million is allocated to Ugu District Municipality.

7. Submissions from Interested Stakeholders

7.1. Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) provided an overview of actual expenditure in 2019/20, by reporting highlights based on an analysis of aggregate spending for the first six months of the financial year. Total government spending by mid-year was at R816 billion, or 48 per cent; spending by all votes at R448 billion, or 48 per cent, and transfers of the Provincial Equitable Share (PES) at 50 per cent, as expected. However, the FFC reported that an assessment of individual departmental performance showed somewhat uneven spending patterns. The Department of Higher Education and Training had spent 71 per cent of its budget and the Department of Basic Education 58.5 per cent. Other departments such as Environmental Affairs, Water and Sanitation, Human Settlements and Rural Development and Land Reform had registered below average spending or just at 40 per cent. According to the Commission, excessive deviations below or above the average were generally

perceived as undesirable from a budget planning and execution point of view; unless a department's annual plan explicitly identify unusual spending patterns.

Regarding the revised division of revenue for 2019/20, the FFC reported that declared unspent funds returned to the fiscus amounted to R3.9 billion in 2019/20; which was a significant increase from the R329 million declared in the 2018/19 financial year. The largest amount of unspent funds was for the Department of Higher Education and Training (R897.1 million) due to slow capital expenditure, and the Department of Health (R346 million) as a result of slow expenditure on the National Health Insurance (NHI) Indirect Grant. The Commission expressed concerns over the unspent funds on these programmes, given their critical role in addressing shortfalls at institutions of higher learning as well as the imminent health reforms through the NHI programme implementation.

Projected under-spending for national government was reportedly estimated at a total R1.183 billion in 2019/20, a decline compared to the R2.7 billion projected in 2018/19. The largest roll-overs funds were registered for the Department of Water and Sanitation (R241.9 million) and the Department of Health (R89.3 million), which was 96 per cent of the total roll-overs of R344.9 million in 2019/20. The FFC reiterated the importance of departments using roll-overs as per Treasury Regulations section 6.4 to avoid fruitless and wasteful expenditure.

7.2. Organisation Undoing Tax Abuse

The Organisation Undoing Tax Abuse (OUTA) submitted that the amendment of the Division of Revenue act was a fundamentally stagnant budgeting process that largely excludes the ordinary citizens. OUTA submitted that budgets and expenditure needed to be more heavily scrutinised by Parliament. In terms of public participation, OUTA suggested that the budgeting processes in Parliament needed to prioritise constituency demands over political expediency. It further asked that Parliament make public access to the budgeting process easier through producing searchable PDFs, collation of budget documents on National Treasury's website, and summaries of key budget documents, particularly in different languages. OUTA recommended that the budget cycle in the Executive be harmonised with the Parliamentary calendar to ensure that meaningful public participation in expenditure decisions is facilitated timeously.

OUTA submitted that the precarious state of local government was an obstacle to attracting foreign direct investment and stated that there was an urgent need reassess the local government business model as the present one has failed. It further alluded to the fiscal pressures facing municipalities and submitted that municipal funding was based on population statistics with migration not being sufficiently taken into account. It recommended that National Treasury should revisit the

intergovernmental fiscal relations framework, which have culminated in mutually destructive operations of municipalities and Eskom.

Regarding the equitable share determinations for municipalities, OUTA recommended the withholding of the equitable share tranches due to be transferred on 2 December 2019 to municipalities which are heavily indebted to Eskom and/or water boards or who have failed to honour payment agreements on those debts. It also recommended that the withholding of aforementioned tranches to municipalities which passed unfunded budgets for the 2019/20 financial year and have not rectified these in line with National Treasury's instructions.

In terms of Conditional Grants, OUTA suggested that the Integrated National Electrification Programme Grants (Municipal and Eskom) be reassessed, with consideration being given to withholding grants from municipalities which are in default to Eskom, particularly those which failed to sign debt agreements or to adhere to those agreements.

OUTA also submitted that the funding allocated to the Vaal River System for emergency pollution remediation intervention in the Emfuleni Local Municipality was incoherent. Whilst the South African National Defence Force estimated the cost for the aforementioned at about R1 billion, the R241.9 million allocated in the form of a grant to Emfuleni has effectively not been spent and will be rolled over.

Regarding the NHI, OUTA submitted that it was in full support of the goal of universal health coverage as this will help make section 27 of Constitution a reality for South African citizens. It however expressed concerns about the inadequate fiscal planning relating to the NHI as well as the question regarding its affordability as stated in the 2019 MTBPS.

OUTA recommended that the Schools Infrastructure Backlogs Grant not be reduced as this funding was essential to supporting some of the most vulnerable and voiceless people in South Africa. It further recommended that government seek expert advice from health experts before reducing the Human Papillomavirus Vaccine Grant as this reduction will affect some of the most vulnerable and voiceless section of the society. It further submitted that government needed to give assurance that limiting the vaccination to prevent cervical cancer to just one grade of school children will pose no significant risk in terms of prevention.

7.3. Equal Education

The focus of Equal Education submission was on the Basic Education sector. Equal Education (EE) submitted that if inflation was taken into account, the total basic education sectoral allocation was growing at an aching slow pace, which would be 0.8 per cent real growth anticipated in 2020/21 financial year. EE added that based on current projections, R7 billion less was to be spent on education in the 2020/21 financial year than their 2017 plans.

Regarding conditional grants, EE submitted that they noted reductions in conditional grants such as the school infrastructure conditional grants. EE stated that these cuts to conditional grants remain a threat to eradicating school infrastructure backlogs. EE explained that allocations to almost all provinces declined for the upcoming financial year, including provinces with major infrastructure backlogs such as the Eastern Cape and Kwazulu-Natal. EE emphasised that the budget for the School Infrastructure Backlogs Grant (SIBG), which allocates money to the Department of Basic Education (DBE) to build schools, continued to decline in the 2020/21 financial year, with a projected R350 million in real decrease. It further highlighted the Bill cuts amounting to R40 million from provinces due to the slow implementation of water and sanitation projects. EE added that a further R100 million was moved out of the national infrastructure budget as it was incorrectly classified in the 2019 Estimates of National Expenditure. These reductions follow a R7 billion cut from infrastructure grants in 2018.

Regarding the scholar transport, EE submitted that over the last few years, the Department of Basic Education and National Treasury have committed to introducing a conditional grant for scholar transport, but have thus far failed to deliver on this promise. EE explained that the finalisation of a Department of Planning Monitoring and Evaluation (DPME) evaluation on scholar transport provision was cited as one of the two main barriers to introducing a scholar transport conditional grant. According to EE submission, the evaluation was now completed, yet there was still no mention in budget documents and speeches of the introduction of such a grant.

In respect of the equitable share allocation, EE submitted that in previous submissions to the Committee, they highlighted the problems with the equitable share (ES) formula. EE submitted that the current formula failed to cater for the higher costs of education provision in rural provinces as compared to urban areas. However, EE welcomed National Treasury's intention to review the current equitable share formula even though they were still expecting time-frames for the review process to be made public. EE added that the information provided in various Division of Revenue Bill Explanatory Memorandums was vague, such that it was impossible to ascertain when the public can expect to interact with the process and to provide comments. EE claimed that it was unclear to what extent the education component of the ES formula was to be reviewed. EE added that the existing

formula was not taking into account the factors contributing to the high cost of providing education in rural provinces when allocating funds for education.

In conclusion, EE submitted the following recommendations on the Bill:

- That drastic steps should be taken to ensure that bailouts for State Owned Entities cease to divert funds from critical social spending priorities such as basic education;
- That the Committee evaluate National Treasury's Medium Term Expenditure Framework projections for basic education funding and insist that the basic education sectoral budget be considered for an annual real increase greater than 0.8 per cent in the 2020/21 financial year.
- That the Committees halt the proposed decreases to all education conditional grants, particularly school infrastructure grants which were drastically reduced in 2018.
- That the Committees ensure stakeholders such as National Treasury provide support to the Department of Basic Education (DBE) and Provincial Education Departments (PEDs) to strengthen their ability to efficiently spend allocated funds. EE said they recommend that the Committee request the DBE and PEDs to report on interventions to improve spending and delivery.
- That the Committee should request National Treasury to strengthen oversight of conditional grants and intervene in provinces that are under-resourced or under-capacitated.
- That the Committees should call on National Treasury, the DBE and other relevant departments to urgently finalise the development of a conditional grant for scholar transport, which should be put into effect in the 2020/21 financial year. In addition, the Committee should follow-up on the status of the Evaluation Report conducted by the DPME on scholar transport.
- That a progress update and timelines on the ES review process be made publicly available, as a matter of urgency, and that details of the process be included in the 2020 Division of Revenue Bill.
- That further phases of the ES formula review take into account the factors contributing to the high cost of providing education in rural provinces

8. Findings

The Standing Committee on Appropriations made the following findings during its deliberations with identified stakeholders on the 2019 Division of Revenue Amendment Bill:

- 8.1. The Committee welcomes the additional allocation of R300 million to the Human Resources Capacitation Grant for funding the carry-through costs of post filled in the Health Sector in 2018/19 financial year. Even though the committee views this a critical component, the Committee is concerned by the R145 million reduction in the NHI Indirect Grant component. The Committee is concerned because it views the NHI programme is a very important programme if government has to fully comply with Section 27 of the Constitution through the provision of universal access to health for all the citizens. The Committee also welcomes the R89.3 million roll-over of funds for the NHI Indirect Grant, in the Health Facility Revitalisation Component to pay for medical equipment procured for hospitals in Limpopo.
- 8.2. The Committee welcomes the R310 million that will be reduced from indirect conditional grants to provinces due to projected underspending of R40 million from the School Infrastructure Backlogs Grant R230 million from the Personal Services Component of the NHI Indirect Grant; R10 million from the Non Personal Services Component of the NHI grant; R30 million from the Health Facility Revitalisation Component of the NHI Indirect Grant. The Committee is of the view that funds must be shifted from underspending programme in order to allow these funds to be used in other key government programmes. However, the Committee is very concerned about the continued underspending on infrastructure grants like the School Infrastructure Backlog Grant, in particular when you consider the backlog that needs to be addressed in various school infrastructure projects. The Committee is of the view that there is a need for a collaborative effort by the national Department of Basic Education and provincial departments of basic education in order to ensure that school infrastructure grants are spent speedily in order to address the known infrastructure backlogs in schools, with particular reference to school in rural areas. Furthermore, the Committee is concerned by the under expenditure in the School Infrastructure Backlog Grant because there seem to be no plans to improve expenditure in this grant and there have been reductions in the grant for the past three financial years which the Committee also raised its concern during those period. The Committee will continue to monitor the implementation of these grant by the department of basic education.
- 8.3. The Committee is concerned by the R445.5 million reductions from local government indirect conditional grants due to projected underspending of R185 million from the Regional Bulk Infrastructure Grant; R250 million from the Integrated National Electrification Programme (Eskom) Grant and R10.5 million from the Municipal Systems Improvement Grant. The Committees' concerns emanate from the fact that local government is at the cold face of service delivery and the continued reduction in these grant will surely have negative impact on the level of service delivery that these grants were expected to address. The Committee feels strongly that National Treasury and the Department of Cooperative Governance must collaboratively provide assistance to municipalities who are consistently underspending on these grants in order to

improve service delivery. The Committee is of the view that instead of the continued budget cuts on these grants by National Treasury, National Treasury and the Department of Cooperative Governance should assist these municipalities in developing plans on how to improve spending in order to improve service delivery.

8.4. The Committee welcomes the roll-over of funds for the indirect Regional Bulk Infrastructure Grant of R241.9 million which will be used for the emergency Vaal River System pollution remediation intervention. However, the Committee notes that Emfuleni Local Municipality is largely responsible for the pollution of the Vaal River, however the Committee is of the view that National Treasury must ensure that other individuals or organisations responsible are also held accountable for these costs and face the legal consequences.

9. Recommendations

The Standing Committee on Appropriations, having considered submissions from various stakeholders on the 2019 Division of Revenue Amendment Bill, recommends as follows:

9.1 The Minister of Finance should ensure that National Treasury gazettes the following corrections to the Conditional Grant Frameworks as well as the New Conditional Grant Frameworks as set out in annexures 2 and 3 of the Bill, in accordance with section 16(4) of the Division of Revenue Act, 2019:

Corrections to Conditional Grant Frameworks:

- Ilima/Letsema grant framework
- School Infrastructure Backlogs Grant
- NHI Direct Grant
- Human Papillomavirus Vaccine Grant
- Human Resources Capacitation Grant
- NHI Indirect grant: health facility revitalisation component
- Provincial Roads Maintenance Grant; and
- Integrated Urban Development Grant.

9.2 That the Minister of Finance should ensure that there is a consequence management framework and actions is taken against government institutions who continuously underspend on their appropriated budgets.

10. Committee Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Division of Revenue Amendment Bill [B15 - 2019] (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

Report to be considered

2. REPORT OF THE PORTFOLIO COMMITTEE ON AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT ON AN OVERSIGHT KWAZULU-NATAL PROVINCE FROM 26 TO 30 AUGUST 2019, DATED 12 October 2019

The Portfolio Committee on Agriculture, Land Reform and Rural Development, having conducted an oversight visit to KwaZulu-Natal Province, from 26 to 30 August 2019, reports as follows:

1. INTRODUCTION

The Portfolio Committee on Agriculture, Land Reform and Rural Development conducted an oversight visit to KwaZulu-Natal Province (KZN) from 26 to 30 August 2019. The focus of the oversight was to oversee, and gain insights into, the implementation of agricultural, land reform and rural development policies regarding farmer/post-settlement support and assess implementation progress on selected projects or farms. The oversight visit followed the Committee's discussion of the Legacy Report of the Fifth Parliament's Portfolio Committees responsible for the portfolios of Agriculture, Forestry and Fisheries and that of Rural Development and Land Reform. The reports demonstrated a mixed picture of farmer and post-settlement support, characterised by potentials of success, overlap of functions by the former Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Rural Development and Land Reform (DRDLR). Therefore, the oversight visit came as one of the first initiatives of the 6th Parliament's Portfolio Committee on Agriculture, Land Reform and Rural Development, henceforth the Committee, attend to concerns emanating from the Legacy Report.

1.1. The significance of oversight on farmer/development support

The National Development Plan (NDP), an overarching government policy document that sets goals which South Africa should achieve by 2030, set to ensure that there would be integrated rural areas where residents will be economically active, have food security, access to basic

services, health-care and quality education. One of the strategic objectives is job creation which is set to alleviate unemployment and poverty. In 2019, during the State of the Nation Addresses (SONAs), in February and in June, the President placed job creation high on the national agenda. Accelerated land reform, expansion of agricultural output and promotion of economic inclusion are considered to occupy a central place in the contribution to the achievement of these undertakings. The President reaffirmed government's commitment to accelerate land redistribution, not only to redress historical land injustice but also to widen access to land and development support in order bring about inclusive agricultural sector. What about farmer and development support?

The Committee, having been briefed on the Legacy Report of the Fifth Parliament Portfolio Committees as stated above, identified lack of comprehensive farmer/post-settlement and development support as a critical weakness in land reform and agricultural development. On the basis of the above, oversight on key government farmer and development support programmes and how appropriated funds for that purpose have been expended are of utmost importance. For these reasons, the Committee resolved to conduct oversight visit in KwaZulu-Natal (KZN) in order to obtain lived experiences of beneficiaries of farmer support programmes and assess if there has been any value for money on post-settlement and farmer support related expenditures between 2014 and 2019.

1.2. Composition of the delegation

A multiparty delegation of 11 Committee Members supported by different teams of Parliamentary Officials as reflected in Table 1 below participated during the oversight visit. As will be discussed below, the number of project sites to be visited and their geographical location dictated that the delegation be split into two groups. Each group was equally supported by a team of Parliamentary officials responsible for secretarial, research and content advisory, communication, language interpreting and protection services. The delegation was also accompanied by Members of the KwaZulu-Natal Provincial Legislature, Mayors of District Municipalities and Councillors whose names are recorded in Table 2 below. Participation of representatives of local councillors and provincial legislature was greatly welcome and

appreciated by the Committee because it inculcates the ideals of intergovernmental cooperation in service delivery, especially the challenging task of implementing successful land reform.

Table 1: Committee delegation during the oversight

Members of Parliament	Political Party	Support Officials	Designation
iNkosi ZMD Mandela <i>(Chairperson/leader of the delegation)</i> Ms MME Tlhape, Mr. N Capa, Ms KD Mahlatsi, Ms NP Mahlo Ms B Tshwete	African National Congress	Ms P Nyamza Ms A Kakaza	Committee Secretaries
		Ms C Maledu	Committee Assistant
		Dr T Manenzhe	Content Adviser: Land Reform & Rural Development
		Ms N Qwabe Ms T Pepeteka	Researcher: Agriculture, Researcher: Land Reform & Rural Development
Mrs. A Steyn Ms TM Mbabama	Democratic Alliance	Mr S Kheswa Mr N Hlombe	Language Practitioners
Mr. MK Motwedi	Economic Freedom Fighters	Ms S Govender Mr Z Kostile	Communication Officer Official Photographer
iNkosi R Cebekhulu	Inkatha Freedom Party	Ms N Mokoena	Public Relations Officer
Mrs. T Breedt.	Freedom Front Plus	Protectors	Protection Services Officials

Table 2: Members of Provincial Legislature and Councillors in attendance

Names	Institution
Mrs N Sibhidla-Saphetha (Chairperson) Mr B Ntuli Mr S Duma Ms JT Gumede	Portfolio Committee on Agriculture and Rural Development, KZN Provincial Legislature
Cllr N Mkhulisi (Executive Mayor)	King Cetshwayo District Municipality
Cllr S Mdluli (Executive Mayor)	uMzinyathi District Municipality

The delegation was also accompanied by, in addition to Members of Provincial Legislature and Councillors, relevant government officials from the former Department of Agriculture, Forestry and Fisheries (DAFF), Department of Rural Development and Land Reform (DRDLR), and provincial departments; namely, representatives of the Office of the Premier, Head of the KZN Provincial Shared Services Centre (PSSC), Managers in the KZN Department of Agriculture and Rural Development (DARD), Project Officers and Extension Officers.

1.3. Structure of the report

This report presents an account of a five-day oversight visit conducted by the Portfolio Committee on Agriculture, Land Reform and Rural Development in KZN from the 26th to the 30th of August 2019. It documents the delegation's engagement with presentations made during briefing sessions and observations made during project site visits where the delegation interacted with project officers, extension officers and the project members or beneficiaries of different farmer support/post-settlement support initiatives from both DAFF and DRDLR.

Following this introduction, the report proceeds as follows:

- Section 2 outlines the Terms of Reference, the rationale for selection sites for visit by the Committee, and Committee approach during the oversight visit;
- Section 3 summarises key policy imperatives for different farmer and development support initiatives implemented by both DAFF and DRDLR. It raises key questions about the complementarity and/or duplication of some of the initiatives that were offered;
- Section 4 presents a summary of inputs by the departments and observations from the 19 project sites the delegation visited;
- Section 5 highlights observations of the Committee; and
- Section 6 concludes by proposing recommendations to the National Assembly for the Minister of Agriculture, Land Reform and Rural Development.

2. TERMS OF REFERENCE

Oversight activities of the Committee are based on Section 55(2) of the Constitution which provides that “The National Assembly must provide for mechanism - (a) to ensure that all executive organs of the state in the national sphere of government are accountable to it; and (b) to maintain oversight of - (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state”. The Executive is obliged to account on its actions. Oversight visits thus constitute a myriad of mechanisms available to the Committee for exercising its constitutional mandate to hold the executive accountable.

2.1. Overarching aim of the oversight visit

The overarching aim of the oversight visit is to monitor and obtain insights into the implementation of agricultural, land reform and rural development policy regarding farmer/post-settlement support and assess progress made towards supporting emergence a class of black commercial farmers. Central to this oversight was the extent to which funds appropriated by Parliament for farmer and development support have been expended and what benefits could be accounted for.

2.2 Specific objectives of the oversight visit

The oversight visits specifically sought to -

- (a) Obtain insights with regard to how selected farmer/development support programmes works and how selected projects supported by both DAFF and DRDLR have fared in relation to improvement in productive use of land and productivity;
- (b) Assess whether selected farms/projects supported, by tracking allocation of funds and expenditure outcome, had positive impact on the lives of beneficiaries in terms of property ownership, job creation, and skills development;
- (c) Identify areas of complementarity, overlap and duplication and implications for alignment of these programmes under the new Department of Agriculture, Land Reform and Rural Development (DALRRD);

- (d) Assess the impact of drought relief interventions on selected projects or farms in KZN and further draw insights in relation to how the interventions have enhanced food production and livelihoods of beneficiaries; and
- (e) Identify areas of strength and weaknesses as well as implications for policy and future interventions.

Objectives	Key questions	Key Activities
Obtain insights with regard to how selected farmer/development support programmes works and how selected projects supported by both DAFF and DRDLR have fared in relation to improvement in productive use of land and productivity	<ul style="list-style-type: none"> - What are the different farmer/development support initiatives provided by DAFF & DRDLR? - What are the legislative and policy underpinnings for these programmes? - What are key achievements and challenges for each programme? - How are the programmes funded? 	<ul style="list-style-type: none"> - Held briefing sessions on broad policy imperatives and province-wide progress report on farmer/development support interventions (including expenditures) in KZN with HOD's, Chief Directors in the provincial offices, supported by Senior Management from the National Departments.
Assess whether selected farms/projects supported, by tracking allocation of funds and expenditure outcome, had positive impact on the lives of beneficiaries in terms of property ownership, job creation, and skills development	<ul style="list-style-type: none"> - What are key project milestones, monitoring mechanisms, and available support mechanism? - Is the project/farm productive and functional? - What are the project expenditures and outcomes? - What benefits have accrued to project members/beneficiaries (in terms of jobs/dividends/ livelihoods security etc.)? - What are existing challenges and how they are responding to those challenges? 	<ul style="list-style-type: none"> - Site visits and tour the farm or any other developments on the land. - Interact with project members in order to verify information on project briefs as well as any other information that was provided (e.g. Budgets, benefit, support e.g. training) - Explore policy and budgetary implications for any of the challenges that were cited.
Identify areas of complementarity, overlap and duplication and implications for alignment of these programmes under the new Department of Agriculture, Land Reform and Rural Development	<ul style="list-style-type: none"> - To what extent is coordination of various government departments evident in the project? - Is the merger of DAFF & DRDLR likely to help assist better coordination, both within and outside government? - What are critical interventions needed to improve government coordination? 	<ul style="list-style-type: none"> - Briefing sessions with both national and provincial officials - Briefing by project members, extension officers and project officers. - Analysis of responses against policy provisions
Assess the impact of drought relief interventions on selected projects or farms in KZN and further draw insights in relation to how the interventions have enhanced food production and livelihoods of beneficiaries	<ul style="list-style-type: none"> - What types of interventions can one observe in KZN? - How much funds were disbursed or used for drought relief and for what purposes? - Are there tangible benefits (including socio-economic improvements) to those supported? - What are strengths and limitations to implementation of Drought Relief Programmes? 	<ul style="list-style-type: none"> - Briefing sessions with both national and provincial officials - Briefing by project members, extension officers and project officers. - Analysis of responses against policy provisions
Identify areas of strength and weaknesses as well as implications for policy and future interventions.	<ul style="list-style-type: none"> - What are the overarching policy and legislative implications of the observations of the Committee during this oversight visit 	<ul style="list-style-type: none"> - Reflection and synthesis of the findings by the Committee and senior management of the Department

2.3 Committee approach and sites selection

The Committee adopted an oversight schedule that entailed briefing sessions with relevant national and provincial departments, project/farm visits and interactions with beneficiaries listed in Table 4 below. In its interactive approach, the Committee sought to immerse itself into the lived experiences and realities of farmers/beneficiaries. Table 3 illustrates a range of questions which the Committee raised in order to address the oversight objectives that it set for itself. Section 4 and 5 of this report will, to a large extent, record the observations of the Committee. Therefore, engagement with beneficiaries, observation of facilities and how beneficiaries go about doing their work was central to the approach. In this approach, the Committee sought to obtain first-hand account of policy strengths and weaknesses from beneficiaries and policy implementers. This oversight visit, however, should not be seen in isolation from other committee activities; for example, briefings on the legacy report, Annual Performance Plans (APPs) and Budget Votes where relevant background information was discussion. The Committee also held a reflective meeting on the 17th of September 2019 that afforded the departments an opportunity to respond to all the outstanding questions and present planned interventions that responded to the challenges confronting farmers and their projects as well as proposed interventions from Committee members.

Over the five days of oversight visit, the Committee interacted with project members, beneficiaries and communities from 19 different sites as illustrated in Table 4 above. The thread connecting these sites was government provision, or lack thereof, of post-settlement/farmer support. The sites were selected on the basis that they cover a wide array of post-settlement/farmer support from the former DAFF and former DRDLR; viz. Comprehensive Agricultural Support Programme(CASP) (4), Recapitalisation and Development Programme (RADP) (6), Agri-Park (3), Drought Relief (2), and 4 projects representing Strengthening of Relative Rights for people working the land, One Household One Hectare (1HH1HA), Comprehensive Rural Development Programme (CRDP) and Communal Property Associations (CPAs).

Table 4: List of all project sites visited

Date	District	Project Name	Programme
26/08/2019	uMkhanyakude	Tasma Estates	CASP
		Amandlentuthuko Feedlot	
		Green Island Farm	RADP
		Boardmans PLAS farm	
27/08/2019	uMkhanyakude	Coastal Cashews	RADP
		Ndumo Irrigation Scheme	Agri-Park/
		Makhathini Irrigation Scheme	Revitalisation of Irrigation schemes
		Mkhanyakude Read Meat FPSU	
28/08/2019	Zululand	Gluckstadt Maize	CASP
		Empangisweni Citrus	
		Abaqulusi CRDP project	CRDP
		Zuzanawe PLAS farm	RADP
		Liberty Farmers	
29/08/2019	uMzinyathi	Spitskop Trading	RADP
		Jabula Zondi Trading	Drought Relief
		Amangcolosi Community Trust	
		Zamokuhle/Msinga Beef Cluster	CPA
30/08/2019	uMgungundlovu	Westwood project	1HH1Ha
		Westcliff Project	SRR

3. OVERVIEW OF POLICY IMPERATIVES AND PROGRESS REPORT ON POST-SETTLEMENT/FARMER SUPPORT

This section summarises inputs of the DARD and the KZN PSSC with regard to provincial perspectives on, and overview of, agriculture, land reform and rural development. The Committee noted that DARD and PSSC have not yet merged because the reconfiguration process, including consolidation of related programmes under single branch, was still underway. The process was expected to conclude by the end of the financial year.

The Committee noted that land reform is a national competency and agriculture is a concurrent function where national and provincial government supports farmers, especially the emerging farmers, including land reform beneficiaries. In Table 5 below, support programmes by the former DAFF and DARD include CASP, Ilima-Letsema, ERP, drought relief programme and compulsory community services for veterinarians. The former DRDLR also supports smallholder farmers and land reform beneficiaries through Recapitalisation and Development Programme (now Land Development Support), One Household One Hectare Programme, Strengthening Relative Rights for people working the land, Animal and Veld Management Programme, River Valley Catalytic Programme and Agri-Parks.

Table 5: Farmer/Post-Settlement Support Programmes provided by former DAFF and DRDLR

DAFF	DRDLR
- Comprehensive Agricultural Support Programme	- Recapitalisation and Development Programme
- Ilima/Letsema	- One Household One Hectares Programme
- Extension Recovery Programme	- Strengthening Relative Rights for People working on farms
- Drought Relief Programme	- Animal and Veld Management Programme
- Compulsory Community Service for Veterinarians	- River Valley Catalytic Programme
	- Agri-Parks Programme

The DARD supports farming throughout the province from 11 district offices, 41 local offices, and 6 research stations. The department operates in 869 wards, with 488 extension officers and 166 assistant extension officers on one hand. The PSSC, on the other, operates with four regional offices in Ladysmith (uThukela and uMzinyathi), Pietermaritzburg (uMgungundlovu and iLembe) Port Shepstone (Ugu and Harry) Richards Bay (uMkhanyakude and King Cetshwayo) and Vryheid (Amajuba and Zululand) where project officers support land reform beneficiaries.

The support provided, as demonstrated in this report, entail capital finance (including start-up funding), extension advice, marketing, infrastructure development, veterinary services etc. the extent to which these services have improved farmers yields and the livelihoods/socio-economic conditions will be demonstrated in the report.

The following sub-sections highlight the support programmes as per the existing government configuration at the time of the visit.

3.1 Farmer support programmes - Department of Agriculture, Forestry and Fisheries

3.1.1 Comprehensive Agricultural Support Programme

The objectives of the Comprehensive Agricultural Support Programme (CASP) can be categorized into three broad areas; namely, economic, social and environmental focus areas.

- *Economic*: To produce higher levels of productive efficiency, create on-farm and off-farm jobs, increase income and wealth in the rural economy;
- *Social*: To contribute to household and national food security with ultimate goal to significantly add to poverty reduction and improvement of rural living standards; reduce crime, violence and socio-political instability resulting from conflict over limited agricultural resources.
- *Environment*: To promote ecologically sustainable farming activities.

It is widely acknowledged that agricultural support entails a wide array of services. However, the CASP comprises the following priority pillars; namely, on and off-farm infrastructure support; knowledge and information management; technical and advisory services; training and capacity building; market and business development support; and financial services (branded as MAFISA). The target groups are farmers generally. However, the policy was specifically meant for the hungry, previously disadvantaged subsistence, smallholder and commercial farmers and entrepreneurs. These priorities are in line with the NDP goals for agriculture and rural development. The ultimate goal is to grow the agricultural contribution to the GDP with revitalisation of agriculture and agro-processing value chains at the centre. The NDP priorities include creation of 1 million jobs by 2030, expansion of commercial agriculture to achieve creation of 250 000 and 130 000 direct and indirect jobs respectively by 2030, supporting 450 black commercial farmers, and expansion of 1.5 million hectares under irrigation by 500 000. Part of the contribution of agriculture to the NDP priorities relates to is bringing 1 million

hectares of unutilised land under production and supporting 300 000 smallholder producers in order to ensure food security. So, what has been the contribution of CASP towards achieving these goals?

Table 6: KZN CASP Expenditure 2015-2019

Year	CASP Allocation R'000	Drought Relief R'000	No. of Projects Supported	No. of Beneficiaries Supported	Expenditure R'000	Percentage Expenditure
2015/16	223 530	34 600	37	8641	221 295	99%
2016/17	222 155	-	68	7352	222 155	100%
2017/18	209 599	-	59	7691	158 831	76%
2018/19	223 975	-	104	7132	186 378	83%
2019/20	199 351	-	103(target)	4 014 (target)	19 077 ¹	10%
TOTAL	1 078 610	34 600	371	34 830	807 736	

As demonstrated in Table 6, KwaZulu-Natal DARD allocated R1,078 billion for CASP for between 2015/16 and 2019/20 financial years. There was additional allocation of R34.6 million in 2015/16 for drought relief. Through CASP, DARD supported 371 projects, reaching 34830 beneficiaries. The Committee noted a decline in expenditure for the 2017/18 and 2018/19 financial years where expenditure was at 76 per cent and 83 per cent respectively. By the end of Quarter 1 of 2019/20, the CASP expenditure was at 10 per cent below the expected 25 per cent. The report also showed that the allocation for the current financial year declined significantly from R223.9 million in 2018/19 to R199million in 2019/20. The DARD further reported that the allocation was utilised for agricultural projects that supported mechanization in maize and dry beans production, revitalization of irrigation projects, food and nutrition security and livestock programmes as well as sugar cane development.

The delegation noted that the report did not provide clarity with regard to what amount, for what purposes, for whom and the impact of this intervention on production. However, it appreciated that the programme for oversight visit created opportunities to visit sites that reportedly

¹ This figure only accounts for performance during Quarter 1 of 2019/20.

benefitted from CASP. The approach enabled the Committee to triangulate and verify some of the information that the provincial government officials presented.

3.1.2 Extension Recovery Programme

The Extension Recovery programme (ERP) budget was used to support a range of initiatives; for example, increased visibility and accountability (include purchase of uniforms, name tags and business cards), improved image and professionalism, re-skilling and reorientation (includes affiliation with professional bodies, publish papers, and establishment of Provincial Extension Coordination Forum) as well as provision of ICT infrastructure. DARD reported that there were about 362 practitioners registered with SACNASP in KZN.

It also highlighted the benefit of reskilling extension officers. In KZB, there has been an increase in the number of Extension Practitioners, which in turn resulted in improved extension-farmer ratio. Between 2008 and 2015, there were 500 practitioners registered for upgrading of qualifications. However, 125 dropped out and 375 completed. The DARD further reported that there were mechanisms put in place to recoup funds if a practitioner could not complete the course. The extension officers work with commodity groups. Further, DARD has Service Level Agreement (SLA) with SASRI, NWGA, Potato-SA and SAPO to enhance skills. About 33 extension officers were already working with sugarcane specialists from SASRI to enhance their skills.

The delegation welcomed the initiative with reservations regarding the bursary scheme because of the reported dropout rate of 25 per cent. As the site visits reports will show, the delegation expressed concerns about lack of visibility of extension officers on farms, especially on land reform farms and emerging commercial farmers. The impact of the programme and its R201 million investment was therefore in question. As demonstrated by a range of the initiatives under the ERP, its focus has been on image and professionalism, recruitment, reskilling and reorientation, ICT infrastructure, increased visibility and accountability. The delegation suggested that the programme ought to be farmer-oriented rather than overly inward looking and must result in tangible interventions that focus on farmers.

3.1.3 Agricultural Colleges: Cedara and Owen Sithole Colleges of Agriculture

At the time of the visit, the delegation was informed that the DARD invested R48.5 million in renovation of student accommodation, construction and renovation of lecture halls, construction of Library at Owen Sithole College of Agriculture (OSCA), sport facilities and installation of street lights. Linked to the programme on agricultural colleges support is the Training and Mentorship Programme which received an investment of R80.7 million. It is a graduate development programme which aims to ensure skills development for graduates and enhance farming and business management skills. In 2018/19, 52 commercial farmers made commitment to mentor 120 agricultural graduates. In 2019/20, 70 more agricultural graduates were going to be placed. About R10.4 million from conditional grants has been ring-fenced for mentorship programme. Given that there were 70 host employers involved in this programme with 173 graduates in total of which 111 were females and 62 males, the Committee commended the initiative. It also expressed wishes that there could be more graduates enrolled in this programme to meet the demand of agricultural workers and extension support.

3.1.4 Ilima/Letsema

Ilima-Letsema, in KZN, was allocated R346.3 million between 2015 and 2019 as illustrated in Table 7 below. The Committee noted that in 2017/18, the expenditure for this programme was at 67 per cent, the lowest ever annual expenditure. However, its expenditure was 100 per cent in 2015 and 2016. Its main focus is mechanization, irrigation development, food security and nutrition security. The ultimate goal for the programme is to ensure that there is increased food production and availability of food, especially household food production.

The Committee noted that the information provided makes it difficult to enforce accountability in the sense that it was unable to clarify what amount was dedicated for what; and further show how Ilima/Letsema has impacted on food production, especially household food production. The project visits, as reported below, provides some insights into what has happened. However, it does not provide a provincial picture in terms of the performance of the programme, i.e. expenditure trends and outcomes. The report is about particular cases and thus not able to be the

basis for generalisation about Ilima-Letsema. However, the Committee valued the cases because of the wider significance of the issues they expose about CASP and Ilima/Letsema.

Table 7: Ilima/Letsema budget allocation and expenditure (2015/16-2019/20)

Year	Allocation R'000	Expenditure R'000	Percentage Expenditure
2015/16	68 569	68 569	100%
2016/17	63 876	63 876	100%
2017/18	67 356	44 540	67%
2018/19	71 263	67 655	95%
2019/20	75 253	15 709 ²	21%
TOTAL	346 317	260 349	

3.1.5 Compulsory Community Service - Veterinarians Programme

The Compulsory Community Services programme facilitates placement of veterinarians throughout KZN in order to complement the provincial veterinary services that safeguard food security, human health and animal welfare by controlling disease of economic and zoonotic importance. In this programme, graduates are placed for a period of 12 months in Primary Animal Health Care, Disease Control, Animal Vaccinations, Animal Diseases Surveillance and Diagnostics, Export Certification, Veterinary public health and livestock farmer empowerment. Over the last four years, the programme has seen over 43 veterinarians placed throughout KZN. One of the critical areas implemented is the sterilization campaigns or mobile clinics. It acquired the following infrastructure and equipment: 11 ambulance vehicles and 5 pre-fabricated clinics. In addition, it procured R3million worth of medical supplies and consumables. About 7500 companion animals have been sterilized since the inception of the programme in 2016.

² Expenditure represented only Quarter 1 of 2019/20.

3.1.6 Drought Disaster Input Scheme

From 2015/16 to 2018/19, the Drought Disaster Input Scheme was allocated R203.3 million, including the CASP contribution reported above. In 2014/15 R143.4 million was allocated from equitable share for livestock inputs and water harvesting, fodder, boreholes and dams and conditional grants (CASP and Ilima/Letsema) was used for livestock inputs and water harvesting and de-worming. About R50million and R9.8 million were allocated in 2016/17 and 2017/18 respectively. The Committee welcomed the information around budgets and site visits reports in Section 6 of this report elaborates on the successes or failures of this programme.

3.2 Land Development Support and Rural Development Programmes offered by the former Department of Rural Development and Land Reform

This section focuses on the Recapitalisation and Development Programme (RADP), One Household One Hectare Programme (IHH1HA), and the Strengthening of Relative Rights for People working the land programme (SRR). These were the initiatives that the DRDLR introduced in order to contribute to development of the agricultural sector through inclusive growth, employment creation, rural development and land reform. As discussed above, they also contribute to creation of 1 million jobs, support to smallholder producers, food security and to develop 1 million hectares of underutilized land as well as growing sustainable rural enterprises and industries.

3.2.1 Recapitalisation and Development Programme

In 2009, the DRDLR introduced the RADP for revitalisation of the distressed land reform farms acquired since 1994 and black emerging farmers who needed grant funding. The objectives of the RADP were to provide emerging black farmers with social and economic infrastructure and basic resources required to manage a successful agricultural business. Its aim was to contribute to the transformation of rural economy through farming enterprises and industrial development in various agricultural chains.

The programme specifically sought to -

- increase food production and profitability;
- guarantee food security;
- create employment opportunities within the agricultural sector;
- secure sustainable income for rural communities;
- establish rural development rangers;
- ensure emerging black farmers participate competitively in markets; and
- ensure emerging black farmers utilise efficient farming technologies.

The RADP operates through provision of financial assistance to emerging black farmers for purchasing production inputs as well infrastructure development or maintenance, strategic partnerships in order to provide on-farm technical support to land reform beneficiaries, mentorship by commercial farmers in order to impart skills and coach emerging farmers. The RADP did not have voted funds. However, the DRDLR took 25 per cent of the land acquisition allocation to use it for development support. According to the policy, the support provided was meant to be on a sliding scale decreasing government contribution from 100% funding in year one, 80 per cent in year two and ultimately 20 per cent year five whilst the equity of the farmer would start from 20 per cent until 100 per cent funding.

As demonstrated in Table 7 below, from 2009 to 2018, the PSSC supported 228 RADP projects; with 59 strategic partnerships, 52 mentorships and 117 direct support to farmers through the use of service providers. All the projects supported cover 143 289 hectares of land. RADP has reached about 8389 beneficiaries, creating 1156 jobs of which 470 are women and 575 are youth. Significant observation was that about 559 farmers from the 228 projects on 143 289 hectares were trained. Over the 9-year period, R961.2 million was spent on RADP in KwaZulu-Natal. The report did not indicate how much was allocated to what district per year.

Table 7: Overview of Recap in KwaZulu-Natal

Recap Projects		Job creation		Training	
Total No. of Projects	22 8	Total No. of Jobs	1156	Total No. of farmers trained	559
Strategic Partnerships	59	No. of Women employed	470	No. of women trained	194
Mentorships	52	No. of Youth Employed	575	No. of youth trained	253
Direct support/ service providers	11	No. of PWD employed	2	No. of PWD trained	3

3.2.2 One Household One Hectare

The 1HH1HA promotes food security and improved rural livelihoods by supporting subsistence farmers and smallholders in order alleviate poverty and food insecurity. The objectives of the programme are to –

- contribute to the reduction of poverty in rural areas;
- revive a calibre of highly productive black smallholder farmers and food producers;
- build a sense of security of tenure; access to land;
- increase the involvement of individual household in production activities and minimising controversies on Communal Property Institution (CPI) led land projects;
- create sustainable employment in rural households;
- create viable rural small and medium agricultural enterprises; and
- build competencies and broadening the skills base for targeted households and communities.

At conception, this programme was meant to allocate a one-hectare allotment to every needy household. Land acquired by the State would be surveyed, land use plans be formulated, and a notarial title deed will be issued to each household. Below here is an overview of the progress report in the implementation of the programme.

- In year 1 of the programme, KZN did not participate. It however picked up in when 702 and 601 households participated in 2017/18 and 2018/19 respectively.
- For the two years of its operations until March 2018, a total of R17million was allocated.
- Close scrutiny of projects supported reveal that at times funds were allocated to commercial farms rather than households that engage in household food production.
- A worrying trend was that some of the beneficiaries would have benefitted from the RADP and further received 1HH1HA grant whilst there were still many communities waiting for government support.

3.2.3 Strengthening Relative Rights of People Working on Land

The SRR policy is commonly known as 50/50 policy because it is premised on partnership of former landowner and farmworkers. Under the SRR arrangements, government acquires a farm and register in its own name, then lease it to a new company jointly owned by the commercial partner, farm workers and the National Empowerment Fund (NEF). The farmworkers are only allocated Land Use Rights Certificate rather than full ownership. The DRDLR enters into strategic partnership with the NEF in order to tap into its capacity regarding oversight of the transactions between the previous farm owner and farmworkers. The participation of NEF is a subject of further enquiry by the Committee, understanding its role and contributions to the partnership. The delegation found that, in KZN, NEF had withdrawn and the project officers could not provide explanation. The NewCo is charged a rental fee of 2% of the land purchase price as per valuation outcomes.

The objectives of the SRR are as follows:

- To ensure sustainable land and productivity for farm workers;
- To address socio-economic livelihood challenges;
- To empower people working the land to acquire shares in farming enterprises and bring about economic transformation of the agricultural sector;
- Secure the residential tenure of the farm-dweller/worker;
- Enable beneficiaries to sell labour-power across the fence, without fear of eviction; and

- Strengthen farm workers' bargaining power in advancing worker rights and improving their conditions of living.

The programme gives 50 per cent of the shares among farmworkers who have provided 'disciplined service' for 50 years on a farm. The worker's shareholding can further be allocated as follows: 25 per cent of shares goes to workers who have 25 years of 'disciplined service', 10 per cent to those with 10 years of 'disciplined service, and 15 per cent to all farmworkers with less than ten years of service for household subsistence. Only 1 SRR project was implemented in KZN and the site visit report is detailed in section 4 below.

3.2.4 Agri-Parks programme

Agri-parks initiative was launched in 2015 as one of the cornerstones of rural economic transformation and as phase three of the CRDP. The Agri-parks are conceptualised as one-stop shops for agro-production support, processing, logistics, marketing and training within district municipalities. The basic idea is to develop rural development hubs linked to district gateways/growth points and to assist smallholder farmers in accessing land and local markets. The concept entails a centrally planned, state-funded, three-tiered model consisting of Farmer Production Support Units (FPSU) in each local area from where extension services will take place, and an Agro-processing Hub (AH) in each district municipality linked with a handful of Rural-Urban Marketing Centres (RUMC). The objective is to ensure the Agri-Parks are owned 70% by smallholders and 30% by government and commercial farmers, with State support phased out over ten years. Agri-Parks initiative is expected to contribute to government's targets of creating 1 million new jobs in rural economies by 2030, the development of 300 000 new small-scale farmers and the creation of 145 000 agro-processing jobs by 2019.

Agri-parks initiative jointly implemented and led by the Department of Rural Development and Land Reform (DRDLR) and the Department of Agriculture, Forestry and Fisheries (DAFF) in partnership with and the Department of Cooperative Governance and Traditional Affairs (COGTA). Agri-parks are to be established in each of the 44 district municipalities, with 27 of

the poorest district municipalities being prioritised. Currently, the Department has decided to reduce the number of parks to 10 (across the country) in order to maximise the benefit of limited available resources. The Department further resolved to limit its focus to FPSU in order to master the production side of the Agri-Park.

The Agri-park comprises three distinct but interrelated basic components which were introduced above. The following points are a description of the components:

- *Farmer Production Support Unit (FPSU)*: a rural smallholder farmer outreach and capacity building unit that links farmers with markets.
- *Agri-Hub Unit (AH)*: The AH is a production, equipment hire, processing, packaging, logistics and training (demonstration) unit.
- *The Rural-Urban Market Centre Unit (RUMC)*: The RUMC has three main purposes; i.e. linking and contracting rural, urban and international markets through contracts; acting as a holding facility, releasing produce to urban markets based on seasonal trends; and providing market intelligence and information feedback, to the AH and FPSU, using latest Information and communication technologies.

4. SITE VISITS

During the oversight visit, the delegation visited several agricultural, land reform and rural development projects. This section summarises the interactions between government officials, beneficiaries/farmers and the delegation.

4.1 Green Island Farm

The Green Island is a 263.3328ha farm located about 15km away from Umfolozi River in the uMkhanyakude District. It forms part of Hluhluwe cluster of sugar cane producers. The farm was acquired in terms of the PLAS in 2009 and was leased to Msanyawo Trading Enterprise for production of sugarcane (220ha) and timber (30ha). The lease expired after 3 years and had just been renewed for a further 30 years at the time of the visit. However, the representative of Msanyawo, the farmer, was not aware of the payable lease fee. The project officer from DRDLR

present also could not explain how much the farmer was meant to pay and respond as to whether the farmers were in arrears or not. The project officer reported that he not responsible for property management and administration of leases, hence no information at his disposal.

The farm is located at an area with water table problem. It is prone to flooding since the soils do not drain effectively; therefore, a drainage pump was a needed hence the infrastructure development funding was approved and released. Whilst some undisclosed amount of CASP funding was spent on the farm, a total amount of R4.7 million from RADP has been invested by the DRDLR. The funds were spent, excluding land acquisition, purchase and installation of main drainage system pump, upgrading of 90ha irrigation system, upgrading access road, renovating staff accommodation, replanting 26 ha of sugarcane, higher grader, purchasing tractor and implements. The main challenge reported by the beneficiaries was water rights and cable theft.

Having acknowledged the good work being done by farmers, the Committee noted the following challenges and issues for further engagement with the DARD and DRDLR:

- There was a problem of theft from neighbouring communities- especially cable theft which interrupts electricity supply, a continuing challenge with the farmer reported that they are devising means of working with local communities to address the challenge of theft.
- Requirement for pipe to assist the farm pump water from uMfolozi River;
- The role of mentor or strategic partner (Milling Co.) could not be clearly understood. There were no clear records of training given to the Committee
- There was no extension officer allocated to the project. The farmers reported that Extension Advice was given by the milling company.
- The Committee noted that the famer had various equipment and machinery required for agricultural production.
- The only urgent thing that the farmer requested was access to water.
- No funding commitment made with regard to proposed interventions such as dilapidating irrigation infrastructure, theft and vandalism, water shortage and others.

4.2 *Amandlentuthuko Feedlot*

The Amandlentuthuko is an agricultural cooperative established in 2012, farming in livestock and owning livestock sales yard in Mtubatuba. The feedlot project was an extension of the said livestock operations. So, the feedlot was initiated in 2015 by seven members, 3 men and 4 women) with purpose of rearing steers to support the existing Bhambanana abattoir in uMkhanyakude District. It consists of 2 sites located 2km apart from each other. The project started in 2015. The projections for the feedlot indicated that it could hold 400 cattle on feedlot.

The business plan required R3million from CASP, of which 50 per cent was to be invested by government and project members were to contribute 50 per cent (R1.5million). Project members were already struggling to source own contribution. This amount allocated was to cover 4km fencing at a cost of R490 200, construction of a feedlot at a tune of R2 509 800. At the time of the visit, the Committee found that only a 4km fence, costing R490 000.00, was constructed and completed, but one camp did not have gates. The fence was already not a steady position and should the project gets a greenlight to continue, a major investment in infrastructure would have to be made again. In summary, the delegation found that there was no feedlot in place for reasons explained by both DARD and project members as discussed below.

The following summarises the reasons for abandonment of the project:

- Itendele mine was reportedly going to expand to the feedlot project site. The mine development affected the Somkhele area. Therefore, government put the project on hold as there was an indication that the project site will be affected.
- Project members were also struggling to make own contribution of 50 per cent.

The following points summarises the concerns of the delegation with regard to the delays in the implementation of the project:

- The competition between mining and agriculture was a threat to land-based rural livelihoods.

- The beneficiaries were left alone to deal with the matter without the assistance from the DARD. They are dealing with huge mining interests in the area, hence the project has stalled.
- It was unclear if there was any feasibility study and impact assessments conducted prior to the approval of the project. The study could have raised all these concerns before the DARD erected a fence;
- It was unclear what processes were followed by the mining company, especially with regard to securing lease from the Ingonyama Trust Board which administers communal land on which feedlot is situated. This further points to weak tenure security where rights of the vulnerable can be withdrawn in favour of large corporates who might pay higher lease fees than community projects.

4.3 Coastal Cashews Cooperative

The Coastal Cashews Co-operative is located at UMkhanyakude District in ward 16 under Umhlabuyalingana Local Municipality. The farm is approximately 1000ha with 630ha under cashew nuts production. The farm is the second largest cashew farm in the world and the biggest in Africa. The project started as Maputoland Farm in 1997 and the owners of Maputoland Farm decided to sell the farm due to the fact that it was not commercially viable. The community consisting of 250 members bought the farm from the Industrial Development Corporation (IDC) and Ithala in 2004 with an aim of produce cashews for commercial purposes. The DARD assisted the project members to purchase the enterprise for R3.6m in 2003, excluding the land because the land is owned by the Ingonyama Trust. The DARD further assisted the cooperative with R439 000 worth of production inputs in 2009. The enterprise is run a joint venture where strategic partner holds 20 per cent shareholding in the business whilst project members own 80 per cent.

Many attempts to revitalise the business were not successful until the project members decided to approach Techno-Serve to develop a turnaround strategy, including a feasibility study and business plan. With these documents, the project members approached the DRDLR in 2016 to assist with the revitalisation of the farm. Through the RADP, the DRDLR approved R9.3 million. It was used for the implementation of the turnaround strategy and rehabilitation of the

farm, to purchase tractors, fertilizer, and to pay salaries of the employees. Further, DARD contributed R1.1 million from Landcare in 2016/17 to assist with farm rehabilitation. About 35 people were employed under this programme.

The farm has a lease with the Ingonyama Trust and the remaining lease term is 17 years. The Cooperative reported that it was paying lease fee of R30 000 per annum with 36 employees. It struggles with payment, and it does affect the profitability of the enterprise. However, there is a good relationship with the Trust and not required to pay rent when the project has not generated enough income. For this reason, the cooperative is trying to diversify with charcoal production, they also have a funding from British American Tobacco to develop tobacco fields, they were also expanding with 10ha of mango orchards, 2ha of yellow cayenne, 10ha of pineapple, 10ha of macadamia. These plans were to be implemented over the next ten years.

The existing challenge is that the project requires upgrading of the farm, especially the irrigation system and fencing of 1000ha. The estimated cost of improvements is R4.25m.

The project has the market on HEIDE from Stanger and from Durban and Total Garage Manguzi. Being the only producer and processor of cashew nuts in the area, the demand is high. The project is doing well however need to be supported for expansion of the farm and payment of rent. Members of the Committee were generally satisfied with the way on which the farm was progressing and encouraged the department to ensure that the project is prioritised and be assisted for the period three financial years so that it can sustain itself. The Committee noted the following:

- Absence of youth in the project and encouraged project members to work with their children and start to introduce them to farming;
- Explore mechanisms that would ensure that every member of the cooperative feel that they are inclusive in decision making to avoid emergence of concerned groups that challenge decisions made by the group;
- Ensure that there are possible benefits that accrue to members of the cooperative because if they do not see the benefit of the project the project might collapse; and

- Emphasised a need for skills development and training among farmers so that the strategic partner will find no reason to continue mentoring them.
- Apart from commitment to assist negotiating new lease terms with the ITB, development of a business plan, confirmation of beneficiary lists, and assistance with the Eskom bill, there was no financial commitment made by both the DRDLR and DAFF.

4.4 Abaqulusi CRDP

In July 2009, community leaders from Wards 5 and 7 in Abaqulusi Local Municipality wrote to the Minister of Rural Development and Land Reform, Mr G Nkwinti at the time, explaining the plight of their communities and requested his department's intervention. It was to start with Sikhame village, an informal settlement situated on the eastern outskirts of Vryheid town, which arose from occupation of land by victims of evictions from commercial farmers. There were approximately 120 households who needed support. In essence, the living conditions on the land were extremely bad.

The Minister, having consulted the MEC for Agriculture, subsequently instructed the DRDLR to use the new CRDP framework to make interventions to assist the communities in Ward 5 and 7. To facilitate the process, the Vryheid District Office convened and formed a Technical Task Team which consisted the Abaqulusi Local Municipality, the Department of Agriculture, the Department of Human Settlements, Regional Land claims commission, SPI and Community Leaders. The task team at the time conducted a survey to gather socio-economic data about the area. The survey and other initial assessments of Sikhame revealed serious socio economic problems faced by community. A detailed analysis was undertaken on all the municipal development plans; sector department plans including housing; health; education and social welfare.

From the analysis a complete list of projects either planned or being implemented was compiled. The task team could only identify one project for the area i.e. a housing project close to Sikhame called Vryheid Extension 16. The project was halted due to planning errors by the municipality. They had not applied for MIG funding for bulk infrastructure. The task team also identified a

desperate need for a crèche as the existing was overcrowded and poses serious health risks. Two projects were identified for Sikhame settlement i.e. the provision of bulk services for 903 low cost units, this project costed R 3 168 942.04 and it was completed in March 2011 and the construction of a crèche, this project costed R 697 941.00 and it was completed in October 2010.

The approach to ward 5 was identified as the post-settlement approach as most of the settled land has been purchased through SLAG. The focus was on improving economic, social and public infrastructure and food security for all. The task team identified projects with the Department of Agriculture and developed a business plans for fencing and irrigation system for 4ha vegetable production at a cost of R250,000.00, fencing and purchasing of tractor at a cost of R500,000.00 and poultry erection of poultry structure at a cost of R250,000.00. In addition, a need for sanitation was established in partnership with the Zululand District Municipality and for Abaqulusi cluster 1 sanitation, 677 Pre –Cast VIP toilets were installed of at the cost of R 2 283 960.36 and for Abaqulusi Cluster Two sanitation, 722 Pre –Cast VIP toilets were installed at the cost of R 2 909 568.42.

In October and November 2010 ward 5 was affected by storm and flood disasters. The DRDLR together with disaster management undertook a detailed analysis of the damage and identified the 10 most vulnerable homesteads. The Technology Research and Development Branch was requested to assist with identifying possible new technologies that would be appropriate for the area. The concrete house technology was identified as the most suitable. A contractor was appointed to build the 10 houses in Ward 5 in June 2011. The project was completed in 2012 at a cost of R2 000 000.00.

The DRDLR has disbursed funds to the projects for the provision of bulk services for 903 low cost units, construction of a crèche, disaster response, abaqulusi cluster 1 sanitation, abaqulusi cluster 2 sanitations, fencing and irrigation system for 4ha vegetable production, bloemendal fencing and purchasing of tractor, Mghobozi poultry erection of poultry structure. The impact of the project was that 120 households of Sikhame were moved from informal settlement to extension 16, and 100 children were accommodated at crèche (at the time of the visit, the crèche accommodated 150 children of Sikhame), 800 instead of 903 households benefitted from bulk

services and 1399 households benefited on cluster 1 and 2 sanitation. Government invested approximately R13.3 million in the Sikhame project.

The delegation visited the SASCO Bulk Infrastructure, Sikhame Creche and KwaMnyathi Housing Project (VIP toilets). The following points summarises members' response at the site:

- The DRDLR have abandoned CRDP sites, there were no plans to continue supporting rural communities where CRDP interventions were made. At the site, officials indicated that the last time they visited the site was 8 years ago.
- CRDP site has not transitioned from the phase of meeting basic needs to enterprise development and ultimately rural industrial development and marketing support. The Agri-Parks are detached from the original CRDP sites.
- The creche (not a permanent structure) was dilapidated posing a serious hazard to children. There were no maintenance plans from local municipality, DRDLR and Department of Social Development. The Creche was not officially handed to the other relevant departments or authorities.
- Some of projects that were promised did not materialise; for example, paving of roads at Sikhame, installation of solar panels in each house, establishment of vegetable gardens and distribution of jojo tanks to households so that they harvest rain water for irrigation of household vegetable gardens; permanent structure for a crèche never materialised.
- At KwaMnyathi Housing VIP toilets, the problem of lack of access to water and about 300 households are without toilets and some of the households who were not assisted with houses after the disaster still don't have houses as well as electricity. Both Igalelo irrigation and Mghobozi poultry have collapsed.
- The cluster of land reform projects around KwaMnyathi have not received further post-settlement support. The idea of CRDP site in areas where land redistribution has taken place was a noble one, however, there was lack of proper plans to ensure that settlement support result in increased productivity.

4.5 *Liberty farm*

Liberty farm is a dairy farm acquired through the PLAS at the cost of R15 million and transferred to the State in 2011. It comprises 120ha of pastures, 13ha of functional irrigation system, 1367ha of grazing and buildings. It therefore has a total of 1495ha and its carrying capacity is 2.0ha/AU. A group of farmers were recommended to lease the farm for a period of three years, it is three men and three women. One of the beneficiaries, a former councillor, joined the project in 2016.

The DRDLR approved RADP fund of R5.5m used as follows: purchased 228 beef cattle (R2.3m), 50 dairy cows (R544 500.00), 244 sheep (R436 000), farm machinery and equipment (R798 750), replanting of pasture, working capital, and other overhead costs (R1.3m), and payment of mentor (R15000 per month). The DARD also assisted with R1m for purchase of 50 heifers and 2 bulls, installation of a fully equipped borehole at the cost of R293 573.00 and 16 km boundary fence R1.3m.

The farm was fully equipped with 600l cooler tank, fridges (2x), cold rooms (2x), 1100l milk tank, washing machine, land cruiser, landini tractor, water pump. The farm was bought with cows, cattle sheep and implements as discussed. At the time of acquisition of the farm, the parlour could accommodate 6 dairy cows at a time, producing 600l of milk tanker. After recapitalisation of the farm, and upgrading of the dairy through a R1m loan received from Old Mutual Foundation, the facility could handle 136 cows per hour due to an increase from 6 to 16 cows being milked at a time, thus helping to increase the volume.

At the time of oversight visit, the farm had 99 dairy cows, 29 dairy cows in-calf, 39 sheep, 93 beef production livestock and 3 bulls. The beneficiaries reported that there are serious threats to livestock, especially jackals that kills sheep and stock theft. They suggested that it was vitally important that rural safety was given attention because farmers were losing stock due to theft.

The committee noted the following:

- The farm was showing signs of improvement, especially boosted by the loan from Old Mutual;
- The training offered to farmers appeared to yield results. Members were informed of clear division of labour among the beneficiaries, from bookkeeping, managing the livestock, overall management of the farm and security, as well as driving, with men doing most of the hard labour.
- The farm creates opportunities for interns to learn on-farm. At the time of the visits, there were four students accommodated on the farm contributing in dairy farming.
- It employs four permanent workers.
- They requested assistance with the conveyer to convey feed trout to the cows.
- The lease expired in 2015, the DRDLR failed to renew the lease and there were no clear reasons for failure to renew the lease. Farmers, however, did not appear concerned about threat of eviction. They reported that full ownership put them in a stronger position. They proposed that land should be given to them in title.

4.6 Spitskop Farm

Spitskop farm was acquired by the DRDLR in 2007 through the PLAS and leased to Plain Trading 4cc in 2010. The total extent of the farm is 1626.9327ha. The lease expired in 2015 and a caretaker arrangement was entered into whilst the application for a new lease was in process. The rental fee was R60 742.00 per annum, with annual escalation of 5 per cent.

In 2015, after the expiry of the lease, the farm was supported with R5.6m through RADP. The money was for acquisition of production inputs, implements, machinery, development of requisite infrastructure, mentorship fees, salaries and wages, and farm house repairs. A further R228 000.00 was approved for accounting fee where a project accountant was recruited to assist with bookkeeping. The project accountant and beneficiary open a joint bank business account where all project funds will be deposited in order to improve accountability and transparency. During implementation of the project, the representative of Plain Trading 4cc (Mr. Zamokwakhe

Khuzwayo), who was the only director of the cc passed away in November 2016 and at his passing there was a remainder of funds from the first tranche which were due to be spent on farm activities. The wife of the late Mr. Khuzwayo (Ms. Nomalungelo Khuzwayo) was then assessed by the then UMzinyathi District Beneficiary Selection Committee and was recommended. The DRDLR then tried to assist her to be approved for allocation and obtain a lease for the farm. During this phase, the DRDLR discovered that Ms. Khuzwayo abused the remainder of funds that were in the account. This matter was then reported to the authorities within the DRDLR and South African Police Service. However, the SAPS advised that it is not a criminal matter, rather a civil one.

The challenges in the project started with the passing of the representative of Plain Trading 4 cc, who was the only director, Mr Z Khuzwayo, which resulted in the remainder of funds being misappropriated and not accounted for. For this reason, the farm could not function and there was no production. Ms Khuzwayo removed all implements, machinery and equipment from the farm without consulting the DRDLR. Due to SAPS refusal to open a criminal case, the matter was referred to the legal section of the DRDLR in the provincial office. Further investigation was being conducted by the Internal Audit, specifically dealing with the alleged misappropriation of funds and possible theft of farm machinery, implements and equipment. At the time of the oversight visit, the farm was abandoned, farm house vandalised, fence already collapsing. The DRDLR was in the process to finalise re-allocation of the farm. Potential Lessees were assessed and one was recommended.

The case of Spitskop raises several critical matters for policy and improvement of systems within the DRDLR:

- Long-time lapses without provision of support to land reform beneficiaries;
- Extension officers almost absent in most of PLAS farms that were under recapitalisation, and there was reliance on mentors and strategic partners.
- Approval of grant funding (RADP) after the lease was expired

- Poor lease management in the DRDLR and lack of monitoring/inspections on state farms which have been leased to farmers, hence farmers can remove property without government knowledge.
- Lack of clarity in terms of ownership of machinery and other equipment that government assisted farmers to purchase through grant funding. Ms Khuzwayo appears to believe that the property belongs to her late husband, hence removal from the farm.
- Committee was concerned about one-sided story presented by the DRDLR without information from Ms Khuzwayo. Further engagement would be required.
- Allocation of farms for PLAS does not appear to follow district-based (area-based) approach where local needs were identified and met through available land, if that was the case, the labour tenants who squatted on Zamokuhle CPA, removed from Spitskop, would have been a priority for allocation of the farm.

4.7 Zamokuhle CPA

The registered property name of this project is Tweifelfontein NO.187GT. It was acquired by former labour tenants who lodged an application to acquire land. In 2005, the then Department of Land Affairs purchased portion 1 and 7 of Tweifelfontein through LRAD in settlement of the application, and registered under the Zamokuhle CPA as a registered legal entity for communal ownership of land. The land is about 415.6564ha in size. The potential arable land is about 70ha of which 30ha can be irrigated since it is along Buffalo river and the 40ha of dryland. The remaining land is for grazing and settlement.

The land was purchased in settlement of 20 labour tenants' applications lodged in terms of the Land Reform (Labour Tenants) Act, No 3 of 1996. There were about 68 beneficiaries, with 35 women and 26 youth. As reported during engagements with members of the CPA, there were other former labour tenants who were evicted from their farms and were resident on their land, resulting in overcrowding especially with limited carrying capacity of the land.

With the balance of grant, the CPA purchased 17 cattle, 1 tractor and other implements. However, the CPA members informed that the machinery and implements were in a state of

disrepair because of age and the fact that they were being shared with other three CPAs in the area, namely Bambanani, Mthethofanayo, and Sbonelokwezi. The community reported that the assistance that was given by government had no impact at all. The 17 cattle that were given to the community were not suitable for the area and some died as a result for inability to acclimatise with the new environment. The CPAs also reported there was no support from government, especially with regard to provision of water, roads, electricity. They were only being assisted by their neighbouring farmer who employs majority of the people on the farm. The farmer, Mr George Shaw, provided a borehole in order for them to get water and is also assisting them with road maintenance.

Challenges reported were arable lands that are not fenced, farmers never supported with production inputs, no proper skills especially in agricultural production and marketing of agricultural products, most of the people were not working including youth, no school, depending on the mobile clinic, no electricity and reliable drinking water. The community had also accommodated households from other farmers and therefore has a challenge of not having enough land for grazing as well as the space for planting.

The delegation raised their disappointment about the Zamokuhle CPA situation and requested the District Mayor, Mr S Mdluli and the Chairperson of the Provincial Portfolio Committee, Ms Sbhidla-Saphetha who were also part of the delegation to ensure that the CPA is given the attention that it deserves by the department. It was concerned that Zamokuhle CPA was among the abandoned land reform beneficiaries.

4.8 Westcliff Project

The project acquisition and packaging was led by the Minister's Tactical Task Team (MTTT) and National Empowerment Fund (NEF). Mr Andrew Brathwaithe the previous owner and strategic partner agreed to sell part of his farm land reform purposes to the Ekhamanzi Trust which is the Westcliff Farming Pty Ltd, an employee's Trust. The DRDLR through the KZN Provincial Office purchased the Westcliff Farm, portions 20, 13, and remainder of portion 8 of Paardfontein NO 1299 and portion 7 of Houghton No1358 through the Strengthening of Relative

Rights of people working the land (SRR) as a pilot project. The entire hectares of properties acquired is 465ha. The total cost of land acquisition was R26m. The properties were transferred in the name of the State on 13 July 2016. A total of 249ha is under sugar production, 132ha timber, 10ha irrigated vegetables, and 3ha foliage plants under shaded cloth.

In terms of the SRR model, government facilitated shareholding arrangements as follows: Workers Trust held 45 per cent, farmer held 50 per cent, and NEF held 5 per cent. The parties were represented as follows: Mr Andrew Brathwaithe (farmer) and Workers Trust was led by Mr Robert Ntuli and the National Empowerment Fund on behalf of government. As indicated above, the financial contribution breakdown is as follows:

- Land acquisition amount: R26 000,000.00 (DRDLR funding)
- Workers shares amount: R1 700, 000.00 (DRDLR funding)
- Working capital loan: R5 300,000.00 (NEF Loan)
- Equity contribution by farmer: R1 700.000.00 (i.e. R949, 000.00 in cash and R751,000.00 in movable assets)

The main challenge of the project is the 5% NEF shares-DRDLR representative to the board is still to be confirmed since NEF has left the project. A need for the workers to be involved in the operations of the business to ensure sustainability or lack of skills development and knowledge of the industry. The Westcliff has written to the DRDLR requesting waive of rental until harvesting of avocados as the project receives low profit due to sugar tax, uncontrolled imports and exchange rates.

Since the project was a pilot project, the delegation failed to understand the reason why the project was still managed by the Office of the Minister. There were questions which the officials from the provincial office could not respond as they were being handled by the national department. This was an anomaly. The delegation also wanted to understand why the NEF the company that provided the project with a loan is also a shareholder in the business and the reason why the 5% shareholding of the NEF is deducted from the workers trust. The national department was in a better position to engage on this matter.

One of the major concerns of the delegation was the skewed power relations when a former boss enters into partnership with workers. The power relations remain the same unless a clear programme was being run to ensure transformation of those relation.

Some of the project highlights were as follows:

- Workers Trust shared R360 000.00 among themselves, i.e. R7800 for home improvements
- It is running successful accredited training programme by SASA Academy, including first aid, supervisory skills, tractor drivers, boom sprayer calibration and use of knapsack prayers

4.9 Tasma

Qalakahle as it is commonly known, is managed by co-owners; Mr Dlamini and Mr Mngomezulu. The 238,5168-hectare farm was acquired through a Pro-Active Land Acquisition Strategy in 2008 at a cost of R17 400 000. They are specialising in sugarcane farming. They received a grant of R4 350 00 through Recapitalisation and Development Programme for the procurement of production inputs and infrastructure improvement. They have an agreement with Umfolozi Sugar Mill for the supply of the sugarcane. Both Umfolozi Sugar Mill and the farmer do not determine the price but is determined by the industry. They were also affected by drought between 2016/17 and the high rate of crime remained a concern, as they have to buy power cables now and again. The farm was also affected by the lease fee collection demands from debt collectors whereas the Minister of Rural Development and Land Reform had promised that they would not have to pay lease.

4.10 Boardmans (Big Cedar Farm)

The business is registered under the Big Cedar Trading 75 and represented by Mr BJ Mbuyazi. The farm was acquired through PLAS, with a lease agreement of 30 years for R13 500 000. The farmer could not, at that time, afford payment of lease and sought government intervention to avoid demands from debt collectors. During the engagement on the 17th, the DRDLR undertook to deal with the matter of lease agreement and lack of payment of fees. However, the DRDLR

was bound by Public Finance Management Act to collect rental fee until such time farmers were granted some form of relief.

The farm has a total of 164 hectares of sugarcane, the main commodity, and 1.5 hectares of banana plantation. The property is 199, 8799 hectares all-inclusive of commercial land, buildings and improvements. The received a RADP of R3.3 million. Their challenge is the high rate of unemployment resulting in demand for jobs and crime (electricity transformer and water engine pump), rising costs of production, closure of estuary mouth poses a threat to production as it has already done in the neighbouring farmers, drought and climate change. Of the 50 jobs created, 21 is permanent and the remainders is contract workers. Training is offered by the sugar industry. The farm sustains its business through complementing it with cattle grazing to assist in payment of salaries where there is no income from sugarcane. They are in a process to diversify the farm for macadamia nuts which yield at least R90 000 per hectare.

4.11 Ndumo FPSU

The Ndumo Farmer Production Support Unit (FPSU) forms part of an Agri-Park concept initiated in 2015, as part of the presidential Nine-Point Plan, to revitalise agro-processing and agriculture throughout South Africa. It is located in Emhlabeni Village, Ward 17 of Jozini Local Municipality. This FPSU consist of 10 enterprises, that is 9 cooperatives and 1 company which jointly form a secondary cooperative known as Ndumo FPSU Secondary Cooperative. The total number of members are 206 from 621 households, 20 of them are youth, 124 are women and 3 people with disabilities.

This FPSU is sub-divided into 2; namely, Ndumo A and Ndumo B covering a total of 1559ha. About 500ha is under irrigation and 1059ha is under dry land. Its primary production is crop production, mainly vegetables. Government has invested R30m, DRDLR contributing R9.7m for 3 tractors, fencing, storage sheds, cold room and warehouse, refurbishing irrigation system, office space and office furniture. The DARD provided two tractors and supported the enterprises with extension advise and inputs including seedlings, seeds, chemicals and fertilisers. Other role

players involved in the project are Technoserve which contributed an 8ton truck, Accenture provided training facility and LIMA provided accredited training.

Ndumo FPSU contributes to food security, income generation and skills development for local communities. It is also part of interventions to revitalise agricultural production in rural areas, promote access to markets. Through this initiative, community members have also identified arable land within communal space to be put under production in order to create more opportunities for agricultural production. Therefore, a budget of R1.5m has been set aside to upgrade an old pump station, R188 100.00 has also been set aside for mechanisation support on 60ha. Since 2016 to date, the total budget for Ndumo was R3 135 100.

Some of the successes are:

- It employs 150 people on a full-time basis, responsible for administration, security, drivers and operators.
- More than 800 people are employed as farm labourers, of which 60 per cent are youth and 90 per cent are women.
- It provided training for agricultural graduate trainee
- It also provided basic training on computer literacy
- It supported establishment of new enterprises, for example sub-contracting during infrastructure development; e.g. fencing.

The challenges it experiences are as follows:

- Lack of access to credit from lending institutions,
- High electricity tariffs
- Aging machinery and dilapidated infrastructure
- Lack of skills in financial management
- Lack of tenure security and inability to use the land as a collateral to access loans and other banking facilities since the land is owned by the Ingonyama Trust, under the Mathenjwa Traditional Council.

4.12 Makhathini Irrigation Scheme as a Farmer Production Support Unit under Agri-Park

Makhathini Irrigation Scheme was established in phases from 1978, 1988 and 1993 for smallholder farmers in order to address food security Makhathini and the surrounding areas. The Makhathini Cotton (PTY) Ltd was formed and it purchased cotton gin and operated a successful farming enterprise until 2007 when it ran into financial difficulties and ultimately liquidated. In 2010, the DAFF purchased the cotton gin from liquidators and invested R20m for the resuscitation of the project. In 2013, a new operation under the cotton farmers took over the operations. An entity of the DARD, Mjindi Farming Services, was established as an implementing agency to provide a range of services such as irrigation water, agricultural advisory services, promotion of agri-businesses and the developmental and maintenance of agricultural infrastructure, including pump stations, canals, drains, dams, infield roads, fences, underground irrigation pipes, hydrants and centre pivots.

As a FPSU, Makhathini is made up of 39 enterprises, i.e. 28 registered cooperatives and 11 associations to be registered. They are all primary cooperatives found across different wards in Jozini and Umhlabuyalingana Local Municipalities. They collectively make up the Bonga Cotton Secondary Cooperatives. There are about 538 males, 824 females and 114 youth are involved in the scheme.

The DARD provides grant to farmers through Mjindi Farming Services. There are difficulties in accounting for its interventions on Makhathini. The Mjindi Farming Services will close down under the amalgamation of state owned entities in the province by end of the year 2019. There are ongoing engagements with stakeholders to develop a sense of ownership of the community property. Other role players are the Agricultural Research Council who is providing mentors and DARD who also employs interns and deploy them to the project to support production. With regard to the DRDLR, about R18.4m was invested at Makhathini. The fund was used for fencing, refurbishment of the irrigation system, mechanisation including 6 tractors and their accessories, 4 vehicles and input costs for cotton production. DRDLR also assisted with repairing the cotton gin. The total cotton yields for 2018/19 was 92571.3 tons with an estimated

gross value of R101 335 921, food crop yielded 11 509.8 tons and industrial crops yielded 81 062.5 tons. With regard to FPSU, it operates on 1978ha under dryland cotton production and 200 under irrigation, with more than 2000ha earmarked for future expansion.

The scheme is faced with the following challenges:

- Farmers lack working capital;
- Land disputes among farmers as well as disputes from outside the scheme (tenure insecurity);
- Lack of access to markets, especially vegetable markets;
- High costs to transport sugarcane; and
- Theft and vandalism of infrastructure and aged infrastructure.

Some of the highlights reported to the Committee are as follows:

- Food security
- Job creation, where 33 permanent jobs have been created in management, administration, extension services, security and processing. A further 75 seasonal jobs are being created annually.
- Skills development in management of cotton production;
- Increase in number of cotton grower

4.13 Umkhanyakude Red meat FPSU (Drought relief programme)

This auction facility was built in 2011 for an amount of R5.3m and during the drought in 2015, it was used for customary feeding, training communities on how to look after their cattle's and vaccination to prepare them for auction. The capacity of the facility carries 500 cattle's. The committee was concerned that, even during the meeting of the 17th September 2019 in Parliament, DARD could still not account for Drought Relief funds. It therefore recommended forensic investigation into this matter, alongside other areas that were not adequately addressed.

4.14 Gluckstadt

Gluckstadt Primary Co-operative is a grain cluster made up of farms acquired through land restitution. There are about five communities that form part of this cluster, i.e. Gluckstadt, Izanathi, Siyathuthuka, Thuthukani, and IMvanan. They are organised as CPAs and Community Trusts to own the land. Gluckstadt cooperative has 45 members. It is situated at Abaqulusi Local Municipality within jurisdictional authority of Emathongeni Traditional Council.

These beneficiaries were clustered in order to encourage sustainable grain production because the farms have a great potential soils. DARD was involved in this project between 15 October 2015 and 30 June 2018. It invested R2.1m to assist in maize production on 150ha of dryland and 50 ha of dry beans on dryland. They market their produce to AFGRI, local markets, hawkers, service providers and supply school food nutrition programme. Among the socio-economic benefits of the project is that it created 2 permanent jobs and 68 seasonal workers over the past 4 years. For the beneficiary households, 15 per cent of the produce is shared amongst themselves and the rest is sold to the markets to generate income. They are currently using a private local maize milling plant, intend to establish their own maize milling and pack house in order to better service their established customers and maximize profit. The Committee found out that the cluster was not yet aligned to any of the FPSU and DARD was planning to align grain cluster to the FPSU to enable increase production and support.

Some of the existing challenges noted are as follows:

- They do not own equipment and relevant machinery. They were using leased tractors from the DARD.
- They also require support in terms of production loan facilities which are also essential for long-term development of farmers and expansion of their operations in the value chain.
- The land used is limited, the farms are located far from each other. Acquisition of a large-scale farm could assist to make farm management easier and cost effective.
- They lack storage facility for grain, and they keep their produce at their respective home storage.

The Committee noted that there was a need for integration of the project in to the existing FPSU in order to support the grain producers in this area because it is one of areas with high production potential. Further, the Committee noted that despite the challenge of large group production challenges, especially CPAs and Trusts, this cluster appear to function well. The Committee attributed this to agreements around common goal, united leadership, and common understanding of the direction of the farm and commitment to productive use of land.

4.15 Empangisweni Citrus

Empangisweni Community Trust, chaired Inkosi DV Zondo of the Empangisweni Traditional Council, was formed in 2004 beneficiaries acquired 520ha through Restitution of Land Rights. The Commission on Restitution of Land Rights awarded restoration of rights to 300 households, with 2700 beneficiaries, 1547 women and 1200 youth.

The DARD has funded the project, about R18 million is the total project cost. However, they have stopped due to budgetary constraints. Lack of financial support from government has had a negative impact on production. Their produce is no longer suitable for both local and international markets. It can only be processed for juice. There is an urgent need for support in the maintenance of fruit for better quality, if it is to be exported. They also lack of suitable equipment such as small tractor.

Notwithstanding all the challenges mentioned above, the Trust employs 60 permanent workers and more people employed seasonally, especially during harvest. At the time of the visit, it was reported that about 320ha is under centre pivot irrigation and the farm had vast grazing areas. They produce citrus, specifically lemons and valencia. The total area of orchard is 100ha with 40ha of eureka, 30ha of oranges, 30ha of unplanted orchard and 10ha still to be established for planting ridges.

Pack house was established to assist with packaging and grading of produce, market is locally and the plan is to supply international market. Water reservoir to be established to mitigate drought and the DARD will provide operational budget to assist the project to sustain itself.

Costed intervention strategy for 2018/20 (R4 217 674.00) and 2019/22 (R4 700 000.00) has been presented for consideration by the DARD. The business will be integrated to RASET programme as an exit strategy.

The DRDLR has invested R12m in the construction of a pack house for packaging and grading produce, irrigation for vegetables (R3m), and production of vegetables and essential oils (R2m). A further, R6m was investment for infrastructure development to erect fence and farm machine to produce maize and soya beans, only fencing was confirmed, R3m for the establishment of citrus, which they do not believe if it costed that amount, R5m for green and vegetable production inputs, R2.5m for citrus establishment and maintenance, and R8m from Cogta for fencing the pack house,

Some of the challenges noted are as follows:

- The R12m for recapitalisation was received through Ithala as a loan and Inkosi Zondo had to repay the loan personally.
- Beneficiaries denied receiving R3m for a 100ha irrigation vegetable scheme, according to them only 55ha of a centre pivot for citrus received from DAFF. According to them only a demonstration of an essential oil was done and they were only left with the essential oil seeds without consultation, they also brought the plant 2013:
- For a R6m allocated for infrastructure, the project could only confirm the erection of fence no machinery was purchased or delivered to them;
- R3m allocated for the establishment of citrus was denied, according to the trust the work done did not amount to R3m;
- R2.5m allocated for green, vegetables production inputs were never communicated to them, and nothing was received to that effect; and
- According to the trust from R8m allocated by Cogta, R6m was given to Intsika Foundation through ADA for a job that was never done and some money was given to engineers that did not do anything for the trust.

Given the counter allegations of corruption from both beneficiaries and government officials, the Committee recommended that there be forensic investigation into the finances and operations of Empangisweni projects. The Committee requested that the terms of reference be forwarded to the Committee.

4.16 Zuzanawe (PLAS farm)

In 2011, government acquired about 1166.7ha of agricultural land at the total cost of R6 713 345.00 through PLAS. The farm was allocated to 10 beneficiaries who organised themselves as emerging farmers to form Zuzanawe Agricultural Cooperative. This cooperative signed a lease agreement of 3 years. It was yet unclear at the time of the visit if the lease was renewed for a further 30 years.

In 2016, the cooperative received RADP funding amounting to R5 919 954.00 for developmental support. The fund was used to purchase Brahman Bull and farming equipment, 6.5km game fencing, construction of dam wall and repairs, remedial work on water facility, 18 Nguni, John Deere 1750 Planter, Construction of dam wall and repairs, and completion of Zuzanawe Fencing.

Only 10ha was planted in 2018. The Cooperative has temporary jobs generated during the construction of the fence. The challenge for the project is veld fires that burnt down the boundary fence and resultant cut off in the electricity.

4.17 Jabula Zondi Trading (PTY)Ltd

In 2012, government purchased Portion 8 of Spitzkop No.1133 GT through PLAS in 2012 and registered it in the name of Government of the Republic of South Africa. The total cost of land and improvements amounting to R513 000.00. The farm is leased by DRDLR to Jabula Zondi Trading (Pty) LTD, represented by Mr Jabula Zondi. A 30-year lease was signed.

The farm is suitable for cattle, goats and planting vegetables on a small scale. However, at the time of acquisition it was already in distress. Due the challenges of production, and the farm being in poor state was not in a position to launch Mr Zondi into commercial farming. Government therefore decided to recapitalise the farm, especially to improve infrastructure, purchase equipment and machinery. A total of R 3 426 511.00 from the RADP was invested on the farm. The amount was used for a range of items including, mentorship fee (R15 000 monthly), oxen and breeding goats' inputs, cows, wages, Eskom deposit, chemical tree eradication, Knapsacks, upgrading of water and fencing infrastructure, firefighting water tank, bakkie sakkie, bakkie trailer and diesel tanker. In addition, they planted 8.3ha of eragrostis and haymaking. They further purchased MF290 Tractor, 2 4tons wheel trailer, 2 chainsaws, 1.5m of Harrows, Boom Sprayer I (600 litres), Vicon 4-disc Mower, 5 Wheel rake, 1.2 metre Round baler, Bale fork and Bakkie Trailer

At the time of the visit, the farm had 70 cattle and 37 goats, an improvement. However, the farm was significantly affected by drought. It also suffered from the loss of livestock from jackals that kill goats and sheep in the main. The cattle handling facility and fence that the committee saw were in good condition.

4.18 Amangcolosi Community Trust

The Community Trust, Board members, beneficiaries and Ithuba Agriculture (Pty) Ltd attended the meeting. Amangcolosi Trust received 8000ha of land through restitution in 2005. The Department purchased the land for an amount of R140 million. Ithuba Agriculture (Pty) Ltd was established to take responsibility for farming the restored and keeping it productive. Ithuba is wholly owned by Amangcolosi Community Trust and has employed more than 500 permanent employees. It is rated amongst the best businesses in the country.

The 8000ha farm is divided into commercial rain fed sugarcane (1 943ha), timber (3300ha), white maize (100ha), Kiwi fruit (3ha), chillies (2ha) and leather leaf fern (1ha). The business has supply the agreements for the above yields with Gledhow Sugar Mill and NCT Forestry Co-operative. Maize and chillies are marketed via Afgri respectively whilst the kiwi fruit is bought,

packaged and sold nationwide by vegetable farmer. Sugarcane is yielded every 2 years with an average yield of 50 000 to 60 000 tons and delivered to Gledhow Sugar Mill, pine and eucalyptus timber are harvested yearly with an average yield of 17 000 tons marketed to NCT Forestry Co-operative.

Since 2010, the farm has been able to pay a cash dividend to 401 beneficiaries. The Trust has also set up a bursary scheme, and six students were awarded bursary. These students were expected that, after graduating, they would give back to the community either by working at Ithuba, Kranskop or KwaZulu-Natal for a minimum of four years. The Trust was also involved in social development projects to improve living conditions in their area and encouraged youth to get involved in such activities to avoid them from being engaged in criminal activities.

Some of the highlights of the project are as follows:

- The enterprise has been able to keep financial statements from 2010 to 2019;
- They have declared dividends to member households (profit mainly driven by yields in kiwi, timber, white maize and sugarcane);
- They initiated bursary scheme and have social responsibility initiatives supporting local soccer teams and building of a Lutheran Church);
- water and electricity projects benefiting households, refurbishment of dipping tanks; and fencing of grazing land; and
- Adoption of schools.

Some of the challenges reported are as follows:

- There is ongoing threat from a concerned group allegedly seeking to disrupt production and the smooth running of the Trust.
- Huge amounts of funds lost because of court cases, i.e. Ithuba Agriculture (PTY)Ltd vs concerned group).
- The death of the former Chairperson Mr Dlamini left them with a vacuum, as he was there one who initiated the idea of the business establishment.

4.19 Westwood Trust

The farm is owned by a group of 55 farm dwellers (22 women, 23 youth, and 1 person with disability) who were given 245.3751ha farm, acquired by government at the cost of R3.28m through SPLAG in 2010. It is located in uMshwathi Local Municipality in uMgungundlovu District. It is a livestock farm with crop production as well. A total of 86.16ha is under irrigation, 79.11 under grazing. It can only keep 44 Large Stock Unit and 28.5ha for different crops and vegetables. The Trust through different households owns 305 cattle's and 445 goats. It employs 10 permanent and 14 temporary employees. They work together as a community; they pay dividends for 18 households.

The DRDLR supported the farm with R11.2m, broken down as follows: RADP account for R9.4m, 1HH1HA accounts for R1.6m and a further R232 800 allocated by the DRDLR for accounting fees. It was reported that the farm also benefitted from drought relief fund, however it was unclear how much government has invested in drought relief on this farm. The RADP fund was used to recapitalise the farm to ensure that it was brought under full production. Government supported them with purchase of Isuzu bakkie and truck, fence installation, fertiliser spreader, slasher, 2ton trailer, house refurbishments and other equipment.

Some of the highlights reported were as follows:

- Job creation as indicated. It was also reported that the farm has a potential of employing more than 300 workers directly or indirectly;
- The business has able to pay Eskom and no debt reported; and
- The installation of boreholes was also a beneficial development because they support all the households with drinking water.

Some of the challenges reported are summarised as follows:

- Unfinished job by the company employed to fix the pump station despite the full amount paid to it. There was not report from the Department about what they were doing to follow up on this matter;

- High costs for the rehabilitation of a dam, and the Department was unable to assist them because the dam was not on their property;
- Climate change has a negative impact on the business;
- Market requires washed potatoes, because they do not have machinery to wash and sort the potatoes, their potatoes were not qualifying to be sent to the formal markets because they lack required machinery; and
- They also do not have a cold room to store and prepare the produce for the market.

5. COMMITTEE OBSERVATIONS

The Portfolio Committee, having interacted with the DARD and PSSC project management teams, visited project sites and interacted with the farmers and beneficiaries, made several observations as follows:

5.1 Institutional organisation and mechanisms for post-settlement and farmer support

5.1.1 The collapse of land reform projects, as discussed in this report, can partly be attributed to weaker institutional mechanisms for coordinating interventions on land reform farms. Notwithstanding the coordinating function of the DRDLR, it appears that the DRDLR was implementing own agricultural projects which DARD found out about at a later stage, thus contributing to poor farmer support. The Committee has noted instances of cooperation mostly in Agri-Parks and CRDP. The visits to projects brought to surface occurrences of what is commonly referred to as ‘double-dipping’ where a project could tap into funding opportunities from both DAFF and DRDLR simultaneously.

5.1.2 There are no mechanisms to streamline funding of projects and ensuring that the intended beneficiaries are supported. As demonstrated by the case of Westwood, the DRDLR allocated 1HH1HA fund to a large-scale PLAS farm with 55 members which had already been funded under the RADP programme. The visit demonstrated instances where 1HH1HA funding was not allocated to households in communal areas, e.g. developing household gardens or own fields in irrigation schemes. The Committee concluded that there was lack of clear criteria for selection of beneficiaries to government post-

settlement and farmer support programmes. The delivery of support services, on the basis of the visited districts, appear to be concentrated in certain areas such as Makhathini, whilst others have received limited support, for instance Zamokuhle CPA is an example of neglected projects.

- 5.1.3 Lack of project monitoring and evaluation by both DAFF and DRDLR to ensure that value for money was attained, grant funding transferred to projects was used for intended purposes; and to ensure that agriculture-related skills and knowledge was imparted to beneficiaries.
- 5.1.4 Poor coordination among government departments, especially DAFF and DRDLR, has led to duplication of services and unaccountability with respect to reporting and project funding. The Committee observed disjointed and piece-meal approach to post-settlement and farmer support. For example, the planned Agri-Hubs and Rural Urban Marketing Centres under the Agri-Parks programme were non-existent.

5.2 *Land access, existing tenure models and impact on farming enterprises profitability*

- 5.2.1 Community projects operating on the Ingonyama Trust land, administered by the Ingonyama Trust Board, access land through leaseholds. The community-owned farming enterprises pay lease fee to run farming enterprises on communal land they own. One such enterprise was the Coastal Cashews which reported about the negative impact of lease payment on its profitability.
- 5.2.2 Access to land for agriculture is increasingly in competition with mining development. On the basis of the Mandl'enthutuko Feedlot, it seems government departments - including Ingonyama Trust Board – give preference to mining over other forms of land use. As discussed this reported, the feedlot project was put on hold due to possible mining development which might have secured a lease from the Ingonyama Trust Board and approved by the Department of Mineral Resources.
- 5.2.3 The KZN PSCC (provincial offices of the DRDLR) lacks an effective lease management programme. Under the existing system at the time of the visit, the farmers on PLAS farms reported inconsistencies with regard to the payment of lease fees; namely, some farmers were not paying leases despite their 30 years lease agreements with the State.

Some allege that the former Minister of Rural Development and Land Reform informed them that they should not pay lease. In some cases, leases have expired and there were no new leases. Notwithstanding lack of signed lease agreements, farmers continued to use the land under insecure conditions. Where farms were deserted, in the absence of leases and/or other challenges, properties have been vandalised and the DRDLR could not demonstrate any plans or existing mechanisms to manage leases.

- 5.2.4 Farmers were not in favour capital investments on farms because they did not own them and the leasehold system did not give them secure tenure for farmers to make long-term capital investments.
- 5.2.5 The DRDLR was not using district-based approach to identify potential leases or farmers. For example, Spitskop was occupied by farmers from Durban whilst in the neighbouring CPA there were landless former labour tenants squatting on CPA land belonging to other labour tenants. The Committee also found that there were existing restitution claims on the same land which have not been processed.

5.3 *Conditional grants expenditure and related service delivery*

- 5.3.1 The case of Mandl'entuthuko Feedlot demonstrated that DARD approved projects, sometimes, without doing a thorough feasibility studies and impact assessments which, according to the Committee, could have brought to surface the impact of mining development on the project prior to wasteful investment of R490 000 on fencing infrastructure.
- 5.3.2 In the last two financial years, DARD was unable to spend its allocated budget on CASP and Ilima/Letsema. Further, a growing trend to use funds for purposes other than those intended; for example, use funds for payment of salaries (graduates), uniform for government officials and other non-farm related expenditures agreed to in terms of business plans. It thus means that some farmers who could have benefited from the programme were left out because of inability to fully expend the funds allocated for farmers.
- 5.3.3 Notwithstanding funds allocated for infrastructure development, lack of water and water rights continue to impact negatively farm productivity. The situation was worsened by

persisting drought witnesses since 2013. Millions of Rands as discussed in this report that were not spent could have been used to improve irrigation infrastructure on some of the farms; for example, Liberty Farm which require pipes in order to pump water from Umfolozi River.

- 5.3.4 Development irrigation infrastructure in some projects such as Makhathini and Ndumo was welcome. However, lack of maintenance leading to dilapidation has undermined government intentions to increase productive use of land. For example, the Committee noted that Mjindi Farming – a provincial implementing agent – spent 93.6 per cent of its budget whereas 75 per cent of the infield water meters were not operational (783 of 1000) and only 78 per cent of the centre pivots were not operational (24 of 34).
- 5.3.5 The role of implementing agents such as Mjindi, ADA, Ithuba and other strategic partnerships was a major cause of concern during the site visits because in some cases projects had collapsed, or in distress, whilst they were under the management of implementing agents, mentors or strategic partners. Equally, the role of accountants in projects was also a concern because in some projects, funds were squandered in the presence of accountants who were co-signatories in the business accounts set up for management of grants and project funds.

5.4 *Extension support and Extension Recovery Programme*

- 5.4.1 The R201.9m expenditure (2015-2019) in ERP, especially in purchase of uniforms, equipment for extension officers, conferences and registration in SACNASP was yet to show significant impact in provision of extension advisory services.
- 5.4.2 The placement of graduates in various commodity organizations presents an opportunity for creating a pool of extension officers to assist emerging farmers of different sizes and scales.
- 5.4.3 Extension support to emerging farmers, especially land reform beneficiaries was almost non-existent. Farmer support was provided by project offers from the former DRDLR who neither had qualifications in farming and agriculture nor skills and experience to provide farmer support, hence reliance on mentors and strategic partners.

5.4.4 Poor capacity building and skills development of beneficiaries to ensure that they were fully capable of managing all aspects of their projects/businesses without dependence on government or agents in some of the projects remains a challenge.

5.5 *Access to credit constrain emerging farmers*

5.5.1 Almost all sites visited, farmers decried lack of access to low-cost credit in order to increase farm productivity and efficiency. The fund could be used to cover both capital projects and operational costs. One major issue was the purchase of fertilizers, mechanisation and also cover the rise in prices for new inputs, implements, managing risks such as drought experienced over the last few years, and production of better crops for markets.

5.5.2 Formal financial institutions' products were not suited for small-scale and emerging farmers who were constrained by lack of capital for investment due to delivery models that are not suited for their needs. The Land Bank and the Blended Finance Model were also not suited for small-scale and subsistence farmers.

5.6 *Training, mentorship, strategic partnerships and other forms of capacity building*

5.6.1 The Committee noted that there was a disconnect between the mentorship programme in land reform and the desired outcomes. Some of the mentorships lacked crucial monitoring and evaluation to determine if key milestones of the programme were being achieved. The outcome was that some mentors, paid R15000.00 per month, left projects without any skills transferred to farmers.

5.6.2 Strategic partnerships fail to change the existing power relations on farms. Beneficiaries who, in some cases, were former farm workers remained in the undesirable employer-employee relationship instead of running the enterprises as equal partners. Therefore, crucial aspect of agrarian change, transformation of power relations and property ownership, including real ownership and control of businesses/enterprises, was yet to be realised in many partnership arrangements.

- 5.6.3 There was lack of training and skills development among the emerging farmers. This is compounded by limited, or the absence of, extension advisory services.

5.7 *Comprehensive Rural Development Programme*

- 5.7.1 CRDP sites have been abandoned. Officials of the DRDLR had not visited the sites over the last 8 years. There was no connection between CRDP phase for meeting basic needs to the enterprise development and the marketing and rural industrialisation espoused in the Agri-Parks.

- 5.7.2 The entire phased approach in the CRDP model was not implemented, officials appear to interpret Agri-Parks separately from rural development, i.e. CRDP framework. Therefore, it appears as if there was no shared understanding of policy between national department and provincial shared services centre.

- 5.7.3 Lack of implementation of Intergovernmental Relations (IGR) framework was one of the constraints to coordinated support to farmers. For example, a visit to Eskhame Crèche showed a facility built by DRDLR through CRDP, neither handed over to the Department of Social Development and/or Basic Education nor to the local municipality to ensure smooth running of the crèche as well as proper maintenance. As a result, the facility was a danger to the children and the community and staff at crèche were left to fend for themselves.

5.8 *Pro-Active Land Acquisition Strategy and Recapitalisation and Development Programme*

- 5.8.1 The Department suspended the payment of leases between 2018 and 2019 because of drought that affected them negatively.

- 5.8.2 Selected farmers received grants from the RADP, with mentors and farm accountants to support the new farmers.

- 5.8.3 All RADP recipients visited by the committee expressed gratitude for the support that government had offered, particularly funding of capital projects and operational costs.

- 5.8.4 Where there has been support, farms have been able to create permanent, temporary and seasonal jobs for beneficiaries and other surrounding communities.

5.8.5 There is a need for evaluation of mentors and accountants as some government-supported projects funds in order to address concerns regarding embezzlement of funds allocated for farmer support with collusion between farmers, strategic partners/mentors and projects accountants.

5.8.6 Some projects that showed potential to be productive, for example the Coastal Cashews and Liberty Farms. However, lack of adequate development and farmer support from the departments has stalled progress.

5.9 *Drought Relief programme and interventions*

5.9.1 Given the total of R203.37m made available between 2015 and 2018, as well as contributions from CASP and Ilima/Letsema of R45m and R9.85m respective, the impact of interventions was expected to be noticeable. However, the case of Jozini Livestock Farmers Association tells a different story. DARD and the KZN PSSC could not account for their activities during the drought. They could not present a coherent consolidated expenditure and project implementation reports. Similarly, the departments were unable to account on funds allocated to uMkhanyakude Red Meat FPSU for drought in 2015/16.

5.10 *Recapitalisation and Development Programme*

5.10.1 The DRDLR has discontinued RADP in favour of Blended Finance Model. However, the BFM has also had challenges which made the DRDLR withhold their contribution in abeyance until the issues it was concerned about were resolved.

5.10.2 Evidence from some projects shows that RADP beneficiaries benefitted from a range for funding platforms from within DRDLR (e.g. AVMP and RVCP) and from CASP. Concentration of support to few have left a great majority of beneficiaries such as Zamokuhle CPA, former farmworkers with own livestock, without any government support. Despite all the challenges, livestock farmers have continued farm with own indigenous livestock.

5.11 *Agri-Parks*

- 5.11.1 The Agri-Parks programme is an innovative model that ensures that comprehensive agricultural support is provided to producers. The Committee welcomed the initiative and suggested that it must be continued with modifications. However, in its current form it is disjointed and uncoordinated interventions from both DAFF and DRDLR, where in some cases one department does not know what the other is doing except for fencing, dipping tanks and boreholes.
- 5.11.2 Whilst FPSUs could be identified, implementation of the concepts of Agri-Hubs (retail zones, agro-processing, research and innovation, logistics zones etc.) and Rural Urban Market Centres could neither be verified nor observed. Therefore, it appears that the Agri-Park model has not been implemented as originally conceptualized.
- 5.11.3 There was not clear connection between CRDP sites and Agri-Parks sites. The entire framework of rural development which is implemented in phases from meeting basic needs, to enterprise development and ultimately rural industrialisation appears to have been abandoned in favour of infrastructure development in FPSUs.
- 5.11.4 Whilst Agri-Parks were meant to help with development and improved accessibility of markets, many of the projects visited expressed concerns regarding lack of access to markets.
- 5.11.5 AVMP and RVCP, as funding instruments for infrastructure development, duplicates programmes that were implemented by the former DAFF. For example, Landcare programme.

6. RECOMMENDATIONS

Having interacted the DARD, PSSC, DAFF and DRDLR; further having visited projects and interacted with beneficiaries; and in view of the observations discussed above, the Committee makes the following recommendations to the National Assembly for the attention of the Minister of Agriculture, Land Reform and Rural Development.

Institutional and overarching recommendations

- 6.1 Develop an overarching farmer and development support policy, preferably include a system for rationing public resources in respect of development support in order to ensure that Parliament, or the society in general, is able to assess the degree to which the purported target beneficiaries are in fact being targeted, and which of the target groups are being prioritised.
- 6.2 Ensure that the reconfiguration of the Department of Agriculture, Land Reform and Rural Development, with a clear post-settlement/farmer support programme, develop clear mechanisms for streamlining support to land reform. Further ensure that there are clear roles and responsibilities from national, provincial, district and local government in order to enhance cooperation and complementation for increased farm productivity.
- 6.3 Review post-settlement and farmer support programmes from both DAFF and DRDLR in order develop a seamless and streamlined development support to all farmers - subsistence, smallholders, and emerging farmers on large-scale farms – as well as all land reform beneficiaries.
- 6.4 Develop a functional monitoring and evaluation programme that will be able to provide evidence of the livelihood impacts of land redistribution and agricultural support. Most project reports presented before the Committee were limited to profile of demographics of the beneficiaries as well as funds allocated to projects without adequate enterprise/production analysis and socio-economic benefits.
- 6.5 Ensure that the DALRRD presents to Parliament a progress report on the development of the database of farmers. The report should include, but limited to, the details of beneficiaries, location, number of hectares, support given, type of training provided, type of commodity.

Land ownership and tenure arrangements

- 6.6 Facilitate easing of payment of lease fees by community-owned enterprises operating on communal land that members of the projects hold customary land rights to. Further facilitate engagements with the Ingonyama Trust Board in this matter, including consultations with project members, traditional councils and the Ingonyama Trust Board in order to find appropriate tenure arrangements that can enable communities to run profitable enterprises.
- 6.7 Enhance the capacity of the State to render land administration necessary for provision of secure tenure to land reform beneficiaries, this include enhancing capacity within provincial departments to administer and manage leases, i.e. managing leases and contracts with tenants of PLAS farms.
- 6.8 Review the entire leasehold model for the programme of land redistribution in order to ascertain if it still achieves the vision to redress the unequal patterns of land ownership in South Africa and agricultural productivity, as well as ensuring that it still prioritises the landless poor and marginal groups and individuals.

Conditional grants

- 6.9 Review and finalise the Draft National Policy on Comprehensive Producer Support, taking into consideration all land development support initiatives under the DRDLR, in order to streamline and align fragmented and overlapping farmer support programmes located in various programmes of both DAFF and DRDLR, with special attention to relevant farmer support products for subsistence and smallholder farmers.
- 6.10 Strengthen the Monitoring and Evaluation component of the DALRRD to ensure that all the funds transferred to the provinces through all the support programme are accounted for by the project management. Ensure that there is a policy framework that guides provinces with regard to what CASP and Ilima/-Letsema can, and cannot, fund in order to curb the existing challenge where CASP can be used for purposes other than those it was intended for.

- 6.11 Institute forensic investigations on Empangisweni Citrus Farming operations, including its financials since the inception of the project. Further, there should be forensic investigations on Mjindi Farming, ADA and Ithuba at Amangcolosi which should include, amongst others, assessment relating to the usefulness of these entities and whether they were adding value to the farming enterprise.

Provision of adequate extension advisory services

- 6.12 Evaluate the Extension Recovery Programme and exploring areas of excellence and pitfalls, especially study of bachelors' degree programmes and reported resignation of candidates from the department after graduation, in order to reposition and distribute extension advisory services across the farming areas, including land reform farms which at the time of the oversight had limited or no experience of extension services from the State.
- 6.13 Foster conditions for the implementation and adherence to Intergovernmental Relations framework to ensure integrated support to farmers so that comprehensive support, including improved financial management across all the programmes, is provided to farmers/beneficiaries.
- 6.14 Develop proper training and skills development programme to ensure that capacity building initiatives are implemented for smallholder farmers and ensure that the training provided is relevant to their needs.
- 6.15 Prioritise placement of graduates who have completed their tenure with mentors at large-scale farms of emerging farmers. Further, explore putting in place incentives to ensure that graduates are retained on farms of their placement.

Recapitalisation, mentorship and strategic partnerships

- 6.16 Ensure that the KZN DARD evaluate and assess the use of mentors/strategic partners/agencies in assisting the farmers and submit a comprehensive report on all Implementing Agents that have been used by the Department to implement and manage projects in the Province. The report should include the terms of contract with the Department, the Agents' responsibilities and all funds that have been disbursed to them including the breakdown on the utilisation of such funds.
- 6.17 Monitor and evaluate the working conditions of employees in the agricultural sector, including semi-commercial farms – especially PLAS farms - supported by government. Assess whether labour laws are being adhered to and tenure rights of farmworkers are not threatened.
- 6.18 When PLAS farms are available for lease, prioritise settling existing land claims on such farms. In the absence of land claims, ensure that existing farmworkers and/or labour tenants are prioritised for occupation of the farm. District Land Committees could be used to identify existing farmworkers or labour tenants with interest to the farm.
- 6.19 Ensure that that the KZN DARD submit to Parliament a comprehensive report on all PLAS farms in KZN including beneficiary details, strategic partners and criteria used to select them, previous and current support provided by each Department and current activities in, and/or plans for, the farms including the status of leases and rental amounts that beneficiaries pay.
- 6.20 Conduct investigation into the role of project accountants on all RADP supported farms, assess whether the accountants were appropriately selected, whether they were performing the roles that they were employed for.

Agri-parks

- 6.21 Ensure that support provided should not only be limited to fencing as has been a dominant factor seen in many land reform, expansion of government extension advisory services to land reform farms should be prioritised.
- 6.22 The KZN Provincial Department and the DALRRD assist farmers to have access to local including international markets.
- 6.23 Submit status report on all CRDP sites in KwaZulu-Natal. Given the concerns about duplication of agricultural programmes by the former DRDLR, submit a report that clarifies what the focus of rural development in the new Department will be.

The Committee further recommends that the Minister should –

- 6.24 Submit to the Committee a list of all KZN finalised SIU investigations and reports for consideration and discussion.
- 6.25 Submit to Parliament an Action Plan detailing how the Departments will resolve the challenges that were identified in all the projects visited by the Portfolio Committee in the KZN Province. In addition, the Action Plan should comprehensively detail how the projects will be assisted; and must have time frames and an Exit Strategy for each project.
- 6.26 Submit, within three months after the adoption of this report, a response to this report with required action plans on all action points as per the recommendations.

Report to be considered.

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON PETITIONS AND EXECUTIVE UNDERTAKINGS ON THE EXECUTIVE UNDERTAKINGS MADE BY THE MINISTER OF TRANSPORT DURING THE HOUSE SITTING OF 20 JUNE 2017, DATED 14 NOVEMBER 2019

1. BACKGROUND

On 6 June 2017, the Honourable Minister Transport (Minister) made the following executive undertakings during the Policy Debate on Budget Vote Number 35: Transport held on 20 June 2017 in the National Council of Provinces (House):

- 1.1 Executive Undertaking 1: **“We will transform the structure of the economy by creating black in industrialists with the biggest chunk of our investment in infrastructure continues to be directed towards broad-based black economic empowerment, benefiting youth, women and people living with disabilities.”**
- 1.2 Executive Undertaking 2: **“Using the Transport Economic Regulator Bill, we intend to deal decisively with regulatory shortcomings across the transport sector, which will lead to transparency in pricing and levelling the playing field within the transport industry.”**
- 1.3 Executive Undertaking 3: **“The intensified collaboration and engagement between the Department of Public Services and Administration, the Road Traffic Management Corporation, RTMC, provincial governments and labour formations will pave the way for the introduction of a 24/7 work shift within the traffic law enforcement fraternity ensuring the availability of officers on the road at all material times.”**

- 1.4 Executive Undertaking 4: **“There are plans now in place to conduct road shows with provinces, municipalities and private sector to deal with the scourge of road fatalities and injuries.”**
- 1.5 Executive Undertakings 5: **“We have appointed contractors to commence with the Moloto Development Corridor by expanding the current road, making it more user-friendly. At the end of the project, we have created 12 500 jobs. We are also going to unbundle the bus contract in this corridor to widen participation by small localised and designated groups.”**
- 1.6 Executive Undertakings 6: **“In the 2017-18 period, R10,75 billion is allocated for the Provincial Road Maintenance Grant, popularly known as the S’hamba Sonke programme. Through this programme, we continue to address the spatial inequalities, create job opportunities, we continue to address the spatial inequalities, and also open the rural economy to new investment and development.”**
- 1.7 Executive Undertakings 7: **“The remaining 580 trains will be built in South Africa at a local factory, located in Nigel, Ekurhuleni. Attached to the local factory, government is facilitating the development of a supplier park that will support the manufacturing at the factory with local components.”**
- 1.8 Executive Undertakings 8: **“*The next deployment of the new trains in the 2018-19 financial year will be at Saulsville, Mabopane, Naledi, Khayelitsha, Umlazi, and Kwa Mashu.*”**

2 PROCEDURE OF THE COMMITTEE

The concerned executive undertakings were referred to the Select Committee on Petitions and Executive Undertakings (Committee) by the Chairperson of the National Council of Provinces, on 12 June 2017, for it to scrutinise and subsequently report to the House on their implementation.

After their referral to the Committee, proceeded to extend an invitation to the Minister to appear before it and report on the progress made by the Department of Transport (Department) in implementing the concerned executive undertakings, which falls under its respective portfolio.

3 MEETING OF THE COMMITTEE

On 17 October 2019, the Minister and relevant officials of the Department appeared before the Committee to report on the progress made in implementing the executive undertakings under consideration.

The following Committee Members were present at the meeting with the Minister and relevant officials of the Department:

- 3.1 Hon Z V, ANC, Eastern Cape (Chairperson);
- 3.2 Hon S Shaikh, ANC, Limpopo;
- 3.3 Hon M P Mmola, ANC, Mpumalanga;
- 3.4 Hon T S C Dodovu, ANC, North-West
- 3.5 Hon A B Gxoyiya, ANC, Northern Cape;
- 3.6 Hon C Visser, DA, North-West
- 3.7 Hon I M Sileku, DA, Western Cape
- 3.8 Hon S Zandamela, EFF, Mpumalanga; and
- 3.9 Hon S E Mfayela, IFP, KwaZulu-Natal

The Committee Members present, at the meeting, were supported by the following Committee officials:

- 3.10 Mr N Mkhize, Committee Secretary;
- 3.11 Adv. T Sterris; Committee Research;
- 3.12 Mrs N Fakier; Executive Secretary;
- 3.13 Ms F Lombard; Communication Services; and
- 3.14 Mr M Nkwali, Researcher, Office of the Chairperson of the National Council of Provinces.

The following representatives of the Department of Transport appeared before the Committee during the meeting:

- 3.15 Hon. F A Mbalula, Minister of Transport (Minister Mbalula),
- 3.16 Hon. D P Magadzi, Deputy Minister of Transport,
- 3.17 Mr. A Moemi, Director-General,
- 3.18 Ms T Mpondo, Parliamentary and Cabinet Coordinator;
- 3.19 Mr. M Phenya, Office of the Director-General

4 PROGRESS REPORT BY THE DEPARTMENT OF TRANSPORT

In their progress report to the Committee, the Minister and the Director-General reported as follows:

4.1 Executive Undertaking 1:

Minister Mbalula commenced by reporting that the Department of Transport (DoT) through the Passenger Rail Agency of South Africa (PRASA) is investing significantly in the acquisition of new trains and the modernisation of the commuter railway network.

In 2012, the Gibela Rail Transport Consortium was announced as the preferred bidder in the New Rolling

Stock procurement process. The Gibela Rail Consortium's equity shareholding consists of Alstom Southern African Holdings, a French Company with 61%, and South African Companies, namely New Africa Rail with 9% and Ubumbano with 30%. The breakdown of the 30% held by Ubumbano is as follows:

Active Black Entrants: Khuphunyawo Rail (Pty) Ltd – 8%; Community Rail Services (Pty) Ltd – 2%; Elgin Identity Rail – 7%

•Trusts: PRASA Employee Trust – 7%; Gibela Employee Trust – 3% and PRASA Education Trust – 3%

Whilst the urgent challenge to improve passenger services remains a primary objective, the Rolling Stock Fleet Renewal Programme has been designed to achieve a number of key Government objectives such as the delivery of quality services to citizens, revitalization of South Africa's rail engineering industry through long term local manufacturing and procurement aiming for above 65% of the value of a coach to be produced locally (65% minimum local content is set) as part of the Government's Industrial Policy Action Plan (IPAP2), employment creation and skills development as well as Broad-Based Black Economic Empowerment (BBBEE).

Gibela Consortium commenced with manufacturing activities in January 2018. The site for the Local Factory is approximately 72 hectares and will house the Factory, Supplier Park and Rail Training School. Within the consortium, Ubumbano has been given the responsibility to develop and manage the supplier park.

The local factory is targeting the creation of 1500 new jobs and of that employing 99% South Africans, 85% historically disadvantaged South Africans and minimum 25% women. To date, a total of 908 employees have been employed across various categories, for both manufacture and maintenance. Of the 908 employed 809 were South African citizens, 413 were women, 681 youth, 733 skilled black citizens, 839 South African citizens.

Skills Development is critical to enable the creation of meaningful sustainable jobs and as such the Rolling Stock Fleet Renewal Programme has a strong focus on skills development. A training centre has been established to enable skills development. The skills development programme provides bursaries for universities and TVETs, internships, learnerships, apprenticeship, Railway Introduction Course and

other relevant interventions. Gibela has therefore partnered with various institutions of high learning (Universities and TVETs), SETAs and other training centres to deliver world-class training. As of June 2019 to date, 3 647 individuals have been up-skilled including artisans, trade workers, engineers, engineering technologists, professional engineers, technologists, designers and other staff. By the end of this programme, 19 527 individuals would have undergone training in the various and relevant technical fields.

There is a strong focus on skilling artisans and engineers as a result of the train manufacturing process. By the end of the Programme, Gibela would have, at minimum, achieved to train 6'766 Artisans, 1'957 Engineering Technicians and 596 Professional Engineers. To enable this, Gibela is expected to spend 1.75% of the Contract Value (approximately R928 million) towards Skills Development.

In aviation, it was reported that ACSA's socio-economic development investment of R46 million in 2018/19 financial year supports areas such as education, empowerment of women and youth, skills development, etc. ACSA's total investment in skills development initiatives in 2018/19 financial year was R48 million and created a total of 275 job opportunities for young candidates.

The total percentage routine road maintenance (RRM) expenditure paid to black-owned SMMEs and contractors (based on black ownership of main contractors) was 75% and 74% in 2017/18 and 2018/19 financial years, respectively.

According to SANRAL's 2019 Integrated Report, 15 299 Jobs were created (full-time equivalents). Of the 15 299 jobs created, 75.9% was towards males, 24.1% was towards females and 56.8% was towards youth.

In terms of the Oceans Economy Programme (Operations Phakisa), R9.2 billion has been secured from both government and private sector. This will lead to a creation of 4 589 jobs. Government's contribution is about R8 billion and private sector is at R1.2 billion.

The government investment towards ports infrastructure provided for an additional R2.7 billion to the 2019/20 financial year for further upgrades. These upgrades include R700 million in dredging and berth infrastructure works that TNPA will fund to enable a concession for a floating dock in Richards Bay to a

private sector. There has been R561 million spent by TNPA to date since commencement of Operation Phakisa on upgrade of current Ship Repair Facilities.

To date a total of 684 construction related jobs have been created through 5 completed projects. Temporary and permanent jobs created went to the following beneficiaries: 75 were for women, 209 for youth and 39 for people with disabilities. Through these projects 13 SMMEs and 19 B-BBEEs were created and sustained.

It was reported, that the roll-out of Integrated Public Transport Networks (IPTNs) is well underway in 13 identified municipalities. IPTNs create construction job opportunities as well as operational jobs. The acceleration of the operational roll-out of IPTNs, is a critical factor in increased infrastructure investment since more infrastructure will have to be built to accommodate high public transport demand. IPTNs also creates opportunities for transforming the structure of the bus industry (black economic empowerment) since most Vehicle Operating Companies (VOC) established in some of the 13 cities are owned by former taxi operators. There are 9 VOC in total: 2 in JHB; 3 in Cape Town, 1 in George, 1 in Nelson Mandela Bay, 1 in Ekurhuleni and 1 in Tshwane.

Cities are continuing to phase in these IPTNs.

The transport BEE Charter Council, it is expected that the new Council will be appointed in the 2020/21 financial year. The term of the previous Council has expired.

4.2 Executive Undertaking 2:

The Minister reported, that in general, international comparisons indicate that transportation comprises of an unacceptably high proportion of logistics costs, and that the preconditions for efficiency and cost-effectiveness do not exist in the sector. The Department is working towards the reduction of high costs of doing business; and complicated and lengthy regulatory processes. The Department's Economic Regulation of Transport Bill aims to play an effective oversight and regulatory role to ensure technical, operational and pricing efficiency in the transport sector; as well as to reduce the cost of trade and improve the overall competitiveness of the economy.

The Economic Regulation of Transport (ERT) Bill therefore addresses the regulatory and capacity gaps that relate to South Africa's need for an efficient and cost-effective transport system in order to raise economic growth and meet its social goals. These are the reduction of poverty, unemployment and inequality which are the main pillars of the National Development Plan (NDP) 2030 Vision.

Through the Bill, DoT intends to consolidate, rationalize and where necessary redesign economic regulations in the transport sector into a single multi-model regulator; the STER (Single Transport Economic Regulator).

Below are the processes which recently unfolded during the development of the ERT Bill, 2019:

- On the 7th of February 2018 Cabinet approved publication of the ERT Bill for public comments;
- On 12 February 2018, the ERT Bill was issued for 30 days' public commentary period through Government Gazette Vol. 632, No. 41437;
- Public comments were received and the ERT Bill was subsequently revised. Incorporation of public comments into the ERT Bill drastically changed the scope of application and Chapter 2. Thus, this warranted that the ERT Bill be republished for the second public commentary period for further comments.
- On 24 October 2018, the ERT Bill was issued for another 30 days' public commentary period through Government Gazette Vol. 640, No. 41992. The Bill was revised and updated with public comments; and
- Public comments were received and the ERT Bill was again revised. Currently, the Economic Regulation of Transport Bill, 2019 comprises of comments that were received from both public commentary periods.
- The DOT undertook engagement with directly and indirectly stakeholders including the Department of Economic Development, Department of Public Enterprises and Competition Commission (CompComm) before finalisation of the ERT Bill. These engagements were also strengthened by received submissions from various stakeholders.
- Also, the DOT undertook engagement and consultation with NEDLAC between October 2018 and

April 2019. The final engagement was on 04 April 2019 wherein NEDLAC approved the ERT Bill with comments that were addressed as and when meetings took place;

- The Office of the Chief State Law Advisors (OCSLA) provided a positive legal opinion which states that the ERT Bill meets the Constitutional requirements. Furthermore, the OCSLA supported that it be processed to the Economic and Employment Sector and Infrastructure Development (ESEID) Cluster for Directors-General, Cabinet and Parliament for enactment;
- The Department of Planning, Monitoring and Evaluation approved (i.e. signed-off) both the 1st and 2nd Socio-Economic Impact Assessment System Reports; and
- The Bill was presented to ESEID DG Cluster on 11 April 2019, and it was formally approved for final submission to Cabinet for approval for its introduction to Parliament.
- The ERT Bill was submitted to Cabinet for tabling in September 2019. The Cabinet Secretary returned the Cabinet Memo and the ERT Bill for SEIAS Certificate & Office of the State Law Advisors' legal opinion to be reissued as they were older than six months. The DPME reissued the SEIAS Certificate on the 11th of September 2019. The Office of the State Law Advisors is yet to reissue a legal opinion.
- DOT will table to Cabinet the updated Cabinet Memo, the ERT Bill and supporting documents before end of March 2020 on receipt of the legal opinion from the Office of the State Law Advisors.

Expected timeframes going forward are reflected in the table below:

ACTIVITY	START DATE	END DATE
Resubmit the STER Bill at Cabinet	01/10/2019	30/10/2019
Parliamentary process (DoT to submit specifics)	01/11/2019	30/11/2019
Parliamentary process	01/12/2019	31/12/2019
Finalise the draft Business Case document (clarity)	01/01/2020	31/01/2020
Parliamentary process	01/02/2020	31/04/2020

4.3 Executive Undertaking 3:

The Minister reported that the RTMC submitted the 24/7 shift system business case to the DPSA on the 2016/11/30. The DPSA responded to the business cases submitted and requested that the following issues be attended to urgently:

- Business Case from each Province detailing the needs to implement 24/7 shift system.
- Provincial Cabinet approval of the implementation of 24/7 shift system.

The RTMC together with the Provinces has developed Provincial business cases and held meetings with the Provincial Treasuries on the needs detailed by the Provinces for them to implement the 24/7 shift system. To date the only process still to be finalised is tabling of the Provincial Business Case to their Provincial Cabinet for approval. Once that is finalised global business case will be submitted to the DPSA for further processing.

4.4 Executive Undertaking 4:

The Committee was informed that post the approval of the National Road Safety Strategy 2016-2030 on the 30 March 2017. The RTMC and DoT held roadshows with Entities, Provinces and Municipalities to align Annual Performance Plans and Operational Plans to ensure the NRSS 2016-2030 road safety initiatives are implemented to address the scourge of road fatalities.

Furthermore, the 4th Road Safety Summit 2018, Themed “Working Together Saving Millions of Lives” was held in Polokwane, Limpopo on 16-17 November 2018. The objective was to assess achievements and challenges in the implementation of the NRSS 2016-2030 aiming at addressing road fatalities. The summit included among others Taxi Associations, Law Enforcement Agencies, Local Government, other Departments of Government (such as Department of Health), and interfaith groups, Youth, Business, NGOs and CBOs.

To strengthen the effectiveness in the implementation of the road safety programmes detailed in the NRSS 2016-2030 the National Road Safety Steering Committee (NRSSC) was re-established to ensure that there is cohesion and integration in the implementation programmes and periodic monitoring takes place. Over and

above these road traffic data is analysed and the hazardous location model has been developed it is reviewed on yearly basis to inform road safety programmes being implemented.

4.5 Executive Undertaking 5:

It was reported that the project involves the upgrade of the entire 139 kilometers of the Road R573 over a 5-year period:

- ± R3.7 billion was allocated for this project
- the estimated number of job opportunities to be created is 12 500 over the 5-year period

Gauteng Province: 6250

Mpumalanga Province: 3250

Limpopo Province: 3000

12500

The communities who live in proximity to the road will then be served by a world-class infrastructure development that can contribute to the economic activity in the region.

Mr Hlabaisa, provided progress update was provided on the upgrade of the R573 – Moloto Road that is progressing steadily, but progress has brought with it some challenges. He acknowledged, there have been issues about the manner the road has been handled in terms of the allocation of the resources. But now it has been agreed that it has to be taken back to the National Department. Certain sections of the road from Limpopo and Mpumalanga have been handed back to the National Department. Gauteng still has to come on board. New designs have already been done in Mpumalanga and Limpopo. A socio-economic impact study was being undertaken because many communities were divided by the road.

Citing encroachments, in the form of structures being erected without approval inside the building restriction zone, along with informal businesses close to the road reserve, have caused disruptions and put the safety of road users at risk.

SANRAL has partnered with local municipalities and consulted local traditional authorities to try to address these issues, but the problem persists. SANRAL embarked on a roadshow to educate stakeholders on statutory control issues and the allocation of tribal land to communities.

What further steps are in progress, including liaison with other Ministers to help unblock matters in their domain?

- Manage potential disruptions due to limited work opportunities the project can carry.
- Community participation – protracted process and need PLC and PLO, recruitment
- Encroachment of the road reserve – many formal and informal structure in the road reserve
- Road improvements – 5 packages conventional (MP); 5 CD Projects and 3 packages (LIM). Planning underway
- Rollout of community access roads projects as next phase in planning under CDP with storm water drainage improvements.
- Demands and threats placed on contractors and sub-contractors by local community and organised groups without proper tender process. To date delays of 2.5 months and 4 months have been experienced. Ongoing challenge. Work resumed after stoppage.
- Training workshops for local SMMEs to be held and stakeholder engagements.

Engagements with the Gauteng Province to transfer the remaining section to SANRAL for incorporation into the works programme.

4.6 Executive Undertaking 6:

In its presentation, the DoT outlined the purpose of the grant is to:

1. Supplement provincial roads investments and support preventative, routine and emergency maintenance of the provincial road networks;
2. Ensure that provinces implement and maintain road asset management systems;

3. Promote and support the use of cost effective labour-intensive methods in road maintenance programmes through the Expanded Public Works Programme (EPWP)

Province	Total Allocation (R)	1st Tranche Transfers (R)	Payment date	1st Quarter Expenditure
EC	1,483,999,060	359,542,140	29-Apr-19	248,679,245
FS	1,339,731,710	305,829,540		114,471,000
GT	767,304,610	157,431,240		157,047,384
KZ	1,883,000,136	439,000,884		506,170,419
LP	1,157,774,460	308,569,040		255,698,808
MP	1,572,273,424	350,736,156		336,687,282
NC	1,146,425,188	260,148,672		240,659,528
NW	991,315,098	224,016,912		148,019,992
WC	1,039,841,314	225,565,416		231,105,000
	11,381,665,000	2,630,840,000		

Summary of Budget Data (April 2019 – June 2019)

During the 1st Quarter, a total of R2 630 840 was transferred to the Provinces and R 2 238 538 was spent and the table below indicates the physical achievements / works completed.

Activity/Output/Outcome/Efficiency Indicator	Annual performance	
	Projected for 2019/20 as published in the 2019 ENE	Achieved in the first six months of 2019/20 (April to September)
Rehabilitation (m ²) (DORA INDICATOR)	2 448 476 m ²	936 659 m ²
Lane kilometres of surfaced roads rehabilitated per year	1 700 Km	646 Km
Resealing (m ²) (DORA INDICATOR)	7 827 700m ²	1 637 753 m ²
Lane kilometres of roads resealed per year (km)	4 700 Km	3 102 Km
Kilometres of roads re-gravelled per year (km)	5 900 Km	368 Km

Square metres of blacktop patching on roads (including pothole repairs) per year (m2)	900 000 M2	584 731 m2
Kilometres of gravel roads bladed per year (km)	500 000 Km	77 492 KM

Summary of 2019/20 FIRST QUARTER ACHIEVEMENTS (April 2019 – June 2019)

4.7 Executive Undertaking 7:

It reported that in April 2014, PRASA entered into two contracts with the Gibela Rail Transport Consortium (Gibela), a Manufacture and Supply Agreement (MSA) for the acquisition of 600 trainsets, duration - 10 years and a Technical Support and Spares Supply Agreement (TSSSA), duration - 18 years.

To date, PRASA has taken delivery of twenty – three trainsets. Twenty of the 600 trains were manufactured in Brazil, and the remaining 580 will be manufactured in Nigel, Ekurhuleni.

Manufacturing at the local factory began in January 2018 and was officially launched by the President of the Republic of South Africa in December 2018. To date, major milestones have been reached to date with the manufacture of three locally manufactured trains.

The delivery schedule of the manufacturing of the remaining trains is as follows:

Financial Year 19-20: 20 Trains

Financial Year 20-21: 42 Trains

Financial Year 22-23: 62 Trains

Financial Year 23-24: 62 Trains

Financial Year 24-25: 62 Trains

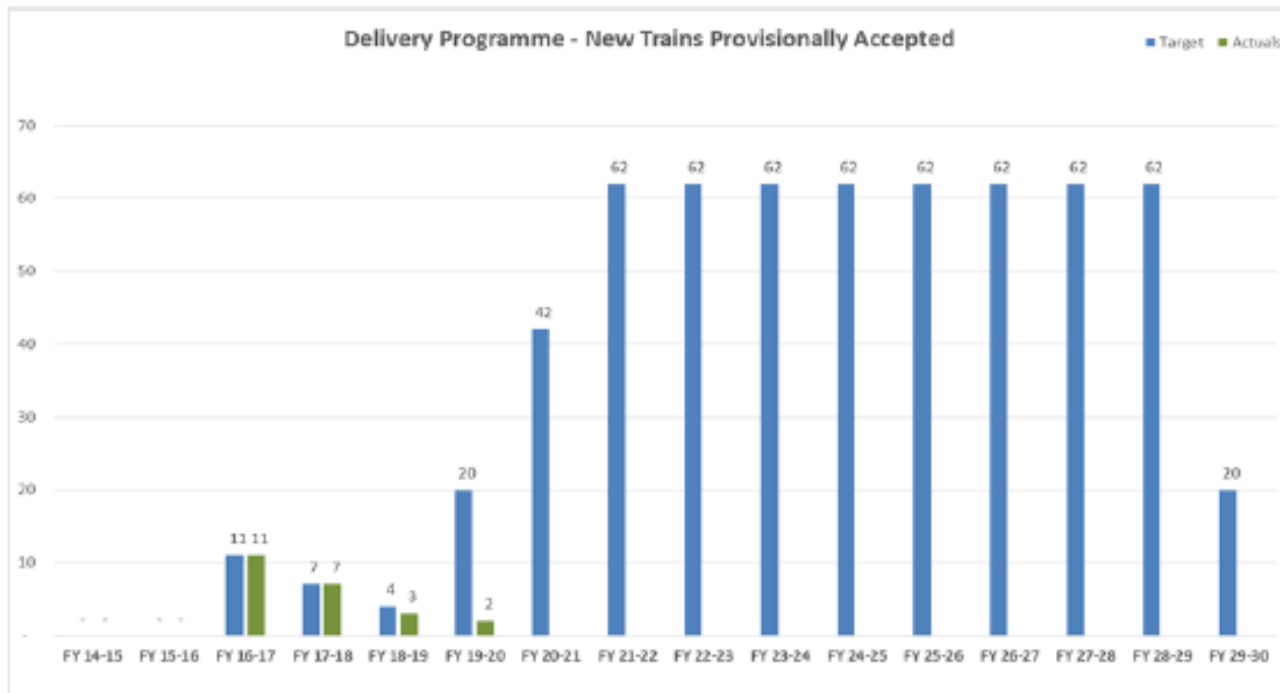
Financial Year 25-26: 62 Trains

Financial Year 26-27: 62 Trains

Financial Year 27-28: 62 Trains

Financial Year 29-30: 20 Trains

Graph depicting the delivery schedule of the manufacturing of the trains



A Supplier Park has to be constructed next to the Local Factory and it is a critical enabler to support localisation and develop a rail industrial hub. Some delays were experienced in the sale of the construction site and securing funding for the development of the supplier park. PRASA and Gibela are in the process of reviewing the funding arrangements for the Supplier Park and finalising the sublease agreements.

4.8 Executive Undertaking 8:

It was reported to the Committee, that PRASA has experienced delays in the readiness of infrastructure for the deployment of the new trains that are being manufactured. The DoT has established a War Room at PRASA, to ensure corridor readiness. PRASA is preparing mitigation for the commercial operation of new trains across all three regions, KZN, Western Cape and Gauteng, as follows:

(i) Gauteng Region:

Corridor	Route	Scheduled trains	Date	Period
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West Corridor	Saulsville – Pretoria	4 new trains	November 2019	2 Months
East Corridor	Pretoria ring rail	12 new trains	April 202	7 months
	Pienaarspoort-Koedoespoort	8 new trains	October 2019	1 month
North Corridor	Leralla –Germiston	20 new trains	May 2021	20 Months
	Germiston- George Goch	6 new trains	Jul 2021	22 Months

(ii) Western Cape:

Corridor	Route	Scheduled trains	Date	Period
Southern Corridor	Cape Town- Heathfield	10 New trains	November 2019	2 months
	Cape Town- Simons Town	20 New Trains	October 2020	13 Months
Central Corridor	Cape Town- Woltemade- Bellville	15 New trains	December 2021	27 Months
	Cape T0wn – Chris Hani	20 New trains	September 2021	24 Months

(iii) Kwa Zulu natal:

Corridor	Route	Scheduled trains	Date	Period
Central Corridor	Durban- Reunion	2 new trains	February 2020	5 Months
	Kwa Mashu- Dalbridge	8 New trains	December 2020	15 Months

5 OBSERVATIONS AND KEY FINDINGS

In noting the progress report given by the DoT in relation to the implementation of the executive undertakings under review, the Committee made the following observations and key findings:

- 5.1 The Committee noted that the DoT has made a huge progress towards black empowerment including women, youth, and people with disabilities through infrastructure investment in the various modes of transport.
- 5.3 The Transport Economic Regulator Bill, intends to deal with regulatory shortcomings across the transport sector by rationalising, consolidate and redesign economic regulation in the transport sector into a single multi-model regulator.
- 5.4 The Committee noted there were plans in place to conduct roadshows with provinces, municipalities to deal with the scourge of road fatalities. And the DoT has also appointed Moloto Development Corridor by upgrading the current road and making it user-friendly.

6 RECOMMENDATIONS

Further, in noting the progress report made by the Minister of Transport, the Committee, lastly, observes that the executive undertakings have been adequately implemented and therefore recommends that they be closed.

Report to be considered.

