



## 2016/17 INDEPENDENT DEVELOPMENT TRUST ANNUAL PERFORMANCE PLAN



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## **FOREWORD: EXECUTIVE AUTHORITY**

The Independent Development Trust (IDT) is a state-owned programme implementation agency tasked with supporting all spheres of government with social infrastructure management and implementation. The provision of social infrastructure is at the core of addressing most of the development challenges as it embeds the delivery of virtually all basic social services.

The IDT is one of the four public entities reporting to the Ministry of Public Works and is therefore required to contribute to the broader vision and mandate of the Department of Public Works (DPW). Based on the IDT's already extensive experience, we intend to consolidate the IDT as preferred by the government programme and project manager for the construction and maintenance of social infrastructure. In particular, a key IDT value-added contribution in program and project management needs to lie in its commitment to social facilitation, ensuring that communities have a sense of ownership of and responsibility for clinics, schools, and community centres in their localities.

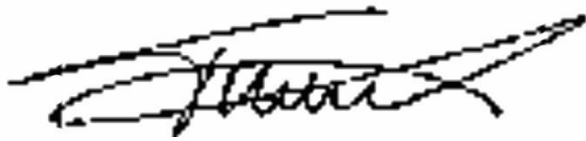
The IDT is also playing an important role in contributing towards the 2014/19 government-wide Expanded Public Works Programme of creating six million public employment work opportunities through its social infrastructure programmes. Through the provision of social infrastructure facilities, the IDT contributes to the elimination of service delivery gaps as well as job creation, skills development and empowerment of previously disadvantaged individuals, through its engagement with, and mobilisation of communities. The programmes implemented by the IDT directly align to the goals of the National Development Plan, the National Infrastructure Plan, the Medium Term Strategic Framework and the New Growth Path.

I have noted the IDT's audited financial management performance has declined sharply over the past two years from unqualified audits for eleven consecutive years up until 2012/13 financial year to a qualified audit opinion and a disclaimer of opinion in 2013/14 and 2014/15 financial years respectively. Many of the audit findings by the Auditor-General's office were, in fact, prompted by the pro-active forensic work undertaken by the current Board of Trustees. The Board of Trustees has taken ownership of these challenges and is implementing measures to turn around this untenable situation and to deal with irregular, wasteful and fruitless expenditure in the organization. I therefore encourage the Board of Trustees to continue tightening its financial oversight and to exercise zero tolerance of corrupt practices. This includes elimination of inefficiencies and implementation of consequence management against those responsible for malpractices.

DPW is working closely with IDT to finalise the new business case for IDT which will clarify the mandate and the business model of the entity, helping place it on to a more sustainable long term footing. This will allow the prescribed legislative process to proceed in 2016/17 to confirm the mandate and the new corporate form of IDT. A DPW policy review process is also underway which will further clarify IDT's mandate and position as an agency of government, vis-à-vis the Department of Public Works and the wider Public Works family.

During 2016/17 we will set an agenda and identify key projects to be delivered over a period, with a proper monitoring and evaluation plan. Internal capacity issues must be addressed to meet the needs of the new strategic direction of the IDT.

I look forward to working with the IDT to achieve the goals set in the annual performance plan which are in alignment with government's developmental goals. Through the shareholders' compact, I shall ensure that the IDT receives maximum support to deliver social infrastructure and to contribute to the transformation of the built environment. In conclusion, I would like to thank the Board, whose term is ending on 30 June 2016, for exercising their fiduciary duties and oversight of the governance of the IDT.



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**HONOURABLE MR TW NXESI (MP)**

**MINISTER OF PUBLIC WORKS**

**DATE:**

## STATEMENT: BOARD CHAIRPERSON

The Board of Trustees present the Annual Performance Plan (“APP”) and budget for the 2016/17. In our 2014/15 Annual Report, the Board reported on the prominent challenges that faced the Independent Development Trust (IDT) in executing its mandate during that reporting period, attributable mainly to the prolonged transformation of the organisation.

The Board is pleased to report that, based on the 2015/16 – 2019/20 IDT Strategic Plan, it has achieved a number of deliverables. Key amongst these was the pronouncement by the Executive Authority of the IDT’s role as a strategic contributor towards sustainable development, which will be informed by an implementation plan over a period of three years to, *inter alia*, address the business form, business model, institutional arrangements and financial model to ensure the sustainability of the organisation.

Efforts to stabilize the organisation have also been boosted by the critical appointments of the Chief Executive Officer and Chief Financial Officer.

At the Board’s Strategy Workshop held on 18 September 2015, the Minister of Public Works, in his capacity as a Shareholder representative, gave encouraging signals pointing to the continued existence of the IDT as a strategic partner that will support the mandate and priorities of the Department of Public Works as outlined in the Minister’s Policy Statement.

The IDT’s strategic vision of being the leading public sector social infrastructure programme management and implementation agency remain unchanged and relevant for the 2016/17 financial year. Following a thorough review during the 2015/16 financial year at the Board Strategy Workshop, the organisational mission, strategic outcomes and objectives were also confirmed to be still relevant. The review also agreed to the possibility of minor changes, where appropriate, as well as the development of a plan to engage the communities and mobilize them to build and maintain social infrastructure themselves.

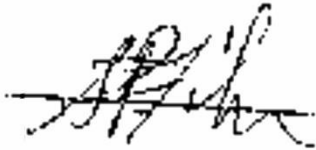
The organisation attained a qualified audit opinion on its 2013/14 regulatory audit which broke the record of our eleven successive unqualified audit reports. However, the outcome changed for the worst in 2014/15 when the organisation received a disclaimer audit opinion on its regulatory audit and a qualification on its performance information. The organization has, in 2015/16, had braced itself for a season of revamping itself into a vibrant and effective organization that delivers on its mandate while maintaining good governance. However, the operating environment changed in 2015/16, which saw a decline in our business portfolio due to global economic meltdown and fiscal tightening.

Under the leadership of the new CEO, stability has been brought to the organization through the implementation of the Board approved turn-around plan. The Plan entails, among others, the business processes and systems re-engineering to achieve and maintain effective service delivery and performance management; ensuring financial sustainability; prudent financial management and accountability for the IDT as well as for client funds; strategic positioning of the IDT to ensure that the organisation remains a relevant and prized national asset, delivers value for money services, is an employer of choice, retains its envied delivery performance record and brand; and realization of the IDT's vision of being a leading public sector developmental programme implementation and management agency.

An Audit Action Plan has been developed and is being rolled out to address the causal factors of the Disclaimer audit opinion. A forensic investigation into cases of irregularities within the IDT, which were brought to our attention, is also underway. Action is being taken against officials responsible for bringing the organization into this undesirable situation. The Board has, and is continuing to exercise tough and zero tolerance measures on corruption and other practices relating to wastage of organisational resources.

The Annual Performance Plan and Budget for 2016/17 are being presented for approval, noting that the Board's four year-term, which started on 01 July 2012 is coming to an end on 30 June 2016. The hand-over report is being prepared for Board's approval and will be presented to the Minister at an appropriate time. The report will inform the celebration of the twenty five year legacy of the IDT for which the Board has presented as a concept that will be supported and implemented in conjunction with executive management and the staff of the organisation who have been part of the evolution of the IDT.

As a Board, we wish to acknowledge the support of the Executive Authority under the leadership of the Minister, Honourable Thulas Nxesi, Honourable Deputy Minister Jeremy Cronin, and the Director-General, Mr Mziwonke Dlabantu as well as all the Departmental officials who gave valuable support during our term. IDT's role as a strategic contributor towards sustainable development would not have been achieved in isolation, thus the role our clients have played is commendable. The Board is confident that the organisation will continue to explore new growth opportunities that will, *inter alia*, encourage developing construction companies, promote the use of greener construction methods and development of new technologies in construction.



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**DR. S. FIKENI**

**CHAIRPERSON: BOARD OF TRUSTEES**

**DATE:**



## **CHIEF EXECUTIVE OFFICER: STATEMENT**

The 2016/17 Independent Development Trust (IDT) Annual Performance Plan (APP) represents yet another milestone towards the achievement of the 2015/16 – 2019/20 IDT Strategic Plan. The 2015/16 – 2019/20 IDT Strategic Plan and the 2016/17 IDT APP are both aligned to the Medium Term Expenditure Framework (MTEF) submitted to National Treasury and the Executive Authority.

The IDT Executive Management has taken time to reflect on the impact and implications of the past two consecutive years in which the organisation received negative audit outcomes. We analysed the audit findings and potential consequences of the 2013/14 qualified audit finding and the 2014/15 disclaimer of audit opinion on the business operations of the IDT and on our ability to deliver on its mandate.

The Auditor-General South Africa (AGSA) had significant findings of weaknesses in key areas including lack of sufficient appropriate audit evidence regarding balances relating to programme reserves and liabilities; lack of sufficient appropriate audit evidence regarding revenue and trade and other receivables; lack of sufficient appropriate audit evidence regarding impairment provision for trade and other receivables; and the material misstatement in financial statements. The 2016/17 APP and Budget are therefore presented against this backdrop.

The Board of Trustees and Executive Management have recognised the prevailing challenges and dynamics in our business and organisational environment. We have identified and prioritized certain key areas for intervention in our dynamic business and organisational environment, namely: the generally fluid business environment with growing competition for delivery of infrastructure programmes; fiscal constraints resulting in cuts in our client department's budget allocations; rapid growth in business, inefficiencies in programme and financial management including transfer of funds and payment of suppliers and shortage of programme management capabilities. All of these challenges call for focused strategic interventions to strengthen governance and internal controls, enhance organisational performance and improve client relationship management and service delivery excellence.

Amongst the interventions executed by the Board of Trustees and Executive Management was the development and approval of a five year Turnaround Strategy which covers the period 1 April 2015 to 31 March 2020. The purpose of the Turnaround Strategy is to address the challenges and threats identified in the operating environment, and to develop transformative and innovate strategies to leverage the opportunities in the development landscape.

The Turnaround Strategy focuses on business generation and retention; risk management and corporate governance; enhancement of internal controls and information technology communication systems; financial viability and sustainability including addressing the audit findings. The strategy seeks to develop and implement effective and efficient business processes to enable successful programme implementation, in order to improve the quality of life of our people and build sustainable communities.

The IDT has committed to using social infrastructure as a vehicle to contribute towards the creation of 6 million work opportunities, Extended Public Works programmes, community employment initiatives and infrastructure maintenance. The organisation has also committed to supporting the Department of Public Works in bringing about transformation of the built environment. The organisation is also expected to focus its intervention on development programmes by addressing the decaying social infrastructure due to absence and lack of maintenance.

A detailed Audit Action Plan (AAP) is being implemented to address the root causes of the disclaimer. As part of its corporate governance oversight, the Board is maintaining a closer monitoring of the organisation's business operations. The AAP focuses on all critical audit findings of the AGSA. The aim is to ensure that the IDT retains its relevance, regains its good governance reputation and above all, becomes a financially viable organisation that delivers optimum developmental value to the Shareholder and its clients.

The Department of Public Works is finalising the IDT's Business Case which will look at the IDT's new mandate and long-term sustainability including its business and funding model, institutional arrangements and the governance of the organisation. The Business Case will also position the IDT as a state owned entity reporting to the Minister of Public Works which supports the Department in the delivery of its development outcomes. Emphasis will be on contributing to poverty eradication, job creation, and the eradication of social infrastructure backlogs.

The Executive Management Committee has also initiated a process aimed at strengthening the organizations' professionalism and service standards, by ensuring that minimum standards of qualifications and experience are to be implemented before the end of the financial year. The Organisation is working towards aligning its targets in its employment equity plan with the national demographics. To this end, gender parity particularly at the top management level, women

representation at senior management positions and recruitment of people living with disabilities are key human capital priorities.

The organisation continues to place greater emphasis on risk management. Focus is on strategic risks with potential to compromise good governance, organisational standing and reputation, as well as with a likelihood to affect operational efficiencies.

The 2016/17 APP focuses on the IDT's contribution to the National Development Outcomes; Department of Public Works Policy Priorities and the Minister's Policy Statement including the Implementation of the Board approved Strategic Objectives and the targets. It builds on the IDT's niche, namely its developmental approach to programme management in the delivery of social infrastructure. The IDT continues to pursue strategic goals which focus on addressing social inequality, unemployment and poverty which are undermining the sustainable development, economic growth and human development in the country.

As Executive Management, we wish to acknowledge the support of the Executive Authority, Honourable Mr Thulas Nxesi, the Deputy Minister, Honourable Mr Jeremy Cronin, and the Director-General as well as all the departmental officials who gave valuable support to the organisation. We also wish to express our thanks to the Board of Trustees for their strategic support, leadership and guidance throughout their term of office which ends in June 2016. Finally, we thank our clients for their business and IDT staff for their resilience in spite of the stubborn challenges in our operating environment.



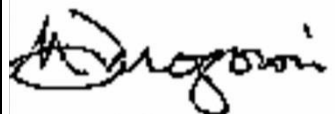

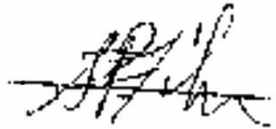
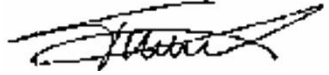
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**MR. COCEKO BJ PAKADE**  
**CHIEF EXECUTIVE OFFICER**  
**DATE:**

## OFFICIAL SIGN-OFF

It is hereby certified that this 2016/17 Annual Performance Plan:

- Was developed by the management of the Independent Development Trust (IDT) and approved by the Board of Trustees under the guidance of the Minister of Public Works;
- Takes into account all the relevant policies, legislation and other mandates for which the IDT is responsible;
- Takes into cognisance the resources available to the IDT, and
- Reflects the strategic goals and objectives which the IDT will endeavour to achieve for the 2014/15 - 2018/19 planning period.

NAME	DESIGNATION	SIGNATURE
MS NICKY MOGOROSI	CHIEF FINACIAL OFFICER	
MR COCEKO BJ PAKADE	CHIEF EXECUTIVE OFFICER	
DR SOMADODA FIKENI	CHAIRPERSON, IDT BOARD OF TRUSTEES	
HONOURABLE MR TW NXESI	EXECUTIVE AUTHORITY	

## **PART A: UPDATED STRATEGIC OVERVIEW**

### **1. VISION**

To be a leading public sector developmental programme implementation and management agency.

### **2. MISSION**

The IDT manages and delivers integrated quality social infrastructure programmes on behalf of government on time, cost effectively and through a people centred approach.

### **3. OUR APPROACH**

The IDT's approach to social infrastructure development entails all the necessary facilities and networks required to prepare communities to receive, participate in, own and sustain their own development.

### **4. VALUES AND OPERATING PRINCIPLES**

The organisation espouses five core values which also inform its operating principles (Table 1).

**Table1: Values and Operating Principles**

<b>VALUES</b>	<b>OPERATING PRINCIPLES</b>
<b>PEOPLE CENTRED</b>	<ul style="list-style-type: none"><li>• We support an enabling leadership culture and talent management</li><li>• We encourage teamwork, inclusive and participatory approaches</li><li>• We improve the lives of people</li><li>• We work towards making positive impact on communities</li></ul>
<b>INTEGRITY</b>	<ul style="list-style-type: none"><li>• We are open and honest in communications</li><li>• We believe in the integrity of data and reports</li><li>• We treat one another with dignity and respect</li><li>• We conduct our business in a lawful, honest, ethical and corrupt free manner</li></ul>
<b>PROFESSIONALISM</b>	<ul style="list-style-type: none"><li>• We approach work in a systematic manner</li><li>• Our service complies with best practice</li><li>• We strive for continuous business improvement</li><li>• We deliver quality results</li><li>• We are responsive, knowledgeable and professionally in our work</li><li>• We are disciplined and promote appropriate business conduct</li></ul>
<b>ACCOUNTABILITY</b>	<ul style="list-style-type: none"><li>• We are accountable and responsible to our clients, communities, stakeholders and to one another for our actions</li></ul>

	<ul style="list-style-type: none"> <li>• We promote effective regulatory and legislative compliance with financial controls, systems and processes</li> <li>• We are committed to sustainable development and empowerment</li> </ul>
<b>VISIONARY</b>	<ul style="list-style-type: none"> <li>• We approach our work in a creative manner</li> <li>• We explore and implement innovative solutions</li> <li>• We are open to new ideas</li> </ul>

## 5. STRATEGIC PILLARS

The IDT's strategy and related actions are built to reinforce the continuous inter play and realisation of an organisation that offer quality, and cost effective service delivery to clients at a reasonable speed. The IDT offers an integrated programme delivery service underpinned by social facilitation and community empowerment. The organisation strives to become a financial viable and sustainable through improving revenue billing and collection, expanding revenue base, improved financial management and securing acceptance of the management fee Instruction by the National Treasury.

The IDT as an entity of the National Department of Public Works has to continually uphold highest standard of integrity, governance, accountability and alignment to the DPW priorities. The organisational reconfiguration, professionalisation and image building requires implementation and institutionalisation of an appropriate organisational structure and culture. Through institutionalisation of organisational culture, the organisation will reduce the number of litigation cases, create and maintain a corruption and fraud-free environment.

## 6. LEGISLATIVE AND OTHER MANDATES

The 2016/17 IDT Annual Performance Plan (APP) and Budget was prepared prior to the presentation of the 2016 State of the Nation Address (SONA) by His Excellency President Jacob on January 2016 and the Budget Speech by the Honourable Minister of Finance Pravin Gordhan on 24 February 2016. The organisation recognises the significance and the importance of these policy statements on its business operations, hence its consideration of their likely impact on the 2016/17 IDT APP and Budget.

Furthermore, the organisation also notes how the finalisation of the IDT Business Case which would confirm the public entity's business form with respect to its mandate, funding model and institutional arrangements could affect the execution of the 2016/17 IDT APP and Budget. As a result, once the policy directives are unpacked and the Business Case process is concluded, the IDT might be required to approach the Shareholder for possible review of the 2016/17 IDT APP and Budget including the adjustment to the programme targets and budget.

## 6.1. LEGISLATIVE MANDATE

In March 1997 the IDT was constituted as a development agency and public entity to support all spheres of government when Cabinet endorsed a recommendation of a Cabinet Advisory Committee that, inter alia, "*The IDT must be transformed into a government development agency that will implement projects which are commissioned by government departments. It must cease to be a civil society organisation, an independent agency or funding agency.*"<sup>1</sup> Thus building on the IDT's effectiveness as a civil society body and redistributive mechanism, the organisation was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and listed as a Schedule 2 Major Public Entity. The 1997 mandate of the IDT is still in place.

The IDT reports to Parliament through the Minister of Public Works, the Shareholder Representative and Executive Authority. The IDT seeks to contribute towards the 'Rebuilding the Department of Public Works': the Five Year Policy Statement and Vision for 2014-2019. To realise the 'Rebuilding the Department of Public Works', the Updated Minister's Policy Statement laid emphasis on the following five priorities:

- 6.1.1 The creation of 6 million work opportunities for the poor and unemployed people through the labour-intensive delivery of public services and infrastructure.
- 6.1.2 The Policy review which will culminate in a Public Works Act.
- 6.1.3 The custodianship and management of national government's immovable assets.
- 6.1.4 The leadership of the Expanded Public Works Programme (EPWP) and public community initiatives.
- 6.1.5 The regulator of the industries and associated professions falling under its jurisdiction.
- 6.1.6 A programme of Action to transform the Built Environment.

IDT's strategy is aligned to the government's MTSF, which has two over-arching strategic themes – *radical economic transformation and improving service delivery*. The dual themes are a manifestation of the 2014-2019 electoral mandate which focuses on the following priorities:

- 6.1.2.1. Radical economic transformation, rapid economic growth and job creation.
- 6.1.2.2. Rural development, land and agrarian reform and food security.
- 6.1.2.3. Ensuring access to adequate human settlements and quality basic services.
- 6.1.2.4. Improving the quality of and expanding access to education and training.
- 6.1.2.5. Ensuring quality health care and social security for all citizens.
- 6.1.2.6. Fighting corruption and crime.
- 6.1.2.7. Contributing to a better Africa and a better world.

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<sup>1</sup> *Structural Relationships between government and Civil Society Organisations.* "A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

#### 6.1.2.8. Social cohesion and nation building.

### **6.2. LEGISLATIVE DEVELOPMENTS**

Based on the analysis of the business environment, the following are legislative and policy areas IDT will focus on in the next three years. Amongst which are a number of bills with direct impact on the work of the IDT were signed into law by President Zuma, namely:

- 6.2.1. Infrastructure Development Act (2014) enacted with the main intent of speeding up procurement for SIPs such as education and health facilities.
- 6.2.2. Minerals and Petroleum Resources Development Act which transfers all custodianship and ownership of mineral and petroleum resources to the State.
- 6.2.3. Restitution of Land Rights Bill set to re-open 379 000 new land claims.
- 6.2.4. Promotion and Protection of Investment Bill of 2013 which will support the PICC in rolling out of strategic projects and speed land reform by getting around Section 25 property clause of the constitution.

### **6.3. POLICY MANDATES**

#### **6.3.1. Shareholder Compact**

The Shareholder Compact between the Government and the Independent Development Trust is in keeping with the provisions of the PFMA, and the Regulations promulgated in terms thereof. The Government has endorsed the Protocol on Corporate Governance in the Public Sector to be read in conjunction with the King Report applicable to Schedule 2 public entities listed in the PFMA. The protocol is intended to guide the public entities on how to achieve the political and socio-economic objectives of Government, good governance in the public sector, freedom of management and effective accountability by public entities on both financial and non-financial matters. The IDT will continue to execute its mandate in its founding documents and any applicable legislation as reflected in the Shareholder Compact or any subsequent corporate governance framework.

#### **6.3.2. IDT Business Case**

The IDT's Business Case on a Long-term Sustainable funding Model seeks to promote the IDT as a state owned entity reporting to the Minister of Public Works which will support the Department in the delivery of its outcome focus areas, particularly those focused on contributing to poverty eradication, job creation, and the eradication of social infrastructure backlogs.



The Business Case therefore, advances the mandate of the IDT as that of a State social infrastructure programme and project implementation and management agency, supporting all spheres of government. Social Infrastructure in the context of the above refers to physical built environment facilities intended at supporting and/or enabling the provision and accessing of social services for the public social well-being.

The Business Case further evaluates institutional options available and proposes the corporate form and scheduling considered most appropriate for the IDT. The alternative operational arrangements are assessed with proposals made on the ideal service model having regard to the proposed mandate. Critical institutional arrangements pertaining to governance, funding and transitional logistics are also encompassed.

The Business Case at an advanced stage towards completion. It is currently awaiting finalisation by the IDT, the Department of Public Works, National Treasury and the Department of Monitoring and Evaluation in the Presidency. Thereafter, the Business Case will be tabled by the Minister of Public Works for consideration approval by the Cabinet.

### **6.3.3. Alignment to National Development and Department of Public Works Priorities**

The National Planning Commission (NPC) was appointed by the President to advise on issues impacting on long term development of South Africa. The Commission is an advisory body consisting of 26 people drawn largely from outside government, chosen according to their expertise in key areas. The Commission's Diagnostic report, released in June 2011, sets out South Africa's achievements and its shortcomings since 1994. It identified the following key challenges:

- 6.3.3.1. Too few people are employed;
- 6.3.3.2. The standard of education for most black learners is of poor quality;
- 6.3.3.3. Infrastructure is poorly located, under-maintained and insufficient to foster higher growth;
- 6.3.3.4. Spatial patterns exclude the poor from the fruits of democracy;
- 6.3.3.5. The economy is overly and unsustainably resource intensive;
- 6.3.3.6. A widespread diseases burden is compounded by a failing public health system;
- 6.3.3.7. Public services are uneven and often of poor quality;
- 6.3.3.8. Corruption is widespread; and
- 6.3.3.9. South Africa remains a divided society.

According to the Plan (NDP: 2011, 7), there are external drivers of change and risks that need to be considered during the planning processes that may either have a direct or indirect impact on

the IDT. In order for South Africa to make significant progress in eliminating poverty and inequality as per NDP: Vision 2030, it will need to provide its people with the secure foundation from which they can expand their capabilities and improve their quality of life (NDP: 2011, 348).

#### **6.4. KEY POLICY DEVELOPMENTS**

The State's policy thrust indicates continued commitment to economic transformation. The 2015 State of the Nation Address (SONA) signalled a shift to radical economic policies or greater urgency around transformation. The main strategic issues emerging from the 2015 SONA as covered by the Nine Point Plan are:

- 6.4.1. Resolving the energy challenge;
- 6.4.2. Revitalising agriculture and the agro processing value chain;
- 6.4.3. Advancing beneficiation of adding value to our mineral wealth;
- 6.4.4. More effective implementation of a higher impact industrial Policy Action Plan;
- 6.4.5. Encouraging private sector investment;
- 6.4.6. Moderating workplace conflict;
- 6.4.7. Unlocking the potential of SMMEs, cooperatives, township and rural enterprises;
- 6.4.8. State reform and boosting the role of state owned companies, ICT infrastructure or broadband roll out, water, sanitation and transport infrastructure; and
- 6.4.9. Operation Phakisa aimed at growing the ocean economy and other sectors.

The impact of the identified instruments - mainly in terms of increased demand for IDT's services – is likely to be strongly felt in the long-run. The sovereign credit rating undertaken by global finance rating agencies, is however a cause of concern. The outlook, influenced mainly by the protracted industrial disputes in the mining sector, uncertainty on the sustainability of the generation capacity of ESKOM's electricity facilities, etc. present a bleak outlook.

The sentiments of the cited rating agencies present a picture of South Africa as a risky investment climate underpinned by weak growth rate of less than 2% per annum. This has the effect of increasing the cost of government borrowing from global financial institutions, thereby putting a squeeze on the public fiscus and, consequently reducing the national budget share towards social infrastructure. The ripple effects go beyond depressed investment in physical asset (infrastructure facilities) building - in the long run leading to high costs of maintaining the assets

– to stifling job creation, with further negative effects on the social-transformation targets, such as reduction in poverty and inequality all of which are good contributory factors to social cohesion.

## **6.5. KEY POLICY PRIORITIES RELEVANT TO THE IDT**

The IDT frequently reflects on its mandate in the context of the global, regional and national developments. Annually, the IDT makes time to pause and reflect upon the impact of the political, social, economic, technological, policy and environmental issues including other development trends on humanity in general and South Africa in particular. This reflection is informed by a perspective which defines development as *“achieving the full set of human aspirations and an increase in the autonomous competence of society to sustain itself and be prosperous under changing conditions”*<sup>2</sup>

The environmental scan has highlighted that social infrastructure is a strong vehicle for addressing these challenges through tackling the five interlinked development problems as outlined below.

In terms of its current mandate, the IDT will do the following to address the national development outcomes.

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<sup>2</sup> Institute for Future Research

### **6.5.1. Unemployment**

From this development perspective, it is apparent that social infrastructure is a catalyst to addressing endemic unemployment. Unemployment and the accompanying increasing poverty and inequality are a threat to democracy, as well as destabilise families and communities. Infrastructure development, operation and maintenance, has a high job creation propensity in relative terms allowing for absorption of unskilled and low-level skilled workers. Through the provision of schools, clinics and hospitals amongst other infrastructure facilities, government is able to bring quality education and health services to the country's citizens. The IDT could continue supporting the Expanded Public Works Programme to cover 2 million fulltime equivalent jobs by 2020.

According to the Statistics South Africa the number of unemployed people increased by 188 000 in the third quarter 2015, compared to the second quarter. Of the working-age population of 36.1 million, 15.8 million were employed, 5.4 million were unemployed and 14.9 million were not economically active, thus resulting in an unemployment rate of 25.5%, an absorption rate of 43.8% and a labour force participation rate of 58.8%, Stats SA revealed in its quarterly labour force survey. The 25.5% unemployment rate is a far cry from the 6% that the country wishes to achieve by 2030, according to the National Development Plan (NDP).

According to the Reserve Bank it sees the economy growing by 1.5% this year. 1.5% GDP (gross domestic product) growth is not a good picture in a country with 25% unemployment.

### **6.5.2. Education**

It is imperative that the IDT aligns its work with key strategic goals and objectives of the Department of Public Works in its response to the Government priorities. The organisation has to work with the Department to deliver on job creation especially through Expanded Public Works Programme and the Department's efforts to transform the construction industry. The IDT could further support Government's efforts to address school infrastructure backlogs by growing its portfolio in this area especially in rural areas and informal settlements in the urban areas. Provision of quality school infrastructure for public schools is crucial for the development of the country's human capital and its economic development. The IDT is strategically positioned to coordinate SIP 13 as part of contributing towards improving the country's education system.

The NDP's vision for 2030 is that South Africans should have access to education and training of the highest quality, characterized by significantly improved learning outcomes. In line with the NDP, the Basic Education Department has also extended the sector plan to stretch to 2030, while keeping its original goals of quality improvement and adding emerging areas that need attention.

### **6.5.3. Spatial Reconfiguration**

The current spatial patterns continue to exclude the poor from the fruits of democracy. The country remains a highly divided society where settlement patterns are dedicated by social status between the rich and the poor. The IDT could contribute to the building of sustainable communities that promote integrated human settlement regardless of race, gender, class and social income. The organisation could extend its involvement in programmes that uplift social and economic well-being of all the citizens particularly the working class and the low-income earners. Spatial reconfiguration of the South African living space offers the IDT opportunities to find innovative ways to respond to Government's development priorities that focus on unemployment, job creation and jobless growth by bridging the gap between human settlements and economic activities.

### **6.5.4. Social Infrastructure**

Infrastructure deficiencies and backlogs in South Africa are a contributing factor and reason for sub-optimal economic growth, skewed development and inequalities in South Africa. Despite the fact that South Africa progresses well in most of the infrastructure sectors such as water, housing, education and health, there are other areas that are lagging behind.

The National Infrastructure Plan as adopted by the government in 2012 intends to advance transformation of the economic landscape while simultaneously creating significant numbers of new jobs, and to strengthen the delivery of basic services. In his 2014 budget speech, the Minister of Finance announced that spending on infrastructure amounted to R1trillion over the past five years and R847 billion budgeted over the next three years. These investments cover both social and economic infrastructure and aimed at improving access by South Africans to healthcare facilities, schools, water, sanitation, housing and electrification. Construction of ports, roads, railway systems, electricity plants, hospitals, schools and dams are also aimed at contributing to faster economic growth.

### **6.5.5. Human Settlement Infrastructure**

Despite the great progress that has been achieved to bring about spatial and residential integration, the legacy of apartheid spatial planning continues to impact negatively on the living space of majority of South African citizens. For instance, municipalities, particularly the least resourced are severely affected by budget constraints, underspending and skills shortages to promote local economic development. During the Budget Speech in 2014, the Minister of Finance in his Budget Speech announced an allocation of 9% of the total budget which amounts

to a total R40 billion to local government for infrastructure grants that caters for water, sanitation, energy and environmental functions for the 2014/15 financial year. A further budget of R105 billion will be allocated to municipalities over the next three years for free basic water, sanitation, electricity and refuse removal services. About (48%) of the 2014 budget was available for national departments and provinces 43%.

Benchmarking the South African municipalities with the international standards indicated that few municipalities have world-class practice in respect of many of the aspects of infrastructure maintenance (such as knowledge of assets, demand analysis, asset creation and disposal, asset utilisation and asset maintenance).

According to the South Africa Institute of Race and Relations, since 1994 the government has provided more than 2.5 million houses and another 1.2 million serviced sites. Over this period, the housing backlog has nevertheless increased from 1.5 million to 2.1 million units, while the number of informal settlements has gone up from 300 to 2225, an increase of 650%. In the meantime the housing subsidy has gone up from R12 500 per household to some R160 500 today. The spending on housing and community amenities has risen from 1% to 3.7% of GDP.

According to the Department of Human Settlements, there is a steady decline in informal dwellings throughout the country and in most provinces. There are currently approximately 1.2 million informal dwellings in the country. To support densification and improve the efficient use of space, the national Housing Development Agency, together with state-owned enterprises and the Departments of Public Works, Rural Development and Land Reform, and Public Enterprises will be releasing 6250 hectares of state-owned land for housing. The Financial and Fiscal Commission said that it will cost about R80 billion to eradicate the current housing backlog by 2020.

The National Development Plan estimates that there will be 7.8 million more people in the country's urban centers by 2030, or about 70% of the population. South Africa settlements patterns are consistent with global urbanization trends.

#### **6.5.6. Water Supply**

South Africa is a water scarce country. Greater efforts are required to make South Africa citizens aware of the water situation in the country and for them to encourage them to save and use it wisely. According to Dr Marco Lotz, Sustainability Carbon Specialist at Nedbank, it is predicted that in the next five years, water demand could outstrip supply in South Africa. In the coming years, the biggest demand for water would come from the municipalities. Currently, the provision

of bulk water is the competency of the National government through the Department of Water and Sanitation. Both Districts and Local Municipalities play a significant role of connection and maintenance at a local level.

According to Department of Human Settlement report (2013<sup>3</sup>) the challenge particularly within the typically impoverished municipalities even where basic infrastructure are is maintenance of infrastructure. The challenge is such that on average, poor municipalities loose up to 27% of water due to slow response to water leakages spillages.

It was estimated that about 90% of poor municipalities are not going to be able to provide services to their indigent communities without considerable financial support from national government. The Department of Water and Sanitation (DWS) during the month September till middle of October 2015, revealed that springs have not yielded water due to absence of rainfall, contributing in worsening drought conditions. This has led to water shortage in a number of public water supply schemes/dams. According to Honourable Minister Nomvula Mokonyane, water security must be viewed and assessed in consideration of the water service situations such as: users served by local water supply scheme consisting of smaller dams and/or grounded water resources. These schemes are more vulnerable to the effect of drought as there is generally less water storage capacity, small water catchment areas and only limited water sharing /augmentation opportunity.

An estimated 6500 stand-alone rural communities households are currently experiencing water shortages. These are mostly in Kwazulu-Natal, Mpumalanga, Limpopo and North West provinces. This number could be over 11,000 rural communities as the dry period extends and local water resources get depleted. The drought currently affects 173 of 1628 water supply schemes nationally, serving approximately 2.7million households or 18% of the national population. Statistics of average water level of all dams in the provinces is currently Kwa-Zulu Natal 58%, Free State 67%, Eastern Cape 78%, Limpopo 71%, Mpumalanga 70%, Northern Cape 30%, North West 53%; Western Cape 70% and Gauteng is 84%.

#### **6.5.7. Sanitation**

South Africa's access to basic sanitation reflect a backlog of 28.6%. A total number of 88 127 buckets in formal areas and 30 000 buckets in informal areas are still to be eradicated as well as refurbishment of about 1000 Wastewater Treatment Plants that are not functioning properly. Based on the 2011 pricing it is estimated that about R50 billion is needed to address the above

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<sup>3</sup> Human Settlement Report (2013). Water and Sanitation Master Plan NDHS and DWA

sanitation challenges (Human Settlement report, 2013). Sustainability of sanitation projects were also put under scrutiny. In a nationwide sanitation sustainability audit conducted in 2012 to ascertain the functionality and sustainability of sanitation projects that were completed between 1994 to 2010 (Human Settlement report, 2013).

The following findings revealed that:

- 6.5.7.1. 28% of household sanitation facilities have failed or are failing;
- 6.5.7.2. Only 53% of municipalities have adequate maintenance capacity;
- 6.7.5.3. A smaller 40% of municipalities have the skills to even conduct effective maintenance of waterborne systems; and
- 6.5.7.4. 8% of municipalities have no maintenance plan for Ventilated Improved Pit latrines (VIPs).

According to the 2012 National Report on the Status of Sanitation Services, approximately 11% of South African households do not have adequate sanitation services. Some of the challenges in sanitation can be traced to urban migration and the proliferation of unplanned informal settlements. Minister Mokonyane says the country has committed to join the world in enhancing and fast-tracking programmes and developments to fulfil the international commitment to eradicate sanitation backlogs by 2015.

#### **6.5.8. Electricity Distribution**

For a greater part of 2015, the country had experienced huge power outages due to load shedding. The load shedding has had serious impact on the country's economic growth, industrial development and people's livelihoods. But, a substantial improvement has been made in this regard through Government and ESKOM intervention. For almost five months now, ESKOM has not reported any load shedding problems throughout the country.

Collectively, the Municipalities account for 43% of the total volume of electricity sales, and Eskom supplies the balance. The most common causes of the failure of electricity reticulation systems are faulty operating procedures, lack of planned maintenance, damage (e.g. to underground cables) during construction, overloading, and equipment ageing. For instance, municipalities only carry out breakdown maintenance and there is a lack of planned or preventative maintenance.

In certain municipalities and government departments, there are still challenges with regard to completion of asset registers. As a result, many public servants and officials end up relying on their institutional memory for identification of government assets, no systematic history of maintenance records and absence of adequate tool of trade for contingency situations and arrangements. During the last few years, in particular, power outages have been frequent and often protracted, affecting commercial areas (often during business hours) and residential areas



alike. The total backlog refurbishment requirement [for electricity distribution] in local authorities is estimated at some R11. 2 billion.

#### **6.5.9. National School Building Programme**

The Government National School Building programme targets to replace inappropriate infrastructure in 496 schools - 395 of which are mud schools between 2013/14 and 2015/16 (Budget Speech 2015). The Minister announced a budget of R23.9 billion which is set aside for infrastructure development and provision of basic services such as over water, sanitation and electricity over three years. This is to ensure the provision of water to 1 257 schools, sanitation to 868 schools and electricity to 878 schools by 2015/16. The aim is to have all schools meeting minimum infrastructure standards for sanitation, classrooms and libraries by 2017.

PICC has emphasised on appointment of implementing agencies in different provinces as the vehicle to improve delivery and provision of school infrastructure. The capacity constraints to deliver infrastructure in schools is also evidenced by the cabinet approval of the budget reductions for school infrastructure grant from R1.4 billion to R1.2 billion over the medium term and extend the deadline for addressing the school infrastructure backlog by one year, from 2015/16 to 2016/17.

Other targets and allocations for infrastructure, through the fiscus to infrastructure services over the Medium Term Expenditure Framework (MTEF) period in terms of the 2015 budget speech include:

- 6.5.9.1. R1.1-billion for the upgrade of the Moloto Road.
- 6.5.9.2. R53-billion for the Passenger Rail Agency's 10-year renewal programme.
- 6.5.9.3. Over R80-billion to over 220 water and sanitation projects and local roads.
- 6.5.9.4. R105-billion for housing and associated bulk infrastructure requirements.
- 6.5.9.5. Over R18-billion in electrification funding to connect 875 000 households with electricity and
- 6.5.9.6. R1.1-billion for broadband connectivity in government institutions and schools.

#### **6.5.10. Sustainable Development**

In 2015, under the auspices of the United Nations, nations of the world signed the Sustainable Development Goals. Amongst the key strategic goals are the end to poverty in all forms everywhere, achievement of gender equality and empowerment of girls and women. The World Bank has shown in its new report - Shock Waves: Managing the Impact of Climate Change on Poverty, that climate change has the power to push 100 million people back into poverty, with Sub-Saharan Africa and South Asia being most at risk.

In the meantime, South Africa has published the National Greenhouse Gas Emission Regulations in terms of which mandatory reporting for GHG emissions for listed activities. Construction and transport are amongst the activities that will require any person involved in such activities to report total greenhouse gas emission. Further, South Africa is experiencing significant shortfalls in electricity supply compared to the economic demand. Parts of the country are also experiencing drought. This threatens the supply of adequate drinking water

Currently, the most pertinent policy directive is the National Development Plan (NDP): Vision 2030. Following its adoption by Cabinet, the NDP was adopted by the National Elective Conference of the ruling party. The NDP is the “*development blueprint*” which “*sets out various methods to tackle unemployment, poverty, inequality and other challenges facing our country.*”<sup>4</sup> As such the analysis, baselines and recommendations contained in the NDP, particularly quantifiable targets, will inform the IDT’s long-term vision and this Strategic Plan.

The IDT is actively supporting the National Infrastructure Plan (NIP) approved by Cabinet in 2012. The National Infrastructure Plan is in the custody of the Presidential Infrastructure Coordinating Commission (PICC), a body established by Cabinet to integrate and coordinate the long-term (20-year project pipeline) infrastructure build and its 18 Strategic Infrastructure Projects (SIPs). The PICC Terms of Reference (TOR) emphasise the strategic role of infrastructure in the physical and socio-economic development of the country, notably that infrastructure will promote balanced economic development, unlock economic opportunities, promote mineral extraction and beneficiation, address socio-economic needs, promote job creation and help integrate human settlements.

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<sup>4</sup> Statement of the National Executive Committee on the occasion of the 101st anniversary of the African National Congress (ANC), 8 January 2013, Page 3.

The National Infrastructure Plan (NIP) is an initiative designed by government which will be delivered by government. Hence the PICC has appointed state-owned enterprise and public entities to coordinate the SIPs. The IDT has been supporting Ministers leading the respective SIPs with the view of being appointed to coordinate a SIP area. The IDT's track record, experience and capacity favour its interest in and suitability for driving the following SIPs:

SIP 6: Integrated Municipal Infrastructure Project

SIP 12: Revitalisation of Public Hospitals and other Health Facilities

SIP 13: National School Build Programme.

SIP 14: Higher Education Infrastructure.

**Table 2: IDT'S CONTRIBUTION TO THE KEY NATIONAL DEVELOPMENT IMPERATIVES**

ITEM	ALIGNMENT TO DPW MEDIUM TERM STRATEGIC FRAMEWORK PRIORITY OUTCOME AREAS	ALIGNMENT TO NATIONAL DEVELOPMENT PLAN AND NEW GROWTH PATH GOALS AND OBJECTIVES	IDT KEY PERFORMANCE INDICATORS
1	<b>Outcome 1:</b> Improved Quality of basic education	<p><b>Goals:</b></p> <ul style="list-style-type: none"> <li>• Stepping up education and skills development.</li> <li>• Economy and employment</li> </ul> <p><b>Strategic Objectives :</b></p> <ul style="list-style-type: none"> <li>• Eradicate infrastructure backlogs and ensure that all schools meet the minimum standards by 2016.</li> <li>• Improving education, training and innovation</li> <li>• All children should enjoy services and benefits aimed at facilitating access to nutrition, health care, education, social care and safety.</li> </ul>	<ul style="list-style-type: none"> <li>• Value of programme spend</li> <li>• Number of new/ replacement schools completed 30</li> </ul>
2	<b>Outcome 2:</b> A long and healthy life for all South African	<p><b>Goals :</b></p> <ul style="list-style-type: none"> <li>• Investing in social capital</li> <li>• Healthy life for all</li> </ul>	<ul style="list-style-type: none"> <li>• Number of government Departments supported</li> </ul>
3	<b>Outcome 4:</b> Decent employment through inclusive economic growth	<p><b>Goals :</b></p> <ul style="list-style-type: none"> <li>• Economy and employment.</li> <li>• Broaden-Based Black Economic Empowerment</li> </ul> <p><b>Strategic Objectives :</b></p>	<ul style="list-style-type: none"> <li>• Number of work opportunities created through the IDT portfolio.</li> <li>• % of weighted BBBEE spend</li> </ul>

		<ul style="list-style-type: none"> <li>• Report on the EPWP- against the target of 6 million job opportunities by 2019.</li> <li>• Public employment programmes should reach 1 million by 2015 and 2 million people by 2030.</li> <li>• The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030. This requires an additional 11 million jobs by 2030.</li> </ul>	<ul style="list-style-type: none"> <li>• Value of programme spend on contracts awarded to women</li> </ul>
4	<b>Outcome 5:</b> Skilled and capable workforce	<b>Goals :</b> <ul style="list-style-type: none"> <li>• Invest in professional registration of built environment employees, support human resources and talent development</li> <li>• Stepping up education and skills development investing in social capital</li> </ul>	<ul style="list-style-type: none"> <li>• Effective Human Capital management</li> <li>• IDT's sustainability safeguarded</li> <li>• %Efficient operations</li> </ul>
5	<b>Outcome 6:</b> An efficient competitive and responsive infrastructure network	<b>Goals :</b> <ul style="list-style-type: none"> <li>• Investing in social capital</li> </ul> <b>Strategic Objectives :</b> <ul style="list-style-type: none"> <li>• To improve the efficiency of infrastructure development through regulation and setting guidelines and standards</li> <li>• To flag the maintenance of existing and new infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Value of programme spend</li> </ul>
6	<b>OUTCOME 7:</b> Comprehensive rural development	<b>Goals :</b> <ul style="list-style-type: none"> <li>• Enterprise development promoting small business and entrepreneurship; eliminating unnecessary red tape</li> </ul>	<ul style="list-style-type: none"> <li>• Number of EPWP-NSS work opportunities created</li> </ul>

		<p><b>Strategic Objectives :</b></p> <ul style="list-style-type: none"> <li>• Public employment programmes should reach 1 million by 2015 and 2 million people by 2030.</li> <li>• The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030. This requires an additional</li> <li>• The proportion of adults working should increase from 41 percent to 61 percent.</li> <li>• The proportion of adults in rural areas working should rise from 29 percent to 40 percent.</li> <li>• The labour force participation rate should rise from 54 percent to 65 percent</li> <li>• The proportion of national income earned by the bottom 40 percent should rise from about 6 percent today to 10 percent in 2030.</li> <li>• <b>Action:</b> Broaden the expanded public works programme to cover 2 million fulltime equivalent jobs by 2020.</li> </ul>	
7	<b>Outcome 8:</b> Sustainable human settlements and improved quality of household.	<p><b>Goals :</b></p> <ul style="list-style-type: none"> <li>• Transforming Human settlements</li> <li>• Spatial development</li> </ul>	<ul style="list-style-type: none"> <li>• Value of programme spend</li> </ul>
8	<b>Outcome 11:</b> Protect and enhance environmental assets and natural resource	<p><b>Goals :</b></p> <ul style="list-style-type: none"> <li>• Greening the economy and the built environment</li> </ul>	<ul style="list-style-type: none"> <li>• Number of EPWP cooperatives, NPO's and CBO's supported</li> </ul>

		<ul style="list-style-type: none"> <li>• Environmental sustainability and resilience</li> </ul> <p><b>Strategic Objectives :</b></p> <ul style="list-style-type: none"> <li>• adaptation strategies for the protection of rural livelihoods ...</li> <li>• <b>Actions:</b> Various actions articulated in the NDP, pertaining to water, refuse and land conservation and management.</li> <li>• <b>Actions:</b> Various actions articulated in the NDP, pertaining to water, refuse and land conservation and management</li> </ul>	
9	<p><b>Outcome 12:</b> Effective and efficient development oriented public service</p>	<p><b>Goals :</b></p> <ul style="list-style-type: none"> <li>• Number of EPWP cooperatives, NPO's and CBO's supported state</li> </ul> <p><b>Strategic Objectives :</b></p> <ul style="list-style-type: none"> <li>• Staff at all levels have the authority, experience, competence and support they need to do their jobs.</li> <li>• A state that is capable of playing a developmental and transformative role.</li> <li>• A public service immersed in the development agenda ...</li> </ul> <p><b>Action :</b></p> <ul style="list-style-type: none"> <li>• <b>Action 92:</b> ... ensure that only competent and suitably experienced people are appointed to positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Effective financial and non-financial performance management</li> <li>• Effective risk management</li> </ul>

		<ul style="list-style-type: none"> <li>• <b>Action 96:</b> Use placements and secondments to enable staff to develop experience of working in other spheres of government.</li> <li>• <b>Provide bursaries, internships and learnerships in the built environment and related disciplines.</b></li> </ul>	
14	<b>Outcome 14:</b> A better South Africa contributing to a better world	<ul style="list-style-type: none"> <li>• Total employment should rise from 13 million to 24 million.</li> <li>• The proportion of adults working should increase from 41 percent to 61 percent.</li> <li>• The proportion of adults in rural areas working should rise from 29 percent to 40 percent.</li> <li>• The labour force participation rate should rise from 54 percent to 65 percent.</li> <li>• The proportion of national income earned by the bottom 40 percent should rise from about 6 percent today to 10 percent in 2030.</li> </ul> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Broaden the expanded public works programme to cover 2 million fulltime equivalent jobs by 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractors as a percentage of programme spend</li> <li>• Value of programme spend on contracts awarded to youth contractors as a percentage of programme spend</li> <li>• % of women contractors participating in the contractor development programme</li> <li>• Value of contractors awarded to contractors development participants as a percentage of programme spend</li> <li>• Minimum % of projects completed on time out of total completed projects in a given year</li> <li>• Minimum % of projects completed within budget out of total completed projects in a given year</li> </ul>



		<p><b>Goal :</b></p> <ul style="list-style-type: none"> <li>• Total quality and financial management</li> </ul> <p><b>Strategic Objectives:</b></p> <ul style="list-style-type: none"> <li>• Broaden ownership of assets to historically disadvantaged groups.</li> <li>• Ensure total quality management of programmes and projects.</li> <li>• Promote professionalism and quality social infrastructure products.</li> <li>• Promote good financial management and performance information management.</li> </ul> <p>• <b>Actions:</b></p> <ul style="list-style-type: none"> <li>• Ensure that all projects are completed within budget, are of high quality and delivered within time</li> <li>• Institute frequent site visits, frequent reporting and proper record keeping of project and programme information</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum % of projects completed within required quality out of total completed projects in a given year (based on sample testing)</li> </ul>
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## 7. UPDATED SITUATIONAL ANALYSIS

### 7.1 BUSINESS ENVIRONMENT

7.1.1. The following are some highlights of the progress that South Africa has made during the last twenty years:

- 7.1.1.1. South Africans in the main, enjoy the basic human rights as enshrined in the Bill of Rights as embedded in the South African Constitution;
- 7.1.1.2. There are many initiatives that seek to ensure that all South Africans hold the state accountable for its constitutional obligations such to respect, protect, promote and fulfil the rights as guaranteed in the Constitution;
- 7.1.1.3. South Africa is characterised by sound policy regime and independent judiciary which creates a positive climate for conducting business;
- 7.1.1.3. Major reforms and programmes including large investments in social and economic infrastructure are under way to tackle backlogs and to help stimulate economic growth;
- 7.1.1.4. Government is developing social infrastructure to boost employment and promote small and medium enterprises;
- 7.1.1.5. Major macro-economic policies and strategic investments initiatives are being undertaken to stabilise inflation and public debt;
- 7.1.1.6. Government has laid solid business regulations and legislative framework to build business and investor confidence; and
- 7.1.1.7. Despite the socio-economic challenges, the country has managed to reduce absolute poverty by rolling out social grants to the vulnerable members of society: pensioners, disabled and children.

7.1.2. Demographic shifts are impacting on high levels of urbanization and this calls for the relook of the development in rural areas;

- 7.1.2.1. Need to understand the shifting gravity of the country's urban landscape and its impact on the rural areas;
- 7.1.2.2. Government and policy makers need to research and understand the largest drivers of urban migration within South Africa so as to find a balance between urbanisation and rural development; and
- 7.1.2.3. Aging cities need to plan for new infrastructure, social housing, economic opportunities and culture and heritage.

7.1.3. There State faces persistent pressure from its citizens to deliver and sustain socio-economic transformation, growth and development. The following constitute the service delivery highlights:

- 7.1.3.1. High income inequality as a result of low employment rate amongst the majority of Black South Africans;
- 7.1.3.2. High demand for jobs and economic opportunities in general and in amongst the previously disadvantaged communities especially in townships predominantly occupied by blacks, rural areas, informal urban, peri-urban and mining settlements;
- 7.1.3.3. High pressure and a growing demand for community lifestyle social infrastructure facilities especially in areas cited above;
- 7.1.3.4. Demand for post-settlement support and facilities such as farming infrastructure e.g. fencing, pack houses, etc;
- 7.1.3.5. Community demands for localisation of development benefits e.g. emphasis on local procurement of supplies for programmes, e.g use of local suppliers, creation and extension of job opportunities to local community members first;
- 7.1.3.6. Demand for programmes targeting participation of women, youth and people with disabilities, e.g. Contractor Development Programme, as vehicles for promoting meaningful, inclusive and sustainable intra-generational prosperity;
- 7.1.3.7. Infrastructure damage or destruction from exacerbated by climate change and extreme events challenging development practitioners to develop climate change resilient social infrastructure; and
- 7.1.13. Shortages and increased costs of construction materials (leading to reduction in the number and quality of social infrastructure that can be delivered).

It is recognized that infrastructure roll out is at the heart of Government's New Economic Growth Path. Infrastructure development has become one of the lead sectors for developing the necessary economic linkages to drive inclusive economic growth and social development. It is through this sector that the legacy of apartheid spatial planning could be addressed especially the integration of rural and urban African areas which have been excluded in the past from national economic development. Infrastructure is not only important for fostering economic growth and higher employment, but, also for promoting inclusive growth by providing citizens with the means to improve their own lives and boost their income. Finding innovative

ways to respond to the development priorities and transformation agenda of government especially that focus on job creation and building sustainable enterprises remains key.

## **7.2. ORGANISATION ENVIRONMENT**

### **7.2.1. Key Business Drivers**

The following strategic considerations have been taken into account in discussing strategic imperatives and future positioning of the IDT:

- 7.2.2.1. The current and envisaged mandate of the organization;
- 7.2.2.2. The need to ensure that the IDT is and remains relevant to:
  - 7.2.2.2.1. Government and Client Departments;
  - 7.2.2.2.2. Department of Public Works;
  - 7.2.2.2.3. National Development Plan;
  - 7.2.2.2.4. National Infrastructure Plan;
  - 7.2.2.2.5. 14 priority Outcomes of Government; and
  - 7.2.2.2.6. Medium Term Expenditure and Revenue Framework;
- 7.2.2.3. Development aspirations of the communities in which the organisation operates;
- 7.2.2.4. Building on business strengths and opportunities, whilst eradicating attendant weaknesses of the organization and minimising its exposure to business environmental threats;
- 7.2.2.5. Turning around of the IDT in terms of governance, effectiveness and compliance – ensuring conclusion of the Business Case;
- 7.2.2.6. Strategic positioning of the entity to ensure it remains a relevant and prized national asset, delivers value for money services, is an employer of choice, retain its envied delivery performance record and brand;
- 7.2.2.7. Business process and systems re-engineering to achieve and maintain effective service delivery and performance management; and
- 7.2.2.8. Ensuring financial sustainability, prudent financial management and accountability for the IDT as well as clients.

## **7.3. CURRENT STATE OF THE IDT**

- 7.3.1. As of the third quarter of 2015/16 financial year, the IDT achieved the following:
  - 7.3.1.1. 35 Government Departments were supported against a target of 40;

- 7.3.1.2. 49 759 work opportunities were created against a target of 50 in the Extended Public Works Programme - Non State Sector;
- 7.3.1.3. 318 Co-operatives, Non- Profit Organisations and Community Based Organisations were supported;
- 7.3.1.4. 67% women contractors are participating in the Contractor Development Programme against a target of 65%;
- 7.3.1.5. R3.976 billion Total Programme expenditure achieved against a target of R5 billion. This represents 79% level of attainment;
- 7.3.1.6. 61% (i.e. R2, 004,723,223.14) Weighted Value of BBBEE spend achieved against a target 65% (i.e. R3.5 billion);
- 7.3.1.7. 10 New/replacement schools completed against a target of 15, denoting 67% level of achievement; and
- 7.3.1.8. 14% (R536, 588,195.79) Value of Contracts Awarded to women contractors against a target of 20%, representing a 53% level of attainment.

7.3.2. In spite of the abovementioned achievements, the following continue to characterise the IDT business operations:

- 7.3.2.1. Business environment is generally fluid with growing competition for infrastructure programmes;
- 7.3.2.2. Fiscal constraints resulting in cuts on client department's budget allocations has impacted negatively on our business;
- 7.3.2.3. Emerging alternative service delivery mechanisms/vehicles e.g. provincial agencies;
- 7.3.2.4. Rapid growth in business over the past few years has impacted heavily on the limited internal resources resulting in poor service delivery and ultimately client dissatisfaction;
- 7.3.2.5. Capacity constraints, in terms of both human (i.e. programme and project capabilities) and financial resources is a big challenge;
- 7.3.2.6. Delays in payment of suppliers/contractors in contravention of the PFMA's 30 day payment period;
- 7.3.2.7. Inadequate internal control environment which has led to qualified audit opinion by the Auditor General;
- 7.3.2.8. Inadequate contract management resulting in litigation against IDT in excess of R40 million;
- 7.3.2.9. Prolonged restructuring and transformation process;

- 7.3.2.10. Reputational image of IDT has been damaged. Perceptions/allegations of corruption, patronage politics, cronyism and abrupt corruption have done a serious damage to IDT's reputation; and
- 7.3.2.11. Need to understand the order winning criteria of clients (client expectations) which are:
  - 7.3.2.11.1. Payments to vendors/service providers; payments from client departments;
  - 7.3.2.11.2. IDT claims require full financial project reconciliations to facilitate funds from clients;
  - 7.3.2.11.3. Client departments require clean audits to attract nation grants;
  - 7.3.2.11.4. Clients want accurate and timely reports; and
  - 7.3.2.11.5. Clients require the IDT to be visible on the ground.

#### **7.4. IDT SWOT ANALYSIS**

Based on the following internal and external environmental analysis, the IDT identified the following as its Strengths, Weaknesses, Opportunities and Threats (SWOT) in its business environment. Table 4 below provides details of the SWOT Analysis.

**Table 3: Strengths, Weaknesses, Opportunities and Threats**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Integrative programme management processes incorporating community development in the service delivery model.</li> </ul>	<ul style="list-style-type: none"> <li>• Fragile funding model due to change in original mandate in 1997 not accompanied by a review of the funding model.</li> </ul>
<ul style="list-style-type: none"> <li>• Committed to poverty eradication, empowerment of marginalized sectors of society and building of sustainable communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited influence on the conceptualisation and design of clients programmes resulting in reduced input in the formulation of development solutions and programme impact</li> </ul>
<ul style="list-style-type: none"> <li>• National reach with presence in all provinces and a strong client base around the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Relation with government often structured on a client / service provider basis, thus limiting value that would accrue from a partnership based relation.</li> </ul>
<ul style="list-style-type: none"> <li>• Established working relations with provincial and national governments.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited effectiveness in instruments at IDT disposal for enforcing compliance to agreements by clients e.g. funds transfer, creditor obligation liquidation, etc.</li> </ul>
<ul style="list-style-type: none"> <li>• Programme management personnel that are youthful, professional and passionate about development.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortage of technically qualified staff to meet the growing national infrastructure development programme delivery demands.</li> </ul>
<ul style="list-style-type: none"> <li>• Effective management and business processes systems i.e. speed in procurement, quality construction management, speed in payments processing etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Systems and organizational capacity not aligned with high growth in programme portfolio.</li> </ul>

<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Positioning as a programme management and development agency tasked with managing and delivering social infrastructure backlogs on behalf of government</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent changes in leadership of client government departments threatens continuity in the IDT's delivery of programmes and meeting of obligations to service providers</li> </ul>
<ul style="list-style-type: none"> <li>• Extension of programme implementation management services to basic services and housing infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Budget deficits and general sub-standard financial management in client departments exposes the IDT to litigation due to late programme funds transfers.</li> </ul>
<ul style="list-style-type: none"> <li>• Spearheading of the Green Technology and related innovations in infrastructure development.</li> </ul>	<ul style="list-style-type: none"> <li>• Competition by State Owned Enterprises for the provision of social infrastructure and programme management services.</li> </ul>
<ul style="list-style-type: none"> <li>• Leveraging the organisation's community development competencies particularly social facilitation, community empowerment and job opportunities creation.</li> </ul>	<ul style="list-style-type: none"> <li>• Unclear mandate exposes the IDT to usurping of its mandate by others state entities, leading to financial viability vulnerability which threatens the continued existence of the IDT.</li> </ul>
<ul style="list-style-type: none"> <li>• Provision of rural development infrastructure programme implementation support services and post-settlement support linked to the comprehensive rural development programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of critical staff due to uncertainty arising from the long drawn transformation process. This is compounded by the general shortage of skills in the built environment industry.</li> </ul>



## **8. PROPOSED KEY PRIORITIES FOR FUTURE POSITIONING OF THE IDT**

### **8.1. TURNAROUND STRATEGY**

The main purpose of the Turnaround Strategy is to transform the IDT into a leading public sector developmental programme management and implementation agency. Based on and guided by the priorities outlined and agreed to by the Board, the objectives of the Turnaround Strategy are to:

- 8.1.1. Strategically position the IDT as a premier social infrastructure programme delivery management entity;
- 8.1.1. Regain confidence of the Shareholder, client departments and stakeholders;
- 8.1.2. Ensuring financial sustainability, prudent financial management and accountability for the IDT as well as for client funds;
- 8.1.3. Attract and retain appropriately qualified, committed and motivated personnel; and
- 8.1.4. Develop and deploy effective and efficient business systems and processes to successfully implement programmes in order to bring and contribute to visible quantifiable improvements to the quality of life of communities.

### **8.2. THE PILLARS OF THE IDT TURNAROUND STRATEGY**

The following pillars provide the basis for the IDT Turnaround Strategy:

#### **8.2.1. Financial viability improvements:**

- 8.2.1.1. The organisation must deal effectively with the Auditor General findings;
- 8.2.1.2. The organisation to continuously monitor and assess the implementation of the Audit Action Plan focusing on the resolution of the audit matters raised with special emphasis on the matters that led the AGSA disclaimer;
- 8.2.1.3. There must also be focus on the expansion of the revenue base;
- 8.2.1.4. The organisation must strengthen its financial management services and
- 8.2.1.5. The organisation must deal effectively with irregular, fruitless and wasteful expenditure.

#### **8.2.2. Organisational integrity, governance, accountability and compliance:**

- 8.2.2.1. Achieve an aligned strategic focus, i.e. alignment of IDT priorities to the national DPW mandate and strategic focus;

- 8.2.2.2. A partially secure business portfolio pipeline, complementarity of the IDT to national DPW, and Executive Authority endorsed framework facilitating complementarity between IDT and provincial DPWs;
- 8.2.2.3. Have confidence building in corporate and financial governance;
- 8.2.2.4. Promote a corruption and fraud free environment; and
- 8.2.2.5. Management must effectively implement the revised policies and Delegation of Authority as approved by the Board.

**8.2.3. Service delivery improvements:**

- 8.2.3.1. Ensure corporate effectiveness and efficiency;
- 8.2.3.2. Strive for minimal litigations and elimination of procurement related irregularities;
- 8.2.3.3. Promote service delivery efficiencies that are customer/client centric;
- 8.2.3.4. Establish and implement an effective early programme/project delivery warning systems to improve service levels; and
- 8.2.3.5. Strengthen business intelligence and research development in the built environment.

**8.2.4. Organisational reconfiguration, professionalisation and image building:**

- 8.2.4.1. Develop an effective human capital planning, development and talent management strategy;
- 8.2.4.2. Ensure that the organisation is optimally structured and is a well-resourced business;
- 8.2.4.3. Develop and implement an Executive Authority endorsed IDT Remuneration Strategy and Framework; and
- 8.2.4.4. Promote a professionalised built environment service offerings.

To achieve the intended results of the IDT Turnaround Strategy, it is imperative that the pillars of the strategy are treated and applied in an integrated manner across the whole organisation.

## 9. DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

The following are key steps in the IDT strategic planning process:

- 9.1 February:** Develop an annual strategic planning framework for Board approval.
- 9.2 April-June:** Consolidate the year-round research conducted and business intelligence gathered such as analysis of the internal and external environment by the Regions and Units; conduct a stakeholder and client perception survey; and, consolidate research to produce an integrated environmental scan and key issues.
- 9.3 June-July:** MTEF Submission.
- 9.4 July-August:** Develop and approve corporate strategy proposals, scenarios and strategic choices, which include draft strategic goals and objectives. Sub components of this approval process include Executive Committee review and recommend to Board Committees; Board Committees review and recommend to the Board; and in August, the Board, at the Annual Board Strategy Workshop and the Board meeting determines the strategic direction and strategic choices.
- 9.5 August-November:** Draft of the Strategic Plan and Annual Performance Plans submitted to the Department of Public Works for assessment and feedback. Unit Business plans and sub-unit work-plans. Operational planning processes includes: issue business planning, budgeting, monitoring and reporting guidelines; cascade Board directives to facilitate bottom-up planning around strategic outcomes, goals, objectives and initiatives; develop and present sub-unit work plans, regional operational plans and unit business plans to MANCO and EXCO; and, develop draft system descriptions for targets and indicators, Medium Term Expenditure Framework (MTEC) meetings and budget motivations/presentations.
- 9.6 November-December:** A Final Draft Strategic Plan and Annual Performance Plan are considered by the Board Committees and the Board for

submission to DPW including preparation of systems description.

**9.7 January-February:** Finalise, submit and approve Unit Business plans, Strategic Plan, Annual Performance Plan and Budget:

9.7.1. EXCO recommends Unit Business Plans, Budgets, Strategic Plan, Annual Performance Plan and Budget to Board Committees;

9.7.2. Board Committees recommend Strategic Plan, Annual Performance Plan and Budget to Board for approval;

9.7.3. Board approve Strategic Plan, Annual Performance Plan and Budget; and

9.7.4. Submit Strategic Plan, Annual Performance Plan and Budget to Executive Authority and National Treasury.

## **PART B: PROGRAMME PLANS**

### **10. STRATEGIC CHOICES**

Having noted the above business environment, the Board continued to support the view that the IDT's 2016/17 Strategy should reflect the following aspects:

#### **10.1. PROBLEM STATEMENT**

The most salient issues which inform the IDT's corporate strategy are the country's development challenges as articulated in the National Development Plan, and in particular, deepening poverty and inequality; social infrastructure backlogs; weakened social cohesion and a long-term financial sustainability model for the organisation.

#### **10.2. THE IDT'S DIFFERENTIATOR**

The IDT's distinctive, value adding and differentiating offering will be in the integration of social infrastructure delivery underpinned by social facilitation. Social facilitation, in the context of the IDT, entails facilitating a community to strengthen itself and develop towards its full potential. It is a holistic, people centred process utilising collective assets and capacity to achieve sustainable local development.

The process focuses on the mobilization of communities in line with the requirements of the project or programme, motivating them (communities) to participate fully in the process of implementing the programme, addressing matters that would negatively impact on the delivery. It also includes the establishment of community based structures whose role would be to organize communities on behalf of the programme or project.

Furthermore, social facilitation is supported by conscious exploration of alternative development approaches that contribute to critical areas of the country's development efforts, such as the transformation of the built-environment, utilisation of alternative construction methodologies, and provision of water and energy efficient facilities.

### **10.3. CORE BUSINESS AREAS**

IDT's core business is development programme management, mainly in the area of social infrastructure development. The IDT also programme manages social development interventions e.g. EPWP, Working for Eco - Systems, etc. The organisation will be more deliberate in identifying target markets and opportunities for the pursuit of its core business.

### **10.4. CLARIFICATION OF MANDATE**

The IDT's 1997 Mandate which calls for the IDT to "to influence, support and add value to the national development agenda ... by deploying its resources in the initiation and delivery of innovative and sustainable development programmes, which make a measurable difference in the levels of poverty and underdevelopment" is still in place. The IDT is an agency of state which report to Parliament through the Department of Public Works. Given the changes in the policy environment, the IDT has proposed a revised mandate. However, the organisation recognises that the confirmation of its mandate is a Cabinet decision which will also inform the legislative process, scheduling and corporate form of a future IDT.

### **10.5. STRATEGIC GOALS**

The IDT strategic goals are articulating the institution's responsibilities in promoting sustainable development in the poor and marginalized areas in the country. This is done through delivery of integrated social infrastructure aimed at the creation of an enabling environment for affected communities. The institution aims to achieve these goals by using resources in a prudent and efficient manner.

Thus with due regard for the above parameters the following are the IDT's Goals and Objectives for 2014/15 – 2018/19:

**Table4: IDT Strategic Goals and Objectives**

<b>PROGRAMME</b>	<b>STRATEGIC GOALS/ OUTCOMES</b>	<b>STRATEGIC OBJECTIVES</b>
<b>PROGRAMME 1: INTEGRATED SERVICE DELIVERY</b>	<b>THE IDT CONTRIBUTES TO THE STATE'S CAPACITY TO EFFECTIVELY IMPLEMENT DEVELOPMENT PROGRAMMES.</b>	<p><b>STRATEGIC OBJECTIVE 1:</b> Deliver quality social infrastructure on time, within budget and scope</p> <p><b>OBJECTIVE STATEMENT 1:</b> IDT distinctive developmental approach to social infrastructure delivery empowers communities to receive, own, manage and sustain their own development</p>
<b>PROGRAMME 2: ADMINISTRATION</b>	<b>THE IDT IS AN EFFECTIVE, EFFICIENT AND SUSTAINABLE ORGANISATION</b>	<p><b>STRATEGIC OBJECTIVE 2:</b> A financially viable, compliant, results-based, efficient and focused organisation</p> <p><b>OBJECTIVE STATEMENT 2:</b> Building a sustainable organisation and maintaining a clean administration which is committed to the efficient application of resources, compliance with regulations and legislation and which is accountable.</p>

**10.6. FIVE YEAR THEME: GROWTH, DIVERSIFICATION AND SUSTAINABILITY**

In the quest of transforming the IDT from a government funding dependent agency into a self-sustaining organisation based on revenue generated from its service offering, the IDT has instituted a targeted operational refocus placing a significant amount of effort on institutional

and financial sustainability aspects. This has necessitated the review of weighting on its Corporate programmes and related strategic goals resulting in the prominence of financial and institutional sustainability matters as provided under Programme 2 in 2015/16 and a gradual shift towards the service delivery-oriented Programme 1 in subsequent years. The table below presents the corporate programmes weighting over the planning period.



**Table 5: Corporate Plan Programmes Weighting**

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Programme 1	50%	60%	70%	70%	70%
Programme 2	50%	40%	30%	30%	30%
Total	100%	100%	100%	100%	100%

**10.7. 2016/17 IDT ANNUAL PERFORMANCE PLAN TARGETS AND 2018/19 MEDIUM TERM EXPENDITURE FRAMEWORK ESTIMATES**

**PROGRAMME 1**

**Strategic Objective 1: Deliver quality social infrastructure on time, within budget and scope**

<b>OBJECTIVE INDICATOR</b>	<b>STRATEGIC PLAN TARGETS (2018/19)</b>	<b>AUDITED ACTUAL PERFORMANCE</b>			<b>ESTIMATES OF PERFORMANCE 2015/16</b>	<b>MEDIUM-TERM TARGETS</b>		
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>		<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Number of government Departments supported</b>	45	NT <sup>9</sup>	40	44	35 <sup>10</sup>	40	42	45
<b>Value of programme spend</b>	R8bn	R5.648bn	R6.633bn	R6.372bn	R5bn	R6bn	R7bn	R8bn

<b>Number of new/replacement schools completed</b>	40	NT <sup>11</sup>	22	42	20	20	35	40
<b>Number of work opportunities created through the IDT portfolio</b>	28 000	34 534	26 937	20 983	20 000	15 000	23 000	28 000
<b>Number of EPWP-NSS work opportunities created</b>	*60 000	42 447	48 920	53 268	50 000	55 000	58 000	60 000
<b>Number of EPWP cooperatives, NPO's and CBO's Supported</b>	380	NT	330	378	350	360	370	380
<b>% of weighted BBEE spend</b>	*70%	63% <sup>5</sup> R 3.554bn	79% R 5.27bn	67% R4.287bn	65% R3.25bn	65% R3.9bn	65% R4.55bn	65% R5.2bn

<sup>9</sup>NT-Not Targeted.

<sup>10</sup>Proposed amendments (bracketed and in blue font) to strategic plan targets due to reasons as stated in Annexure 2.number 2.

<sup>11</sup>this specific target came into effect as from 2013/14FY.prior to this,2012/13FY,the target was more inclusive focusing on all social infrastructure facilities, including house hold facilities, completed during the reporting period.

<sup>12</sup>The weighted BBEE calculation had not yet come into effect, hence BEE was targeted and reported on. Weighted BBEE targeting came into effect in 2013/14 FY.

<sup>13</sup>prior to 2013/14 FY value and percentage women contractors and service provider spend was targeted and reported on. This included non-built environment women contractors, i.e women service providers in general. As from 2014/15 FY the target specifically relate to the built environment women contractors.

\*Proposed amendments to the strategic plan targets due to reasons as stated in Annexure 2 number 2

\*\* A reworded objective indicators

<sup>14</sup> IN the 2011/12 FY the organisation targeted and reported on the absolute number of women contractors (all inclusive,i.e both built and non-built service providers) supported. This was the piloting faith of CDP, which target would be late be included in the APP as from 2013/14 FY

<sup>15</sup>This target came into effect on the corporate APP as from 2014/15 FY. Prior to that in 2013/14 FY especially, it was targeted at a business unit level.

\*Proposed amendments to the strategic plan targets due to reasons as stated in Annexure 2 number 2.

<b>**Value of contracts awarded to women as a percentage of total value of contracts awarded</b>	20% R1.6bn	18% R1.035bn <sup>1</sup> <sub>3</sub>	17% R1.15bn	27% R1.727bn	15% R750m	20% R1.2bn	20% R1.4bn	20% R1.6bn
<b>**Value of programme awarded to youth as a percentage of total value of contracts awarded</b>	15% R1.20bn	12% R652.06m	15% R990m	17% R1.08bn	7% R350m	15% R900m	15% R1.05m	15% R1.20bn
<b>% of women contractors participating in the contractor development programme</b>	65%	NT <sup>14</sup>	67	67%	67%	65%	65%	65%
<b>**Value of programme contracts awarded to contractor development participants as a percentage of total value of contracts awarded</b>	5%	NT <sup>15</sup>	NT	3.5% R225m	1% R60m	4% R240m	5% R350m	5% R400m

\*\*A reworded indicator.

\*\*\* A new objective indicator

**PROGRAMME 2**

**Strategic Objective 2: A \*financially viable, complaint, results-based, efficient and focused organization**

OBJECTIVE INDICATOR	STRATEGIC PLAN TARGETS (2018/19)	AUDITED ACTUAL PERFORMANCE			ESTIMATES OF PERFORMANC 2015/16	MEDIUM-TERM TARGETS		
		2012/13	2013/14	2014/15		2016/17	2017/18	2018/19
<b>Effective financial and non-financial performance management</b>	Financial audit outcome: unqualified	Unqualified audit	Qualified audit	Disclaimed audit by AG	Financial audit outcome: unqualified	Financial audit outcome: unqualified	Financial audit outcome: unqualified	Financial audit outcome: unqualified
	Performance information audit outcome: unqualified					Performance information audit outcome: unqualified	Performance information audit outcome: unqualified	Performance information audit outcome: unqualified
	****Average number of days for payments from date of invoice receipt: 30 days	Compliant to PFMA and regulations: full compliance	Compliance with relevant legislation: achieved at 100%	Compliance with relevant legislation and regulations: effective compliance		<i>NT (Targeted at Business Unit Level)</i>	Average number of days for payments from date of invoice receipt: 30 days	Average number of days for payments from date of invoice receipt: 30 days
	Functional risk management committee	Duly constituted and operational	Effective & functioning	The Board of Trustees and its sub-structure,	<i>NT (Targeted at Business Unit Level)</i>	***An approved Business Continuity	Functional risk management committee	Functional risk management committee

<b>Effective risk management<sup>6</sup></b>		Executive Management and Board Committee meetings: achieved	Board and Committees: achieved at 140%	i.e. committees met and discharged its mandate: 100%		Strategy & Plan		
	Enterprise risk management strategy and plan in place and implemented	Alignment with corporate governance codes	Risk assessment conducted, risk appetite statement endorsed by the Board and Fraud Prevention Plan implemented	Risk Management (RM) Framework implemented	Enterprise risk management strategy and plan in place and implemented	Enterprise risk management strategy and plan in place and implemented	Enterprise risk management strategy and plan in place and implemented	Enterprise risk management strategy and plan in place and implemented

<sup>6</sup> Refer to Note 10 – same applies to this

\*A reworded strategic objective.

\*\*\*\*A new strategic plan target. This a Government requirement under operation Shikisha to speed up payments to suppliers, service providers and contractors.

The dashboard system has also been enhanced to measure reporting and turnaround times.

<b>Effective Human Capital management</b>	Human capital plan approved and implemented				Human capital plan inadequate	Human capital strategy and plan approved and implemented	Human capital strategy and plan reviewed and implemented	Human capital strategy and plan reviewed and implemented
	Corporate Occupancy Level: 90%				Corporate occupancy level 79%	Corporate Occupancy Level: 90% minimum	Corporate Occupancy Level: 90% minimum	Corporate Occupancy Level: 90% minimum
	Approved Employment equity Plan in place				Employment equity Plan inadequate	Approved Employment equity Plan in place indicating Organisational targets per racial group, gender and disability	80% attainment of targets per the approved Employment equity Plan	90% attainment of targets per the approved Employment equity Plan
<b>IDT's sustainability safeguarded</b>	Annual average management fee billed: 6.7%	Average management fee % charged based on total social programme spend: 3.3%	Average management fees: achieved at 6.1%	The average management fees billed reduced from 6.1% in 2013/14 to 5.44% in 2014/15: partially effective	Annual average management fee billed: 6.3%	Annual average management fee billed: 6.5%	Annual average management fee billed: 6.7%	*Annual average management fee billed: 6.7%

	Annual management fee collection rate: 95%	Value of management fees recovered: R188.906m	Value of management fees recovered: R402.852m	Value of management fees recovered: R347.395m	Annual management fee collection rate: 90%	Annual management fee collection rate: 95%	Annual management fee collection rate: 95%	Annual management fee collection rate: 95%
	Organogram reviewed, updated and approved	Business Case approved by Shareholder and implemented: target partially approved	Support the development and finalisation of the Long-Term Sustainability Model achieved at 30%	Compliance with relevant legislation and regulations: effective performance	**Refocus organizational structure developed and approved	Organogram reviewed, updated and approved	Organogram reviewed, updated and approved	Organogram reviewed, updated and approved
<b>% Efficient operations</b>	Corporate efficiency ratio: 6.5%	% Efficiency Ratio: 10.4%	% Efficiency ratio: 6.6%	% Efficiency ratio: 5.5%	% Efficiency ratio: 6.0%	Corporate efficiency ratio: 6.5%	Corporate efficiency ratio: 6.5%	Corporate efficiency ratio: 6.5%
	Corporate budget savings: minimum 5%	NT	NT	Cost Containment Strategy under implementation	NT9Targeted at business unit level)	Corporate budget savings: minimum 5%	Corporate budget savings: minimum 5%	Corporate budget savings: minimum 5%

	****Effective vendor management system enabling accurate reporting on empowerment targets	NT	NT	NT	NT(Targeted at business unit level)	Effective vendor management system enabling accurate reporting on empowerment targets	Effective vendor management system enabling accurate reporting on empowerment targets	Effective vendor management system enabling accurate reporting on empowerment targets
<b>Effective Communications and Stakeholder Management Strategy</b>	Corporate communication plan approved and implemented	NT	Deliver Communications strategy as planned: Communications and Stakeholder Management Strategy delivered at 100%	Effective Communications and Stakeholder Management Strategy under implementation.	Corporate communication plan approved and implemented	Approved Corporate communication Strategy and Plan in place	Corporate communication plan approved and implemented	Corporate communication plan approved and implemented
					****At least 3 EXCO approved comprehensive profile building corporate media campaigns undertaken in electronic media and print	At least 4 EXCO approved comprehensive profile building corporate media campaigns undertaken in electronic media and print	At least 4 EXCO approved comprehensive profile building corporate media campaigns undertaken in electronic media and print	At least EXCO approved comprehensive profile building corporate media campaigns undertaken in electronic media and print

\*\*Proposed amendments to the strategic plan targets due to reasons as stated in Annexure 2 number 2.

\*\*\*A new objective indicator.

\*\*\*\*A new strategic plan target





## 10.8. 2016/17 QUARTERLY TARGET SCHEDULING

**Strategic Objective:** Deliver quality social infrastructure on time, within budget and scope

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
Number of government Departments supported	44	25	30	35	40	40
Value of programme spend	R6.372bn	R1.75bn	R3.0bn	R4.5bn	R6bn	R6bn
Number of new/replacement schools completed	42	5	10	15	20	20
Number of work opportunities created through the IDT portfolio	20 983	5 000	10 000	16 000	22 000	22 000
Number of EPWP-NSS work opportunities created	53 268	21 000	42 000	55 000	55 000	55 000
Number of EPWP cooperatives, NPO's and CBO's Supported	378	310	310	360	360	360
% of weighted BBEE spend	67%	R1.23bn	R2.1bn	R3.15bn	R4bn	70%
	R4.287bn					R4.2bn

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
Value of programme spend on contracts awarded to women contractors as a percentage of programme spend	27% R1.727bn	R350m	R600m	R900m	R1.2bn	20% R1.2bn
Value of programme spend on contracts awarded to youth contractors as a percentage of programme spend	17% R1.08bn	R260m	R450m	R600m	R900m	15% R900m
% of women contractors participating in the contractor development programme	67%	65%	65%	65%	65%	65%
Value of contractors awarded to contractor development participants as a percentage of programme spend	3.5% R225m	R70m	R120m	R180m	R240m	4% R240m
% of projects completed on time out of total completed projects in a given year	NT	NT	NT	NT	NT	NT
% of projects completed within budget out of total completed projects in a given year	NT	NT	NT	NT	NT	NT
% of projects completed within required quality out of total	NT	NT	NT	NT	NT	NT

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
completed projects in a given year (based on sample testing)						

**Strategic Objective 2: A financially viable, complaint, results-based, efficient and focused organization**

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
<b>Effective financial and non-financial performance management</b>	Disclaimed audit*	2015/16 AFS approved by Board by 31 <sup>st</sup> May 2016  Audit Action Plan (AAP): 90% resolution of audit matters raised from prior year by 31 May  Draft 2015/16 Annual Report presented to the Board	Draft Audit Action Plan (AAP) approved by Management EXCO  Final 2015/16 Annual Report approved by the Board	Organisational-wide review of audit preparedness status  Presentation of audit action plan to the Board	Guidelines for year-end closure procedures issued by end February	Financial audit outcome: unqualified
	Disclaimed audit*	Board approval of Strategic Planning Framework	Reviewed Corporate Business Plan and draft Annual Performance Plan (APP)	Reviewed Strategy and refined Corporate Business Plan and APP tabled to the Board	Final Strategy, Corporate Business Plan and APP approved by the Board and	Performance information audit outcome: unqualified

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
			tabled to the Board		Minister, and submitted to National Treasury  2017/18 Systems Description approved by Management EXCO by February 2017	
	Compliance with relevant legislation and regulations: effective compliance	Average number of days for payments from date of invoice receipt: 30 days	Average number of days for payments from date of invoice receipt: 30 days	Average number of days for payments from date of invoice receipt: 30 days	Average number of days for payments from date of invoice receipt: 30 days	Average number of days for payments from date of invoice receipt: 30 days
<b>Effective risk management<sup>7</sup></b>	The Board of Trustees and its sub-structure, i.e. committees met and discharged its mandate: 100%	Quarterly RMC meetings, quarterly risk management reports.	Quarterly RMC meetings, quarterly risk management reports.	Quarterly RMC meetings, quarterly risk management reports.	Quarterly RMC meetings, quarterly risk management reports.	Functional risk management committee

<sup>7</sup> Refer to Note 10 – same applies to this

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
	Risk Management (RM) Framework implemented	Strategic risk register tabled for 2016/17 to the ARCO  Operational risk register for 2016/17 tabled to RMC  Quarterly Risk Management Report tabled to ARCO	An approved Business Continuity Strategy & Plan  Quarterly Risk Management Report tabled to ARCO	Strategic risk assessment undertaken for 2017/18  Quarterly Risk Management Report tabled to ARCO	Reviewed Enterprise risk management strategy, framework, policy and plan approved for 2017/18 by February 2017  Quarterly Risk Management Report tabled to ARCO	Enterprise risk management strategy and plan in place and implemented
<b>Effective Human Capital management</b>	Effective Human Capital management: very effectively implemented	Human capital plan implemented  Quarterly Report tabled to Management EXCO	Human capital plan implemented  Quarterly Report tabled to Management EXCO	Submission of Annual Equity Report by 30 September  Quarterly Report tabled to Management EXCO	Human Capital Strategy and 2017/18 Plan approved  Approval of Equity Plan by Management EXCO	Approved Human Capital Strategy and Plan implemented
	<i>NT in previous financial years (Targeted at business unit level)</i>	Occupancy rate for funded positions not less than 90%	Corporate occupancy level for positions not less than 90%	Corporate occupancy level for positions not less than 90%	Corporate occupancy level for positions not less than 90%	Corporate occupancy level for positions not less than 90%

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
	Internal organizational refocus and streamlining plan approved and implemented: effective performance.	Approved Employment Equity Plan in place	Approved Employment Equity Plan in place	Approved Employment Equity Plan in place	Approved Employment Equity Plan in place	Approved Employment Equity Plan in place
<b>% Efficient operations</b>	% Efficiency ratio: 6.0%	Corporate efficiency ratio: 5.5%	Corporate efficiency ratio: 5.5%	Corporate efficiency ratio: 5.5%	Corporate efficiency ratio: 5.5%	Corporate efficiency ratio: 5.5%
	Cost Containment Strategy under implementation		Corporate budget savings: minimum 5%	Corporate budget savings: minimum 5%	Corporate budget savings: minimum 5%	Corporate budget savings: minimum 5%
	NT in previous financial years (Targeted at business unit level)		Effective vendor management system enabling accurate reporting on empowerment targets	Effective vendor management system enabling accurate reporting on empowerment targets	Effective vendor management system enabling accurate reporting on empowerment targets	Effective vendor management system enabling accurate reporting on empowerment targets

OBJECTIVE INDICATOR	BASELINE	QUARTERLY TARGETS				YE TARGET
		Q1	Q2	Q3	Q4	
<b>Effective Communication and Stakeholder Management Strategy</b>	Effective Communications and Stakeholder Management Strategy: Strategy under implementation.	Corporate communication plan approved and implemented	Approved Corporate Communication Strategy and Plan in place	Corporate communication plan approved and implemented	Corporate communication plan approved and implemented	Corporate communication plan approved and implemented



## **10.9 STRATEGIC IMPLEMENTATION**

The results of the scan suggest that through the transformed IDT, more effective linkages can be made between government priorities and the IDT's strategic goals of delivering social infrastructure and other programmes, developing communities, supporting institutions, sharing knowledge and building strategic partnerships to deliver sustainable and vibrant communities that will change the quality of life of all South Africans. IDT's long-term strategic vision is reflected in this Strategic Plan. The Strategic Plan also reflects the organisation's response to questions of what to do, when to do it, and how to do, which the organisation respond to with great confidence because it knows what it can do within its mandate and what falls outside its authority.

In the context of South Africa and all its challenges the IDT submits that at the heart of Social Infrastructure is the building of strong and sustainable communities. As such the IDT defines and approaches social infrastructure development as an integrated process which entails all the necessary measures, facilities and networks required to prepare communities to initiate, receive, own, manage and sustain their own development.

## **10.10 KEY PERFORMANCE MEASURES AND INDICATORS**

The 2014/15 – 2018/19 Strategic Plan (Appendix 2) has been developed to ensure that the IDT aligns to and contributes directly towards key government policy and national development imperatives as articulated in such development management instruments such as the National Development Plan and the New Economic Growth Path. The 2016/17 Annual Performance Plan (APP) is attached as Appendix 3. The Key Performance Areas, Key Performance Indicators (KPI's) and targets, informed by the Strategic Direction determined by the Accounting Authority, are contained in the APP.

## **11. GENERAL FINANCIAL OVERVIEW**

### **11.1. OVERVIEW**

IDT's financial forecast for the next MTEF period covering 2016/17 to 2018/2019 is reflecting a negative deficit despite a growing portfolio of programmes to be delivered on behalf of government. The anticipated growth in programmes expenditure ranges from R5, 5 billion in 2016/2017 to R7, 0 billion in 2018/2019 whilst the net deficit is decreasing year-on-year from R87.6 million (2016/2017) to R40,7 million (2018/2019). The R87.6 million includes the R25 million put aside for the maintenance and green building intervention. This budget is mainly meant to address the immediate health, safety and environmental legislation requirements that the current head-office building of the IDT must comply with.

The initial estimated budget for the refurbishment of the office complex to bring up to the regulated standard is estimated at R140 million of which R105 million was expected to be funded by National Treasury or Department of Works. The request was not accepted as part of the MTEF submission, but will be submitted separately as a special request.

The forecasted deficit is expected to be funded out of the funds invested with institutions and also out of the long outstanding management fees to be recovered from the client departments.

Management fees are the only source of revenue to sustain IDT financially, have been budgeted at an average of 6,5 % to 7.0% of the expected programme expenditure throughout the MTEF. The management fees revenue has been subjected to a possible provision for credit notes of 5% of gross revenue.

The overhead expenditure is budgeted at R395 million for the 2016/2017 financial year and expected to grow at an average rate of 13% for the next two years. The largest component of the overhead cost relates to the employment costs comprising a level of 68% to 71% of the overhead expenditure. This cost is driven by the nature of IDT's business which is the provision of professional services and management skills in the implementation of social infrastructure programmes on behalf of the government of South Africa. These employment costs have been adjusted annually by 6.5% and by the expected growth in the head count given the anticipated increase in the programmes to be delivered. The other operating overheads remain under tight control and focus, and are increased at rates below those factored under the revenue growth.

## **11.2 BUDGET PROCESS**

As the IDT must be financially self-sustaining, without the financial backing of the Department of Public Works or National Treasury, it became imperative that the budget process be re-engineered and re-focused to achieve the goal of financial sustainability of the organisation.

This new status led to the implementation of activity based budgeting process for the whole organisation that is zero based. The process was work-shopped to instil ownership and accountability of the budgeted figures both revenue and overheads at the appropriate levels within IDT.

## **11.3 FUNDING MODEL**

As the IDT will not be funded out of the fiscus in the short-term, the organisation will be funding its budgeted forecasted deficit out of own generated funds and current funds on hand. All the excess funds are held in highly liquid investments with reputable financial institutions.

## **11.4 CHALLENGES**

### **11.4.1 Management Fees**

The current level of long outstanding management fees owed by client departments since the 2013/2014 financial year is very concerning as this puts the organisation under undue financial strain and impacts its going concern negatively. As at the end of the 2014/2015 financial year, the debtor's book amounted to a net of R310m after a provision of R53 million. This translates to a possible funding about 10 months of overhead expenditure at an average rate of R32m per month. The collection of these amounts due from clients department for the management fees would improve the financial status of the IDT and improve its stability and going concern problem.

Concerted effort has been put into this exercise of recovering these amounts, including the appointment of Financial Technical Specialist Team and the on-going engagement with client department at chief financial officer level.

### **11.4.2 Programme Funds Management**

The financial management of programme expenditure has been adversely affected by the delays experienced in the transfer of programme funds by some of the client departments. This has led to the IDT not being able to meet its target of paying the programme expenditure

Suppliers and creditors in time within the 30 days stipulation of government. These payment delays have resulted in litigation against the IDT, delays in completion of programmes and/or image and reputation challenges as well.

### **11.4.3 Audit Opinion**

The Auditor-General of South Africa (AGSA) issued a disclaimer audit opinion on IDT's 2014/15 Annual Report which impacts the organisation negatively. As a result, IDT has embarked on a vigorous process of addressing the audit findings that gave rise to the disclaimer. A detailed Audit Action Plan was developed through an organisation wide workshop that involved all the affected and relevant key employees and managers within IDT. This Audit Action Plan was implemented and is monitored regularly with the assistance of Internal Audit, Audit Steering Committee including the Audit and Risk Committee. IDT also engaged the services of Financial Technical Specialist Team to assist in addressing and resolving the audit matters raised with special emphasis on the matters that led the AGSA disclaimer.

Also, a workshop was conducted with AGSA that involved the Board of Trustees, Executive Management, the Finance Services Unit and all the Regional Managers and their respective Finance Regional Managers. This workshop was aimed at closing the gaps between AGSA's expectations and that of the IDT's community regarding the audit review processes and also to create conducive working relationships.

Further, there is an Audit Steering Committee that has been established between IDT and AGSA that meets regularly to address any queries and monitors the audit process.

## **11.5. OUTLOOK**

The future of the organisation is largely dependent on the conclusion of the Business Case which is being prepared in conjunction with the Department of Public Works.

## **PART C: LINKS TO OTHER PLANS**

The other plans are contained in the 2015/16 – 2019/20 Strategic Plan approved in 2015/16 financial year.

**ANNEXURES:**

The Annual Performance Plan entails two annexures, namely: 2016/17 – 2018/19 Medium Term Budget Estimates, 2016/17 – 2018/19 Medium Term Annual Performance Plan entailing a quarterly scheduling for the 2016/17 financial year.

**ANNEXURE 1: BUDGET FRAMEWORK**

The 2015/16 – 2018/19 Medium Term Budget Estimates shall be tabled to the Board as a separate submission subsequent to its consideration by the Finance Committee.

**ANNEXURE 2: HIGH LEVEL ORGANISATIONAL STRUCTURE**

CSU to submit the latest approved high level organisational structure