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AN ANALYSIS OF THE NATIONAL YOUTH DEVELOPMENT AGENCY REPORT 2009/2010

18 October 2010

1. INTRODUCTION

The purpose of this paper is to provide the Portfolio and Select Committee on Women, Children and Person's with Disabilities with an analysis of the budget reporting of the National Youth Development Agency (NYDA) 2009/10 with the intention of aligning its strategic plan with its programme performance. The National Youth Development Agency was established through a merger between Umsobomvu Youth Fund (UYF) and National Youth Commission (NYC). The NYDA Act (No. 54 of 2008) makes provision for this merger, particularly Section 21(2) which stipulates that "As soon as possible after the Act takes effect the President must in consultation with the Minister of Finance: a) transfer the assets, rights, obligations and liabilities of UYF and NYC to the Agency; and b) subject to 197 of the Labour Relations Act, transfer staff of UYF and NYC to the Agency. While the NYDA was launched on 16 June 2009 the effective date of the transfer was the 1st October 2009. As such, the NYDA's annual report focuses on expenditure and progress for the period 1 October 2009 to 31 March 2010. This paper provides an analysis of the NYDA's Annual Report 2009/10 as it relates to the programmatic and financial matters are concerned. Particular emphasis is also placed on the issues raised by the Auditor-General regarding financial performance, governance, internal controls and risk management matters. The information provided in this document will assist the Committees in understanding whether the budget was efficiently utilised, and whether it was utilised for the intended purposes. This further reflects the status of financial management within the NYDA.

2. MISSION AND MANDATE OF NYDA

Section 55 (2) of the Constitution of the Republic of South Africa (Act 108 of 1996) gives power to the National Assembly (NA), to provide mechanisms to ensure that all Executive organs of the State in the national sphere of Government are accountable to it. The Constitution also provides for the NA to maintain oversight of the exercise of national executive authority and any organ of the State. Section 56 (b) of the Constitution provides powers to the NA or any of its committees to require any person or institution to report to it. Moreover, Section 92 of the Constitution requires Members of the Cabinet to act in accordance with the Constitution, and provide Parliament with full and regular reports concerning matters under their control.

Furthermore, Section 65 of the Public Finance Management Act (PFMA) (Act 1 of 1999) requires that Government Departments must table in the NA an annual report, their financial statements, and the auditor general's report within one month after the Accounting Officer for the Department has received the audit. The submission of the annual report by the Department is in compliance with the requirements of this Act.



The tabling of the annual report allows Parliament to evaluate the performance of the Department after the end of the financial year. The annual report is, therefore, the key reporting instrument for the Department to report against the performance targets and budgets as set out in the State of the Nation Address, translated into strategic plans, and the Estimates of the National Expenditure for a particular financial year.

2.1 Legislative Mandates of the National Youth Development Agency (NYDA)

The overall mandate of the National Youth Development Agency (NYDA) derives from the National Youth Development Agency Act (No 54 of 2008) which outlines the objectives of the Agency that is to:

- Develop an Integrated Youth Development Plan and Strategy for South Africa.
- Develop guidelines for the implementation of an integrated national youth policy.
- Development policy and make recommendations to the President.
- Initiate, design, co-ordinate, evaluate and monitor all programmes aimed at integrating the youth into the economy and society in general.
- Guide efforts and facilitate economic participation and empowerment, and achievement of education and training.
- Partner and assist organs of state, the private sector and non-governmental organisations and community based organisations on initiatives directed at attainment of employment and skills development.
- Initiate programmes directed at poverty alleviation, urban and rural development and the combating of crime, substance abuse and social decay amongst youth.
- Establish annual national priority programmes in respect of youth development.
- Promote a uniform approach by all organs of state, the private sector and non-governmental organisations to matters relating to or involving youth development.
- Endeavour to promote the interest generally of the youth, particularly young people with disabilities.

The mission of the National Youth Development Agency is:

"To initiate, facilitate, implement, coordinate and monitor youth development interventions aimed at reducing youth unemployment and promoting social cohesion".

Following its mandate and mission, the NYDA has set out to execute the following programmes in order to achieve the above-mentioned objectives as discussed in the section hereafter.



3. PROGRAMME INFORMATION

This section provides a brief description of the programmes run by the NYDA within the 2009/10 financial year. While the NYDA had presented its corporate plan to the Portfolio Committee for Women, Children, Youth and Persons with Disabilities, Members had indicated that timelines and programmes had to be clearer. Furthermore, many of the programmes that had been said to be achieved only provides actual costs in certain instances, in most cases the annual report only indicates the number of people the service was provided to. Lastly, the most glaring difficulty in providing an analysis of the NYDA annual report is the lack of information in terms of actual expenditure for each programme. Nonetheless, the following will provide an overview of the programmes as it relates to the NYDA key performance areas.

NYDA strategy and objectives

The key performance areas outlined by the NYDA in their strategic plan to the Portfolio Committee on Women, Children, Youth and Persons with Disabilities on 21 October 2009 are consistent with those presented in the 2009/2010 annual report. The key performance areas are as follows:

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|---|---|
| Economic Participation | Aimed at enhancing the participation of young people in the economy through targeted and integrated programmes. The NYDA will support both for-profit businesses as well as social enterprises that promote job creation, job placement, self employment and income generating activities. |
| Education and Skills Development | Aimed at promoting access to quality education and skills to both in-school and out of school youth through 2nd chance interventions for school drop-outs and School to Work programmes. |
| National Youth Service | Aimed at providing young people with meaningful and accredited skills and activities that benefit their communities through national service and patriotism. |
| Social Cohesion | Aimed at engaging young people in activities that build their social capital, networks and strengthen the relationships that bind people and communities together. These activities will propel young people to reach their personal goals and develop their full capacity. Furthermore, young people will be aware of themselves and their rights and responsibilities |



Information and Communications

Aimed at providing young people with information about various opportunities aimed at improving their living conditions. Through this area of work, the NYDA will also be able to provide information and career guidance services to young people.

Policy, Lobby and Advocacy

Aimed at creating platforms and other social dialogue forums to engage the state, civil society and other social partners for purpose of mainstreaming youth development.

Research, monitoring and evaluation

Aimed at generating a body of research, knowledge and best practice in the youth development sector. It will inform various ways through which government, business and other social partners can contribute towards youth development.

Effective and Efficient Management Resources

The NYDA aims to set efficient and effective management processes that will ensure that resources are managed optimally. This will be done through effective financial management process, risk management, legal, improved business processes and the development of controls.

As mentioned previously, programmes will be discussed as it relates to the above-mentioned key performance areas.

3.1 Programmes

The NYDA reported on the following programmes within the current annual report is discussed briefed below. The Annual Financial Statements did not reflect the expenses per programme or the activities within each programme.

3.1.1 Economic Participation

The NYDA has implemented seven (7) key programmes, products and services that would contribute towards improving economic participation of the youth. These programmes are the Micro-Finance (MF) product, the National Youth Service Programme (NYSP), the Business Consultancy Voucher Programme (BCSVP), the Jobs and Opportunities Seekers' Database (JOBS) Service, the Small and Medium loans (SME) products, the Volunteers in Action Mentorship (VIA) Programme, and the Co-operatives Programme. Having said that programmes such as the National Youth Service Programme (NYSP) is set as a key performance area on its own. As for the rest of the programmes mentioned above very little information was provided as to the purpose of each programme and the cost incurred for each programme over the past 6 months. Of importance to note, the programmes as set out on pages 9-19 of the Annual Report were poorly laid out. While the operational review against the KPAs (page 32) attempts to provide further detail into programmes, information about the programme and its cost is insufficient. The table below provides an overview of



activities and programmes as it relates to economic participation. This has been adapted from tables on pages 9-11, a brief explanation as to why targets were not met can be found on the aforementioned pages of the annual report.

Programme	Corporate Plan presented May 2009	Target as per annual report 2009/2010		
	Target as per corporate plan (number of jobs created)	Target as per annual report (number of jobs created)	Actual target met	Target Status
Micro-finance (group and individual lending)	Unclear	14 000	25 653	Achieved and exceeded
Business Consultancy Service	16 500	5 300	3 410	Not achieved
National Youth Service	81 950	15 000	12 381	Not achieved
SME lending	Unclear	350	310	Not achieved
JOBS	Unclear	1 000	1 004	
Volunteers in Action Mentorship	2 750	350	545	Achieved and exceeded
Co-operatives	Unclear	300	0	Not achieved

The NYDA reported that under the economic participation KPA the NYDA set out to create 36,300 jobs for young people from the above mentioned programmes. A total of 43,303 jobs were created. The MF product created 25,653 more than half of the jobs created, the National Youth Service Programme created 12,381 jobs, the BCSVP created 3,410 jobs and the remainder of the jobs created came from the JOBS programme, SME lending programme and the VIA programme. The challenge is trying to decipher the types of jobs created. While the NYDA can quantify the total jobs provided it does not stipulate whether the jobs created are permanent or contractual or whether or not the jobs are defined as skilled or unskilled labour. In addition, it is unclear as to whether the jobs created were for same or different youth. According to briefings by the NYDA to the Portfolio Committee on Women, Youth, Children and Persons with Disabilities, the Committee noted with concern how the NYDA intended to address the issue of sustainability of the jobs created in addition to noting cognisance be taken of gender and disability. Furthermore, given that the Department of Public Works, Expanded Public Works Programme, also creates work opportunities and targets youth, it is unclear as to the 12 381 jobs created under the NYS related to EPWP or not.

Questions for consideration

1. While the numbers of jobs created may be commendable; of the 43 303 jobs how many youth are still employed? Were the jobs sustainable?
2. In terms of job creation the NYDA could not get set targets for young people with disabilities, young people in rural and peri-urban area and young women. Why not?



3. Provide estimation: of the 43 303 jobs, how many were paid jobs and how many were volunteer based?
4. In terms of the National Youth Service programme, of the 12 381 jobs reported, were any of these jobs related to the Expanded Public Works Programme?

Over and above the reported job creation in relation to the BCSVP, the NYDA had targeted to issue 5 500 vouchers to young entrepreneurs this financial year however 4,220 vouchers were issued for supporting business operations. The BOSS targeted to source business opportunities valued at R100 million for 20 entrepreneurs. The performance against this target was not met; the NYDA managed to source business opportunities valued at R64.689 million for enterprises owned by young entrepreneurs, with only 8 of them linked to business deals. The benefit to a mere 8 youth is questionable given that youth constitute over 70% of unemployed persons in South Africa¹,

The VIA programme had a target of linking 2,000 entrepreneurs to mentors however the NYDA was able to provide mentors to 1,354 young entrepreneurs through group mentoring, one-on-one mentoring and e-mentoring.

The target for the Enterprise Financing programme for the year in review was 12,450 loans issued to entrepreneurs. 12,000 of these loans were to be issued as micro loans valued at R26 million, 400 loans were to be issued to co-operatives and 50 loans valued at R28 million issued to SMME enterprises. The NYDA managed to issue 10,077 micro loans to youth enterprises which benefitted 14,961 young entrepreneurs totalling R10,496,632. The programme issued 23 SMME loans valued at R14 492 072.

Questions for consideration

5. Why were there only 8 people who benefited from the Business Opportunities Support Service?
6. Does the NYDA encourage young entrepreneurs to hire youth? How is this done if at all?
7. What are the outcomes of the mentorship programme and were the entrepreneurs successful?

Education and skills development

The NYDA had set targets for special groups of young people, who had been enrolled in Education and Skills Development programmes, including those who participated in the National Youth Service projects. The target for young women was set at 60%, for those with disabilities the target was 6% and 30% was set for young people living in rural or peri-urban areas. The programme managed to only enrol 12,809 (23%) young women in the projects

¹ National Youth Development Agency (2009) Briefing to Portfolio Committee on Women, Youth, Children and Persons with Disabilities, 23 June 2009



which is less than the target. There were only 364 (0.7%) people with disabilities that were enrolled in the programme. There were only 588 (1%) young people from rural or peri-urban areas. No explanation was provided as to why these targets were not achieved.

Questions for consideration

8. Has the NYDA considered collaborating with the Department of Education to avoid duplication and wasteful expenditure on programmes that already exists?

National Youth Service (NYS)

The annual report states that NYS had a target of 20,000 young people participating in category 2 and 3 NYS programmes. The target for category 2 was 11,000 young people and the NYDA managed to only enrol 2,049 in this programme; the failure to meet the target for this programme was due to limited funding. The target for category 3 programmes was 9,000 young people; the programme managed to enrol 16,093 young people. The achievement in this programme was due to demand from young volunteers to participate in the FIFA Confederation Cup that was held in South Africa in June 2009.

Questions for consideration

9. In a corporate plan provided by the NYDA a target of 60 000 was given for youth participation in the NYS for 2010/2011. This is 3 times more than the targeted 20 000 for 2009/2010. How will this target be reached, give that previous set targets were not achieved?

Social Cohesion

The following activities were conducted by the NYDA with municipalities to promote youth engagement in social development and recreational activities:

- 2 meetings were held with the Dipaleseng Municipality in Balfour and this resulted in the development of first draft of the strategy document that is intended to respond to youth issues within the municipality. The municipal youth summit which was held from 5-6 November 2010 and consolidated information that shaped up the strategy.
- A meeting was held with the Philadelphia School for the Disabled and Girl Guides Association. This meeting was intended to mobilise youth participation especially young women during the 16 Days of Activism against Violence against Women and Children Campaign.
- The establishment of the Balfour Interim Youth Council which allows the youth to play an active role in the youth development processes of the municipality.
- The establishment a Youth Council in the Breede Valley Municipality.

While these activities were aimed at promoting the active participation and influence of young people in the development of municipal plans and strategies, the social cohesion initiatives



were not equally distributed amongst all provinces. The annual report states that the NYDA also worked with different groups of young people to create platforms for dialogue to ensure that the voice of the youth is heard. During the financial year the following activities were conducted with young people to promote youth dialogue and social cohesion. These activities included a dialogue session held with participants of the African Schools Debating Championships looking at poverty, participation in the Malibongwe Dialogues hosted by the Nelson Mandela Foundation facilitating a dialogue on the Draft Youth Development Strategy of the Divaliseng Municipality at the Youth Skills Development and participating in a Youth Dialogue session on Democracy hosted by the Independent Electoral Commission in Nelspruit on 25 January 2010.

Questions for consideration

10. How does the NYDA select the provinces in which social cohesion initiatives are held?
11. What were the outcomes of the meetings held?

Information and Communications

The NYDA targeted to reach 602,000 young people through its channels for information provision and through a co-operative newsletter to young people. However, for this financial year the NYDA was unable to produce the newsletter. The NYDA targeted to provide information to 100,000 young people through its call centre and managed to provide information to 54,106 young people via the call centre this financial year; this performance represents a 54% achievement of the target set. The other platform the NYDA is using for information provision is through youth advisory centres. The organisation targeted to provide information to 500,000 young people through youth advisory centres but managed to provide information to 440,906 young people through these centres. In all the channels used by the NYDA to provide information, the organisation managed to reach 495,012 young people against a set target of 602,000. This performance represents 82,2% achievement against the target set. The NYDA planned to open 33 full service youth advisory centres and 121 youth advisory centres points across the country. The NYDA managed to have 13 full service centres in all 9 provinces and 121 youth centre points, however the organisation. The reason cited for not meeting this target was insufficient funds.

Recommendations

12. Committees should consider conducting oversight at service centres.

Policy, lobby and advocacy

Through the engagement of formalised and non-formalised structures, the strategy formulated and activities undertaken through the Policy, Lobby and Advocacy KPA, the broad goal is to achieve the mainstreaming and integration of youth development priorities. The following was achieved by the NYDA against this KPA. There were a number of consultative



sessions with stakeholders and youth formations held by the NYDA in this year to discuss its strategy and key performance areas. These included:

- Making written and oral submission to the Co-operatives Amendment Bill and the Public Broadcasting Bill after a consultative process with youth formations in the country.
- Completing road shows in all 9 provinces to consult young people on development of NYDA strategic areas of operation.
- Participating in the National Steering Committee of the 16 Days of Activism against Violence against Women and Children Campaign.
- The NYDA also hosted a workshop for young female inmates in partnership with Kroonstad Prison and the Free State Young Women's Network.
- Hosting the 2nd Engagement with Youth Chambers of Commerce in KwaZulu-Natal on 31 March 2010. The session focused on:
 - Presentation by the Business Development Services division on the Memorandum of Understanding with CIPRO and the Buy Youth Campaign.
 - Presentation by the Department of Trade and Industry on International Trade Missions and Export Awareness.
 - Discussion on achieving unity among Youth Chambers of Business.
- Participating in the National Council of Provinces (NCOP) programme in Limpopo on 22 March 2010. This was a platform for young people to raise issues with the NYDA and Parliamentarians. The issues raised were related to social challenges and not related to the NYDA's products and services.

Most of the above mentioned activities were not clearly set out on the NYDA's corporate plan.

Questions for consideration

13. What were the outcomes of the advocacy activities?

Research, Monitoring and Evaluation

The mandate of the Research, Monitoring and Evaluation programme of the NYDA is to generate research, knowledge and best practices on youth development the purpose of this body of knowledge is to inform the state, private sector and civil society, and other social partners on how to contribute to youth development. In this regard, 18 evaluations including 2 baseline studies were conducted on the programmes, products and services implemented by the NYDA and its partners. The findings of the evaluation project demonstrate the potential capacity for good and best practice in the design and implementation of youth development products and services. The NYDA has shown that better project management capacity is required amongst the youth development partners, in order to achieve high impact on youth and between co-ordinated products and services within the youth development sector. The youth affairs research programme completed seven (7) research studies to inform the planning and management of youth work. They also conducted and completed a



desktop analysis of the various mechanisms utilised in the development of youth in the rural areas.

Questions for consideration

14. Where are the research reports, and what are the outcomes?

15. Has the NYDA followed-up on research outcomes in relation to improving the lives of youth?

Effective and Efficient Management of Resources

To manage resources effectively and efficiently, the NYDA set up a number of performance indicators to ensure that quality services are provided to young people, staff have the technical skills to deliver services, processes and tools are in place to improve and enhance operations and manage risks and improve access to services by young people. The NYDA had set a target of 70% of NYDA staff to attend different internal and external training sessions to improve and enhance their skills in the delivery of services; the organisation was able to send 45% of its staff for training. The training of those who attended training courses, their training ranged from learning new systems and policies to academic courses to upgrade their qualifications. The NYDA had set a target of establishing a network of 121 Youth Advisory centres Points and 8 landing sites to ensure that the NYDA is brought closer to young people. During the financial year, the NYDA managed to establish and improve 121 Youth Advisory centres which are in all 9 provinces and 4 landing sites in the country. These networks have enhanced access to services and contributed to the high number of young people who visited the NYDA centres this financial year. Development and improvement of operation processes was one of the outcomes the NYDA measured for this financial year.

The NYDA had set its micro finance lending Portfolio at Risk (PAR) at 20%, they have however managed to keep their PAR at 65% which is higher than our target. The SMME PAR was set at 10%, their year average was 51%. The failure to control their PAR was due to the economic crisis the country experienced during the financial year. This has made it difficult for clients to pay in time or honour their loan commitments. The Portfolio Committee raised the concern with the NYDA as to how viable the issuing of loans were given the high number defaulters. Hence what members questioned was, the criteria applied to youth applying for a loan were and whether these were stringent enough.

The NYDA planned to leverage funding from other institutions to enhance its service delivery. The NYDA, like any other institution in South Africa trying to raise funds, could not raise the level of funding that was required to assist in expanding its service coverage to young people. For this period, we were able to leverage R5 million towards the development of their cooperatives programme.

The NYDA aims to continuously improve the service that it provides to young South Africans. Thus, amongst its areas of performance it measures the level of customer service through customer satisfaction surveys which were conducted on quarterly basis from young people



visiting our centres. The NYDA has targeted a 90% customer satisfaction levels, the NYDA managed to achieve an average of 63% customer satisfaction, ranging from a lowest 60% and to a highest of 70%. The low satisfaction amongst their clients was due to the fact that this financial year the NYDA was in the process of its early formation and clients were expecting more than what the new organisation could offer. During the financial year the NYDA received a total of 57 complaints from clients which will give NYDA a baseline to compare its performance for the coming years, the nature of the complaints were not clear. The NYDA aims to improve its customer satisfaction levels and decrease the number of complaints logged.

4. Budget Performance

According to the Estimates of National Expenditure (ENE) initially the National Youth Development Agency submitted a request of R 930 million², this included the baselines of the former youth entities amounting to R 370 million, the baseline of the Provincial Youth Commissions amounting to R 177 million and an additional R 383 million from the UYF.³ The Agency, however, only received 39.78 per cent of its initial request; this according to the annual report impacted negatively on the Agency's ability to deliver on its programmes. The ENE shows that that the Presidency has simply combined the budgets allocated for the Umsobomvu Youth Fund and the National Youth Commission from last year. The 2009/10 medium-term expenditure estimates reflected a budget of R 25.9 million for the National Youth Commission and R 303 million for the Umsobomvu Youth Fund. This amounts to R 328.9 million which is the total budget for the National Youth Development Agency. The allocation to the National Youth Development Agency however, has increased by 12.50 per cent and 5.43 per cent in real terms from the 2009/10 financial year.

A summary of the Auditor General's (AG) Report within the Commission's Annual Report for 2009/10 follows hereafter.

4.1 Auditor General's Report

4.1.1 Opinion

The AG noted that the financial statements of the NYDA were presented fairly, in all material respects, the financial position of the National Youth Development Agency as at 31 March 2010, and its financial performance and its cash flows for the six-month period then ended in

² National Youth Development Agency (2010)

³ National Youth Development Agency (2010)



accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the PFMA.

4.1.2 Emphasis of matter

The AG expressed emphasis on the following issues:

a) Irregular expenditure

The AG found irregular expenditure to the amount of R11 079 000 was incurred, as the procurement policy adopted by the entity was not in line with the supply chain management prescripts determined by the National Treasury.

b) Material impairments

The financial statements material impairments to the amount of R54 029 000 were incurred as a result of the doubtfulness of the recoverability of loans advanced by the National Youth Development Agency. The material impairments amount nearly the entire budget for the Department for Women, Children and Persons with Disabilities,

c) Inadequate quarterly reporting on performance information

Inspection of the National Youth Development Agency's quarterly reports revealed that the format and content of the quarterly reports was not consistent with the performance objectives, measures and targets as per the strategic plan of the entity.

d) Reported achievements against targets not valid and accurate when compared to source information

For the reported targets (namely 14 000 jobs created through micro-finance and 5 300 business consultancy services) that were material by nature, 91% and 23% of the reported achievements respectively were not valid and accurate on the basis of the source information or evidence provided to support the reported achievements against targets.

e) Non-approval of borrowings

The AG noted that the NYDA contravened the requirements of section 66(3)(c) of the PFMA, the NYDA entered into borrowing positions without obtaining prior authorisation. Funds were transferred from a joint venture bank account for activities other than those relating to the joint venture, which effectively meant that the National Youth Development Agency borrowed funds without obtaining the consent of the Minister of Finance. As at the date of this report, all these funds were repaid into the respective joint venture bank account. Notwithstanding this repayment, it brings to question how transactions of such a nature can occur with no regard for the procedures which need to be adhered to.

f) Late submission of annual financial statements

Contrary to the requirements of section 55(1)(c) of the PFMA, the annual financial statements were not submitted to the auditors within two months after the public entity's financial year-end (by 31 May 2010).



g) Materiality and significance framework

Contrary to the requirements of Treasury Regulation 28.3.1 a framework of acceptable levels of materiality and significance was not developed and agreed with the executive authority.

h) Leadership

The accounting authority does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control. Furthermore, the National Youth Development Agency did not have sufficient monitoring controls to ensure the proper implementation of the overall process of reporting against predetermined objectives.

i) Financial and performance management

Pertinent information is not identified and captured in a form and time frame to support financial and performance reporting.

Questions for consideration

16. How does the NYDA justify an irregular expenditure that amounted to R11 079 000?
17. Why had the NYDA not followed proper procedure to obtain consent from the Minister of Finance before borrowing funds?
18. What is the current status of the provincial youth board in terms of its composition? Specifically in relation to gender, and persons with disabilities?
20. How has employee compensations been structured? And how have they been justified?

8. SOURCES

- Adjusted Estimates of National Expenditure
- Estimates of National Expenditure or Budget Analysis document
- National Youth Commission Annual Report (2009/2010)

