

Independent Development Trust:

2011/13 Corporate Plan

***Presented to the
Portfolio Committee on Public Works***

12 March 2010









Purpose

- ☀ **To present to the Portfolio Committee with**
 - ☀ **The IDT's 2011/13 Corporate Plan**
 - ☀ **Highlight key priorities and challenges over the MTEF period**
 - ☀ **Main budget elements and other supporting plans that underpin the implementation of the 2011/13 Corporate Plan**
- ☀ **To seek the Portfolio Committee's approval of IDT's 2011/13 Corporate Plan**
- ☀ **To provide the Committee with progress reports on outstanding matters**



Content

-  **Compliance Statement**
-  **2011/13 Corporate Plan: Summary**
-  **Outstanding Reports**
 -  **Long-Term Sustainability**
 -  **Mud Schools**
 -  **Cement prices**
-  **Concluding Comments**



Compliance Statement

In terms of accounting to the Portfolio Committee and to enable the Committee to exercise Oversight, the IDT submits that:

☀ The IDT's 2011/13 Corporate Plan complies with:

☀ Section 52 of the PFMA

☀ Treasury Regulation 29

☀ Practice Note 4 of 2009/10 on the Submission of Corporate Plans to accounting authorities of public entities listed in schedule 2 and 3B, and that

☀ The Materiality Framework was approved by the AG

☀ The 2010/11 Shareholder Compact was signed by the Executive Authority and the Chairperson of the IDT Board of Trustees on 8 March 2010



2011/13 Corporate Plan

COVERS THE FOLLOWING AREAS, AS REQUIRED

- ☀ Executive Summary**
- ☀ Vision, Mission and Core Values**
- ☀ Environmental Analysis**
- ☀ Strategy**
- ☀ Key Performance Measures and Indicators**
- ☀ Governance Structures**
- ☀ Financial Plan**
- ☀ Risk Management Plan**
- ☀ Fraud Prevention Plans**
- ☀ Materiality and Significance Framework**
- ☀ Other Supporting Plans**






Operating Environment

- ☀️ **2008/10 has been one of the most challenging periods in the history of the world**
- ☀️ **SA experienced economic recession after 17 years of sustained economic growth impacting on:**
 - ☀️ **Individuals, households and organisations in public and private sector**
 - ☀️ **Resources available to government**
 - ☀️ **IDT's planned delivery e.g., the non-transfer of funds by departments resulting in programmes being suspended and service providers being unpaid . Further there is a decrease in the number and value of social infrastructure programmes confirmed for 2010/11, compared to previous years.**
- ☀️ **2009/10 was the year of entry for the IDT's 2010/30 Strategic Vision. Embarked on a Gearing-up Project and had to strike a balance between its programmes and the available resources**
- ☀️ **Long-term financial sustainability challenges impacted on the Corporate Plan**





Overview

Historical background:

-  **Establishment of and mandate of the IDT**
-  **IDT's focus and delivery**
-  **Retained and strengthened the business model as a development agency, whilst at the same time being fully compliant with the PFMA, as confirmed by the 7 successive unqualified audits.**

Development sector:

-  **Analysis of the 'development gap' and the operating space of the IDT and other 'actors' with complimentary mandates**
-  **IDT's development approach, strategic shifts and distinctive core business offering**




Vision, Mission and Core Values

VISION:

 To be the leading knowledge based development agency

MISSION

 Together with strategic partners, will enable poor communities to access resources, recognise and unlock their own potential and continuously improve their quality of life

CORE VALUES

 People centred

 Integrity

 Professionalism

 Accountability

 Visionary




Strategic Content

- ☀ **The 2010/30 Strategic Vision premised on understanding that eradication of chronic intergenerational poverty requires a long-term, targeted integrated and comprehensive strategy and programme.**
- ☀ **Core Principles:**
 - ☀ **IDT's development practice will be shaped by the aspirations of the poor households and communities.**
 - ☀ **Grounded in peoples' participation to lead and own processes**
 - ☀ **IDT will strengthen its social facilitation and community mobilisation role through the capacity building of people and their structures**
 - ☀ **Partnerships with civil society, public and private institutions**
 - ☀ **Investment in community mandated programmes**
- ☀ **Strong synergies between the MTSF, PoA and the IDT's 2010/30 Strategic Vision**



Immediate Strategic Focus: 2011/13

 **Entry phase of the 2010/30 Strategic Vision. Execute a turnaround strategy through strategies, strategic objectives and targets in the 2011/13 Corporate Plan**

 **Key Initiatives: e.g.,**

 **Business growth: In line with key strategic priorities of govt. including the rural development, community-based sustainable development projects and targeting vulnerable groups**

 **Intensify local government support .**

 **Long-term financial sustainability of the IDT: Finalize the Business Case for approval by the Shareholder**

 **Develop a matching HR strategy**



Key Performance Indicators

- ☀ **To achieve the goals of 2010/30 Strategic Vision, the IDT has adopted the following three objectives:**
 - ☀ **To attain sustainable livelihoods through people centred development interventions**
 - ☀ **To pioneer innovative development solutions**
 - ☀ **To ensure excellence in service delivery**

- ☀ **Strategic Objectives, KPIs and targets are aligned to the 5 key priorities and the MSTF**
 - ☀ **Summary in next three slides**
 - ☀ **Full Corporate Business Plan can be accessed through this hyperlink**
<..\Documents and Settings\edithv\Desktop\2011-13 CORPORATE STRATEGY\CORPORATE PLAN\Appendix 1 CORPORATE BUSINESS PLAN DRAFT 7-MAR-10.docx>



Strategic Objective 1

1. STRATEGIC OBJECTIVE 1	TO ATTAIN SUSTAINABLE LIVELIHOODS THROUGH PEOPLE CENTRED DEVELOPMENT INTERVENTIONS
1.1 PURPOSE	The implementation of targeted, people centred sustainable development in marginalised and impoverished communities
1.2 MEASURABLE OBJECTIVE	The establishment and implementation of integrated sustainable rural development project and models
1.3 KEY PRIORITY AREA	<ul style="list-style-type: none">• Rural Development• Poverty eradication• Responsive Local Government• Building cohesive and sustainable communities community• Building assets for improved health and education
1.4 EXPECTED OUTCOME	Reduction of vulnerability of poor communities Increasing of community assets Increasing access to resources



Strategic Objective 2

2. STRATEGIC OBJECTIVE 2	TO PIONEER INNOVATIVE DEVELOPMENT SOLUTIONS
2.1 PURPOSE	The creation of knowledge based models of people centred sustainable development grounded in the practical delivery of programmes
2.2 MEASURABLE OBJECTIVE	Effective delivery of social infrastructure which simultaneously achieves development outcomes
2.3 KEY PRIORITY AREA	<ul style="list-style-type: none">• Rural Development• Creation of Decent Work• A developmental state including an improvement in public services
2.4 EXPECTED OUTCOMES	<ul style="list-style-type: none">• Tested replicable models of sustainable rural development documented and disseminated• Contributing new knowledge to the body of development practice• Innovative delivery of transformative development programmes impacting on people's lives• Effective and integrated public sector delivery support






Strategic Objective 3

3. STRATEGIC OBJECTIVE 3:	TO ENSURE EXCELLENCE IN SERVICE DELIVERY
3.1 PURPOSE	To ensure the relevance and sustainability of the IDT
3.2 MEASURABLE OBJECTIVE	<ul style="list-style-type: none">• The financial sustainability of the IDT is secured• The IDT is efficient and effective• Risk Management and Compliance
3.3 KEY PRIORITY AREA	<ul style="list-style-type: none">• Effective governance• Sound performance management• Efficient service delivery
3.4 EXPECTED OUTCOMES	The IDT is relevant, sustainable and efficient in delivering its mandate



201/13 Key Content Issues

GOVERNANCE STRUCTURES:

-  Clarifies roles from Executive Authority through to Management.
-  The Shareholder Compact: Was signed by the Minister and Board Chairperson on 8-Mar-08
-  CVs of Trustees and Exco; and , the high-level organisational structure are referenced in this section.

FINANCIAL PLAN: Will be presented by the CFO

MATERIALITY AND SIGNIFICANCE FRAMEWORK

RISK MANAGEMENT PLAN

FRAUD PREVENTION PLAN

OTHER SUPPORTING PLANS:

-  Human Resources Plan
-  Communications Plan
-  Environmental Plan

APPENDICES:







2011/13 Budget



Financial Plan

Main Considerations

-  **Not usual budget of costed business plans**
-  **Intent to protect going concern in 2011/12**
-  **Budget ceiling introduced (R 350 mil)**
-  **Cost curtailment supported by measures already introduced.**



Budget Shifts Responding to Accountability Challenges

- ☀ **Strategic focus remains priority**
- ☀ **Material expenditure reduction enforced**
- ☀ **R52 million ring fenced for direct community driven programme interventions**
- ☀ **Revenue generating capacity cannot cover expenditure in short term**



Main features of the budget

☀ Expenditure - R350 mil

- ☀ Reduced by nominal R 33 mil (9%)

- ☀ Real reduction (15%)

☀ Revenue – R78.8 mil

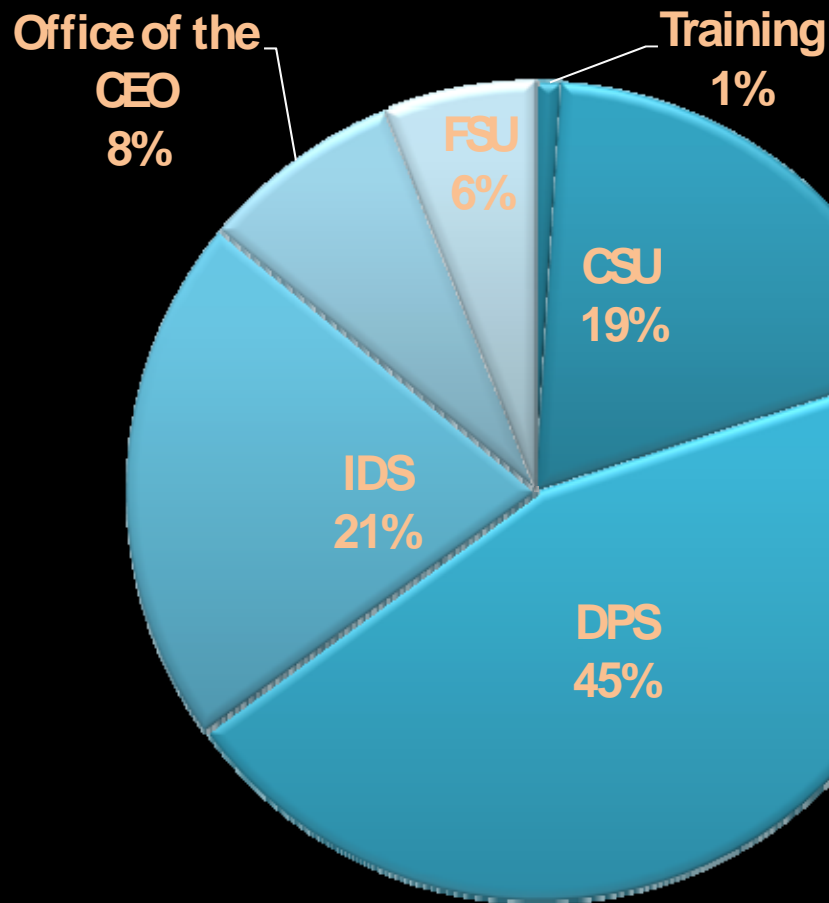
- ☀ Investment Income R38.8 mil (down by 33%)

- ☀ Management Fees R40 mil (increase by 66%)

☀ Application of capital base – R271.2 mil



Budget Apportionment





Financial Efficiency

	R mil
☀ Total Budget -	350
☀ Total programmes	
☀ Government	1500
☀ Own programmes	<u>52</u>
	<u>1552</u>
☀ Efficiency ratio:	19.2%
(for every one rand we spend we deliver R5.21)	



Standard Cost Categories

	R mil	%
Salaries	193.2	55
Consultancy and efficiency initiatives	15.0	4
Travel and accommodation (Air and land)	27.8	8
Office rent, improvements, rates & taxes	10.6	3
Telephone and data lines	8.9	3
Strategic programmes	52.0	15
Other	42.5	12



Guidelines for Outer Years

- ☀ Salary increase aligned to Treasury recommendations**
- ☀ Contractual escalations**
- ☀ Inflation projected at 6%**
- ☀ Community mandated poverty eradication programmes maintained**
- ☀ Management fees increases significantly**



Projections over MTEF period

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	R million	R million	R million	R million	R million	R million
Investment income	76.2	137.1	58.0	38.8	14.0	-
Other Income	3.7	0.3	-	-	-	-
Management fees	12.1	20.0	24.0	40.0	90.0	135.0
Total Revenue	92.0	157.4	82.0	78.8	104.0	135.0
Expenditure (2008 to 2011 include mud schools)	256.7	500.8	429.2	360.0	379.7	396.7
Deficit	164.7	343.4	347.2	281.2	275.7	261.7
Main Fund	1218.8	948.2	603.9	288.4	12.5	(242.0)



Budget Concluding Comments

- ☀ Total budget decreased to protect going concern in 2011/12**
- ☀ Allocations cannot be afforded in year three of MTEF period**
- ☀ Limited capacity exists to significantly impact on revenue generating capacity in the short term**
- ☀ Significant restructuring required to be sustainable in the long term**



Outstanding Reports










Long Term Sustainability: Progress Report

- ☀ **As previously reported to the Committee, the IDT applied to Treasury for funding in 2010/13 MTEF process.**
- ☀ **Introduced**
 - ☀ **Cost cutting; and**
 - ☀ **Accelerated revenue generation**
- ☀ **Mobilized support of the Executive Authority on funding options**



Mud Schools: Update

IDT Funded programmes:

-  Eastern Cape – 5
-  Limpopo - 1
-  Mpumalanga - 5
-  North West - 3
-  Kwazulu Natal - 4
-  Free State – 10 (sanitation projects)
-  Western Cape: Jointly funded between IDT (R5m) and WC-DoE (R 22 m). Project was on hold pending availability of budget from Western Cape DoE; only confirmed on Dec-09. Construction work started January 2010.

Treasury funded programme:

-  EC, KZN, NW and MP : Treasury funded school included in the provincial schools building portfolio with IDT as the implementing agency



Update: Cost of Cement

- ☀ The IDT previously reported on the uncompetitive behaviour of cartels, which artificially inflated cement prices, was subject to investigation.
- ☀ **Competition's Commission investigation: process still underway**
- ☀ In Nov-09 Pretoria Portland Cement Company Ltd ("PPC") confirmed the existence of a cartel to among the 4 cement producers.
- ☀ PPC granted conditional leniency from prosecution, in exchange for PPC's complete and truthful disclosure of cartel activities
- ☀ IDT conducted high level research. Established that the SA cement industry had foreseen the increase in demand and adjusted production capacity. Local produces were able to meet the demand.



Concluding Remarks

- ☀️ **The IDT appreciates the continuous support of the Committee**
- ☀️ **The IDT avails its IDT Regional Offices and projects to support the Committee's Oversight role**
- ☀️ **The IDT also requests the Committee's support in**
 - ☀️ **addressing provincial budget deficits which impacts profoundly on emerging contractors; and,**
 - ☀️ **the process of confirming the IDT's future role in the development landscape and funding thereof.**