

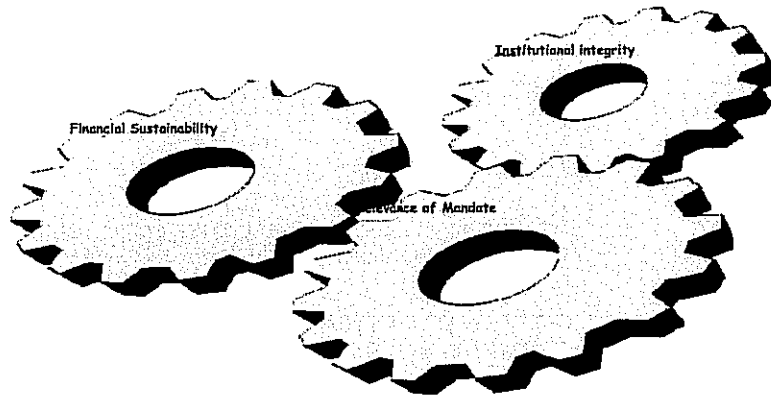
**Portfolio Committee for Public
Works**

**Progress Report:
Preliminary Business Case: Long-Term
Sustainability Plan**

March 2011

Background

Long-term Sustainability: interdependent pillars



Key Assumptions

- Overall sustainability refers to achieving a balance between relevance of purpose, financial viability and institutional integrity. Key among these is Relevance. It pertains to the IDT's ability to remain relevant and efficient, adding value to the national development priorities through programmes aimed at the redress, redistribution and the eradication of poverty.
- Decided in 2005 that the IDT will use its resources to deliver its mandate , and to invest in innovative models of people-centered development and create the best practices and success stories in poverty eradication.
- In this context we accepted that over time the capital base would be eroded
- However, in doing so the IDT would demonstrate its effectiveness and impact to the Shareholder and the citizens, and thus persuade decisions makers about the relevance and effectiveness of the IDT and the need for it to be recapitalized
- The IDT was subjected to a robust external evaluation with the DFI Review in 2007, which confirmed the effectiveness of IDT's the model of developmental social infrastructure delivery
- Developmental interventions cannot generate revenue to support or make the IDT financially independent

Financial Sustainability Challenges

- The IDT has been applying its capital base in the pursuit of its mandate
- Costs have escalated with the exponential growth in business.
- Growth in the portfolio is expected to continue
- Hence as far back as 2005 we projected that the capital base would be depleted at the current rate of growth in business and expenditure.
- Overhead costs/annual budget is funded from income earnings only .
- The IDT's revenue generating capacity is seriously affected by the reduction in the capital base and prevailing low interest rates.
- **THE IDT HAS NOT RECEIVED ANY FUNDING FROM GOVERNMENT SINCE THE GRANT OF R 2bn IN 1990.**
 - 31 December 2010 2009 only R R 465 million remaining

Addressing the Financial Sustainability Challenges

- Recognising that the availing of funding for the IDT is subject to the PFMA and Treasury guidelines, the IDT's financial sustainability challenges will be addressed by two sets of complementary interventions, namely,
 - **Immediate/Short-term:** funding to provide the organisation with resources to maintain its operations over the 2011/13 Medium Term Expenditure Framework (MTEF) in order to deliver on existing contractual commitments.
 - **Long Term:** the IDT will finalise a Business Case on a Sustainability Model which will include a revised corporate form; business, service delivery and funding model; governance arrangements; and, the organisational structure
- **Immediate Financial Sustainability:** Following the IDT's 2011/12-2013/14 MTEF submission to address the IDT's funding requirements, the IDT was allocated R 150 million of the R 200 million requested for 2011/12. The organisation's need for funding and financial certainty over the forthcoming MTEF period is vital. It is anticipated that the main investment fund will be fully utilized in funding the IDT's overhead operational costs by September 2012

Addressing the Financial Sustainability Challenge

- **Long-Term Sustainability of the IDT:**
 - The organisation faces a governance crisis as financial projections confirmed that the IDT would not be a going concern for the duration of the 2011/12 financial year.
 - Welcomed the Minister's reassuring communiqué to the Board (26-May-10)
 - Following the conclusion of the organisation's Business Case to address its short-term/immediate financial needs, the IDT launched an incisive transformation planning process.
 - Rationale and Transition Plan for the Business Case on the LT-Sustainability of the IDT has been finalised and will be presented to the Executive Authority
 - Will appreciate an opportunity to present the same to the Portfolio Committee

Long-Term Sustainability Project: Retrospective Status a

MILESTONE	END DATE	
Sustainability of IDT placed on agenda with Executive Authority (2006); e.g., BoT to Minister; decision to wind-down or plan for 2011/13	✓22-Nov-09 ✓2-Mar-10	
SHAREHOLDER IN PRINCIPLE SUPPORT: THAT IDT WILL NOT CLOSE DOWN	President, Min of Finance and CEO	✓1-Dec-09
	President's inputs at Cabinet	✓2-Dec-09
	Inter-Ministerial Task Team Task (Dep. Min PWs& Fin.)	✓Dec09 –Feb10
	Letter from Executive Authority	✓26-May-10
Minster approves two-pronged approach In line with shared commitment with Min. of Finance to find a solution on IDT's going concern challenges	✓23-Feb-10	
Min PWs approves (and submits to NT) IDT's proposal on an immediate funding needs	✓15-Mar-10	
Board approved Business Case for Medium-term Funding ('tinkering'/ middle-road scenario)	✓15-Jun-10	
Internal and External Consultation: IDT must transform. Chair and CEO communicate this message (30-Sep-09; 5 June-10)	✓ Ongoing	
Short term Funding confirmed by National Treasury. Condition: IDT's transformation	✓3-Dec-10	
LT Sustainability: Vision and Concept Design. Board approve	✓1-Dec-10	

Long-Term Sustainability Project: Journey ahead as @ 13 Feb-11.

MILESTONE	END DATE	CONSEQUENCES
CONSULTATION: Internal; peer organisations; Shareholder (esp. NT); sector experts; Minister's office	5-Feb-11	Well-thought through Transition Plan for approval
VISION FOR NEW IDT: PHASE 11 OF CONCEPT DESIGN	24-Feb-11	<ul style="list-style-type: none"> • Conclude high-level 2012/14 Corporate Plan and Budget • R150m draw-down plan
IMPLEMENT TRANSITION PLAN (PHASE 11) W.E.F 1 MAR-11 • Activate Work-streams; Advisory Panel; • Deploy 2 Dev, Action Learning Locales • Consult, Advocacy: Npc; Targeted Ministers Delivery Agreements; Clusters	15-Jun-11	<ul style="list-style-type: none"> • Consultations with key stakeholders i.e: <ul style="list-style-type: none"> - DPW - Relevant clusters - DPSA - NT - JET - Cabinet • Finalise Business Case • Key Outcomes: Skills Audit; Competency profile for new IDT; Perception survey; benchmarked cost of doing business
NEW BUSINESS CASE APPROVED: BoT; DPW-Exco; Minister	30-Jun-11	MTEF supported-'Authorised '
2013/15 MTEF BUDGET BID	20-Jul-11	Platform for MTEF funding commitment created

Long-Term Sustainability Project: Journey ahead as @ 13 Feb-11 (2)

MILESTONE	END DATE	CONSEQUENCES
CABINET APPROVAL	Before Sep- 11 Treasury Committee (need to be submitted by July-11)	Basis for funded mandate, legislative process
LEGISLATION DRAFTED AND CONSULTED W.E.F NOV-11	30-May-12	<ul style="list-style-type: none"> • IDT sustainability grounded in legislative mandate • Falling which <ul style="list-style-type: none"> • Annual 'battle' to justify mandate and budget • Survival fatigue • Skills flight
2013/15 BUDGET CONFIRMATION	30-Nov11	<ul style="list-style-type: none"> • IDT's 2013/15 Corporate Business Plan and Budget can only be finalised after NT allocation is confirmed • <u>Budget approved as requested</u>: IDT can launch Transition Plan • <u>Budget not approved/less than required</u>: Transition Plan abandoned or tailored according to available funds
LAUNCH TRANSITION PLAN TO IDEAL OR CLOSE-DOWN W.E.F. 20JAN-12	31-Mar-13	

Concluding Remarks

- **IDT's mandate , strategic vision and goals are directly aligned to several social policy priorities e.g.,**
 - **creation of decent work and sustainable livelihoods**
 - **massive programme to build economic and social infrastructure**
 - **implement a comprehensive rural development strategy linked to land reform and food security**
 - **strengthen the skills and human resource base**
 - **build cohesive, caring and sustainable communities**
- **The IDT is well positioned as a vehicle within the delivery value chain of a long-term comprehensive poverty eradication strategy and the vision of creating cohesive sustainable communities.**
- **The IDT appreciates the consistent and on-going support of Portfolio Committee and the Committee's willingness to champion the IDT's Long-Term Sustainability.**