

chris hani development agency



annual report
-----2012/13-----

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CHAPTER 1: CHAIRPERSON'S FOREWORD AND EXECUTIVE SUMMARY

1.1 Chairperson's Foreword and Executive Summary

I would like to firstly congratulate the Chris Hani District Municipality in moving swiftly to establish the Chris Hani Development Agency at an opportune time in the growth and development of our country. A time where the world has acknowledge that South Africa is a gateway into Africa and its inclusion in the now BRICS block is an affirmation of such status in global trade and investment matters. For a Development Agency located within proximity to a transshipment Port of Ngqura in the direct path of rail connectivity with South Africa's domestic hub of Gauteng and the Ports of East London and Port of Port Elizabeth, the opportunities for growth are endless.

The Chris Hani District has high agricultural potential and generally good veld quality and fertile soils. Potential exists for a range of irrigated and dry land agricultural production, including Aloe Ferox, as well as for forestry and animal husbandry and for value-added processing associated with all primary products. We must convert production from our Irrigation Schemes to export potential and grow the District Economy. There is equally proven potential in the mining and construction sector. These need to be explored to influence a developmental

response to poverty and empowerment of our people. These sectors can bring the needed boost to the district economy.

The contribution of projects such as the Qamata Feedmill, the Bio-Fuels Project and Coal Mine in the continued growth of the district economy cannot be overemphasized. As catalytic projects, these have the potential to develop a number of upstream and downstream value chains in the mining industry. These would include transport and logistics, construction, energy and other direct sector related activities. Another value add from the mining industry, in the form of human settlements, bulk infrastructure, social amenities and other needs which need to be appropriately planned for as part of expansion plans of the various towns.

The GDP for the Region (GDP-R) was estimated at R11 Billion with the majority of an estimated 50% being government spending in the form of Health, Education, Social Services and so forth (community services sector). Effectively, this means if we can have better IGR partnerships, we can better respond to some of our challenges because indeed Government is the majority investor in the District.

The key aim of the Summit co-ordinated by the Chris Hani Development Agency was to attract local and international investors to be exposed to major agriculture, agro-processing and mining projects that will be implemented to drive the realization of the District Development Agenda for economic development, job and wealth creation.

Amongst the key aims of the District Development Agenda is to set-up a Special Economic Zone in Chris Hani District premised on fostering creating jobs by ensuring primary beneficiation in key economic sectors in local municipalities as well as secondary and tertiary beneficiation in a central industrialised location (Lukhanji Municipality) which already has industrial infrastructure and transport linkages (rail, road, aviation) to national and international markets.

This Annual Report presents another opportunity to appeal to all investors to position themselves both as Investors and Empowerment Partners and engage towards realizing the Theme of the 2013 Summit in “Accelerating Sustainable Growth and Development through Partnerships”

Accordingly, the role of the CHDA remains pivotal in encouraging multi-lateral co-operation between investors and role-players, academic institutions, business practitioners, progressive trade unions, community based organisations and policy makers.

Through the establishment of the CHDA, we want to say that together we can build better communities and building the economy of the Chris Hani District is one step towards sustainable growth and development.

Simphiwe Somdyala | Board Chairperson |

1.2 Chief Executive Officers Overview

This Annual Report focuses on reporting about establishing governance, systems and the acquisition of sufficient human capital to drive not only the next growth trajectory of the establishment of the Agency focused on the conceptualization and the roll-out of seeing real investment in the mandate area but more importantly on ensuring that the CHDA has capacity to meet the compliance requirements with respect to MFMA and other prescripts in the Local Government sphere.

The pre-establishment period as the first year of the operationalization and establishment of the CHDA has proven to be critical in strengthen governance, establishing systems and internal controls. It is with gratitude to the current staff under the operational guidance of the Chief Operations Officer, all of them a team of novices in the executive and management aspects of a municipal finance controlled environment, competently assisted me to achieve a mean feat in ensuring a Qualified Audit Opinion in the first year of operations of the CHDA in spite of the irregular expenditure declared in the Annual Financial Statement and

other equally concerning matters of governance and leadership as raised in the Management Letter.

The CHDA in the last Financial Year spent a significant amount of time in pre-establishment phase where we spent time in deciphering the Concept Document and testing where some of the assumptions made therein were indeed viable or even feasible for implementation by a municipal entity. Having tested that some of the assumptions made were indeed to be proven false, it is safe to say that the CHDA must rethink the Funding Model for such a Developmentally charged special purpose vehicle as a Municipal Entity. Having undertaken both financial and legal due diligence work, we have proved that the notion of a Municipal Entity that takes equity in Projects funded by a District Municipality is not possible as the MFMA Regulations preclude such a possibility.

As development practitioners, we are charged to rethink the question of viability and the sustainability of municipal entities constrained by a rigid governance framework which priorities and guards risk to loose against the opportunity to scope with balanced risk taking measures.

The Memorandum of Agreement confirmed the mandate of the Agency leading to the subsequent approval and signing of the Service Delivery Agreement which ushered amongst others the administration of the Chris Hani Community Skills Development Fund and the project management of the Chris Hani International Investment Summit. Today the Skills Development Fund support twenty two (22) young people from the impoverished communities of CHDM in Institutions of Higher Learning throughout the country. This Annual Report reflects on the successes of the implementation and the execution of such mandated instructions in spite of human and financial constraints under difficult working conditions.

The last financial year also initiated the next phase in the growth and establishment maturity of the CHDA with the initiation of a Project Pipeline starting with the engagement of Elitheni Coal Mine presenting two investment opportunities for the CHDA and the Chris Hani District broadly. This Investment Facilitation track led to the successful organization and hosting of the Chris Hani Investment Summit, effectively triggering the CHDA's Investment Promotion and Facilitation work. Aluta continua.

Baphelele Mhlaba | Chief Executive Officer (*Interim*) |

CHAPTER 2: GOVERNANCE

For the purposes of local government legislation, the company is a municipal entity and its operations and activities shall be subject to the application of the relevant provisions in local government legislation; and in the event of conflict between any provision of this document or the Companies Act and a provision of the Municipal Finance Management Act, the MFMA shall prevail.

In the event of conflict between any provision of this document or the Companies Act and a provision of the Municipal Systems Act, this document and/or the Companies Act shall prevail.

The Company shall restrict its activities to the purpose for which it was established by its parent municipality in terms of Article 5. The Development Agency shall have no competence to perform any activity which falls outside the functions and powers of its parent municipality as contemplated by Article 5. The Development Agency also shall not be involved in projects and /or activities that are inconsistent with its establishment and strategic objectives focus areas and functions.

The CHDA signed a Service Level Agreement with the CHDM in the 2012/13 financial year and thus structured a shared services agreement for internal audit services including the shared Audit Committee.

1.3 Governance Structures

The Board of Directors of the Development Agency is managed by its Board of Directors which comprise of 9 members who are the Non-Executive and independent directors and the Executive Director (the CEO).

The Directors of the entity during the year and to the date of this report are as follows:

Name	Capacity	Gender	Designation	Meetings Attended	Board Fees
Mr. S Somdyala ¹	Non-executive	Male	Chairperson of Board	6	22 000
Ms. N Koeberg ¹	Non-executive	Female	Deputy Chairperson	5	19 230
Ms. N Zonke ¹	Non-executive	Female	Board Member	6	23 600
Chief S Mtirara ¹	Non-executive	Male	Board Member	5	22 066
Mr. R Schley ¹	Non-executive	Male	Board Member	5	14 762
Ms. P Xuza ¹	Non-executive	Female	Board Member	4	9 254
Ms. N Nqwazi ¹	Non-executive	Female	Board Member	2	-
Mr. M Mene ²	Non-executive	Male	Board Member	3	-
Mr. B Mhlaba ¹	Executive	Male	Chief Executive Officer	6	473 918
Mr. A Webb ³	Non-executive	Male	Board Member		-
					R584 830

1. Appointed 6 June 2012
2. Appointed 1 August 2012
3. Resigned 14 August 2012

1.3.1 RISK MANAGEMENT

Within the context of a Development Agency, a number of risks are inherent to the operations of such enterprise. These risks will be mitigated through a combination of the following measures:

- ✚ Stringent corporate governance processes
- ✚ Appointment of reputable external auditors mandated to investigate and report on not only the financial records, but also any breaches of internal control systems and unethical conduct;
- ✚ Development and implementation of stringent internal control policies and procedures;
- ✚ Development and implementation of a quality management system;
- ✚ Development and implementation of a stringent financial and management accounting reporting system relevant to the organisation;
- ✚ Succession planning;
- ✚ Insurance;
- ✚ Asset maintenance programmes;
- ✚ Staff rotation;
- ✚ Active participation in management structures of investment holdings;
- ✚ Information technology security measures; and
- ✚ Any other measures deemed relevant by management.

CHAPTER 3: DISTRICT SOCIO-ECONOMIC OVERVIEW

3.1 DISTRICT ECONOMY

Given its rural character, the vast majority of the municipality remains largely economically underdeveloped. The former homelands of the Transkei and the Ciskei have historically been excluded from the services and infrastructure development that other regions enjoyed. This has left in its wake a disparity of economic activity between the rural agriculture based settlements and the larger towns of CHDM.

Almost 40% percent of the region's gross value added is generated in the local municipality of Lukhanji where Queenstown remains the regional economic powerhouse. Queenstown is home to the bulk of secondary and tertiary industries, while the various primary agricultural activities are spread around the region.

Agriculture and agro-processing are one of the key potential growth sectors of the wider CHDM. Due to the availability of raw materials and fertile land in the area processing of products such sorghum, maize, vegetables, milk and cheese remain feasible investment opportunities.

The district has medium and large irrigation schemes that provide opportunities for high value horticultural production. The agricultural sector can be categorized by two modes of organization: One, the subsistence lifestyle farming found in various regions under traditional leadership and secondly commercial farming practiced on privately owned land. Livestock farming of cattle, goats, ostriches and sheep are the most common in both subsistence and commercial farming. While agriculture only contributes 5% to the regional GDP, it provides formal employment to 10% of the district's population. The importance that agriculture holds in the rural informal sector (not accounted for in regional GDP) should not be understated.

Higher percentage contributions in the manufacturing, electricity, finance and construction industries would indicate that small towns of CHDM have increasingly become more important as nodes of economic activity. These towns have attracted increasing numbers of settlers from the rural regions, as people search to improve their socio-economic standings.

At present, the largest contributor to the regional domestic product is community services. This is ascribed to the large influence that government services play in the region and specifically in the larger towns. The public sector in total (including community, social and other personal services) contributes 37% of Chris Hani's regional GDP.

Unemployment rates in the region are higher than provincial and national rates, but have slowly declined in the last five years. The region hopes to eradicate unemployment by strategic interventions and attracting investment from other regions.

Flagship sustainable agriculture projects piloted in the CHDM include the Shiloh Irrigation Scheme and Three Crown Greening projects. The district has also actively promoted biodiesel initiatives to unlock further agricultural development. The exploitation of the coalfields in Molteno/ Indwe by Elitheni Coal creates great opportunities for the development of the mining industry.

The area's numerous forest plantations leads to potential in timber and wood production industries and the establishment of sawmills. Strong development in public housing gives way for opportunities in clay and brick making.

3.2 REGIONAL OVERVIEW

3.2 REGIONAL OVERVIEW

Chris Hani District Municipality is intent on facilitating accelerated growth and development by means of developing partnerships and attracting private investment.

Chris Hani District Municipality is located in the heart of the Eastern Cape. The district is renowned for its cultural heritage, natural beauty and as the birthplace of many Anti-Apartheid activists. The district's namesake, Chris Hani, was born in the rural town of Cofimvaba, but went on to play a pivotal role in national politics and the abolishment of Apartheid. Chris Hani's undying will to improve the living conditions of the poor has become the legacy of the Chris Hani District Municipality (CHDM). The district has set its intent on creating an investment enabling environment which can act as a catalytic platform for employment and economic growth. While the majority of the district's population still live in rural conditions that lack

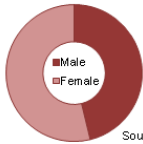
basic services and economic opportunity, these challenging circumstances offer great opportunity for both donor and private investment.

CHDM shares borders with four other district municipalities in the Eastern Cape: Amathole, Cacadu, Joe Gqabi and OR Tambo. The district has a population of 800 000 people of which 71% reside in rural areas. The predominant language in the district is isiXhosa at 93.3% of the population.. CHDM has the second largest land mass in the province at an estimated 36 000 square kilometers. The district comprises of 8 local municipalities, namely: Lukhanji, Inxuba Yethemba, Intsika Yethu, Emalahleni, Engcobo, Sakhisizwe, Inkwanca and Tsolwana.

The district has good rail linkages between Queenstown, Cradock, Middelburg and East London. Vital road connections, the N6 and the N10 and R61, pass through the district allowing business to access the interior markets of South Africa, while still being in close proximity to the ports of East London and Port Elizabeth. The regions ability to offer

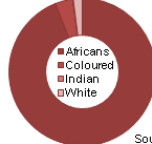
both export opportunities and access to large regions of the internal market offers a sustained competitive advantage to industry.

Population by Gender



Source: ECSECC

Population by Race



Source: ECSECC

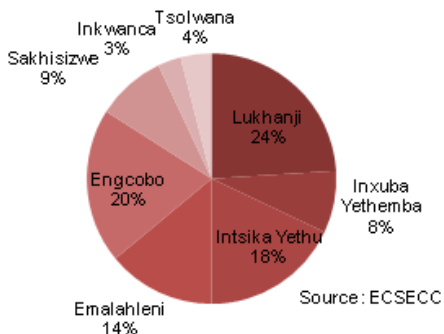
Queenstown, the main seat of the district, is the administrative and economic hub of the region. The town is a major educational centre. The high level of secondary and tertiary educational facilities provide for a sufficient pool of skilled labour in the manufacturing and services industry. The town is home to the district's largest industrial park, Queendustria. Authorities have endeavored to work closely with the private sector constituents in Queendustria to meet the needs of industry. Queenstown also serves as the hub for the growing cattle trade in the region.

The local municipality of Lukanji, the home to Queenstown, generates 40% of the GDP of the district and provides almost a third of all

formal employment. Apart from Queenstown, CHDM has 12 other main towns that offer growth opportunities for trade and service providers.

Outside of the larger settlements and towns CHDM offers a diverse variety of landscapes. To the east, the climate is Karoo-like with ideal conditions for ostrich, sheep and game farming. In the central regions, unexploited land and a mountainous landscape offer a beautiful backdrop for nature based tourism, agriculture and generating renewable energy. To the west, the climate and sufficient rainfall is ideal for cattle farming, forestry and dry-land crop farming. To the North, the region hopes to unearth further potential in the only mining region within the district, Emalhleni. The municipality is traversed by the Winterberg mountain range in the south, and by the Stormberg and Drakensberg mountain ranges in the north. CHDM contains four river systems: the Great Fish, the Kei and the Mbashe rivers draining to the South and the Orange River tributaries draining to the North.

Population Distribution



[http://upload.wikimedia.org/wikipedia/commons/thumb/a/ae/Map_of_South_Africa_with_Chris_Hani_highlighted_\(2011\).svg/250px-Map_of_South_Africa_with_Chris_Hani_highlighted_\(2011\).svg.png](http://upload.wikimedia.org/wikipedia/commons/thumb/a/ae/Map_of_South_Africa_with_Chris_Hani_highlighted_(2011).svg/250px-Map_of_South_Africa_with_Chris_Hani_highlighted_(2011).svg.png)

The district possesses numerous high quality nature and game reserves such as the notable Mountain Zebra National Park, a range of outdoor and adventure activities such as water sport, hiking and fly-fishing, hunting facilities and is abundant in cultural and heritage sites, many of which portrayed on the Liberation Heritage Route. CHDM’s location within the Eastern Cape regions of the “Friendly N6” and the Karoo Heartland make it an attractive tourist destination to both international and South African visitors.

Estimated population	795 461
Estimated GDP	R 7.5 Billion
No. of Local Municipalities	8
No. of town centre’s	16
Area	36 558 km ²
Population density	21.83
Rural Population %	72%

3.3 CHDM DEVELOPMENT CORRIDORS – LED POTENTIAL

The CHDM Corridor Development Plan and Value Chain Analysis and Integration document (November 2011) linked with the IDP essentially sets out the following economic development sector potential with reference to the three Development Corridors and small town regeneration strategies within CHDM.

The three development corridors identified are the;

- ✚ **Sisulu Development Corridor** along the R61 linking Engcobo, Cofimvaba, Queenstown, Tarkastad and Cradock;
- ✚ **Ndondo Development Corridor** along the R394 linking Elliot, Cala, Lady Frere and Queenstown; and
- ✚ **Calata Development Corridor** along the N10 linking Whittlesea, Queenstown, Sterkstroom, Molteno and Middleburg to Cradock.

Each development corridor shown outlines the comparative advantage held by each development corridor and various current and potential economic industries.

Within the three Development Corridors and small town regeneration strategies, the following critical economic development opportunities have been identified and can lead to significant job creation through the realisation of the District Catalytic and Priority Projects such as the;

- α Biofuel project at Craddock which requires 30% sorghum grain supply from black farmers by 2014 in terms of licence requirements. This project encompasses substantial sorghum production planting and harvesting needs.
- α Substantial irrigated agricultural lands across the three Development Corridors for production of grain into the Biofuel project needs and agro-processing potential.
- α Some of the best irrigation schemes in the country are in Chris Hani District, from Ncora to Qamata to Bilatye to Shiloh, the Eastern Cape EXCO approved Agro-Industrial Zone has the potential to grow into a sustainable food basket for the country.
- α Dairy farming operations and poultry production - with guaranteed markets
- α Grain milling operations for sorghum products, maize products, livestock feed and grain based snack foods linked to dry staple goods production and packaging
- α Mining investment opportunities offered by the Elitheni Coal Mine through public private partnerships across the value chain.

3.4 KEY DEVELOPMENT INDICATORS

The District aims to attain a meaningful reduction in both poverty and unemployment over a 10 year period. It is thus important that the key indicators of poverty and unemployment are measured and analysed. Continuous analysis of these indicators is required periodically to assess the effectiveness of the development measures made by the district. The objective of this section of the document is to assist the board in setting meaningful and measurable development goals.

- ✚ The key identified indicators are noted as:
 - α Unemployment; and
 - α Income per household, as a measure of poverty.

The first two statistics discussed below are GDP and population level. These are a basis for the key indicators (unemployment and poverty) discussed further below and put the key indicators into perspective in relation to other provinces and districts in the Eastern Cape. A comparison to other districts in the Eastern Cape has been performed as a means of tracking future development by comparing the progression of key indicators in the Eastern Cape districts.

3.4.1 GDP and GDP per capita

Set out below is a table that shows the GDP and GDP per capita per province.

Rank	Province	GDP- 2010 R millions	Estimated 2010 population	GDP per capita
1	Gauteng	897,553	11,191,700	80,198
2	Western Cape	376,284	5,223,900	72,031
3	Northern Cape	61,175	1,103,900	55,417
4	North West	177,075	3,200,900	55,320
5	Mpumalanga	187,367	3,617,600	51,793
6	Free State	145,405	2,824,500	51,480
7	KwaZulu-Natal	420,647	10,645,400	39,514
8	Limpopo	191,934	5,439,600	35,285
9	Eastern Cape	203,993	6,743,800	30,249
	Total	2,661,433	49,991,300	53,238

Source: Wikipedia

Note: figures are based on the 2010 GDP and estimated 2010 population

The table above shows that:

- ✚ The Eastern Cape has the 4th highest GDP amongst the 9 provinces and the 3rd highest population; however
- ✚ Due to its high population it has the lowest GDP per capita at 30 249 which is significantly lower than the average of 53 238.

3.4.2 Population and population distribution

As per the 2011 national census, the Eastern Cape had a population of approximately 6.52 million people accounting for approximately 13% of the national population of 51.8 million people.

Set out below is a table that shows the population and population distribution of the 6 districts and 2 metropolitan areas in the Eastern Cape area.

District	Population	Percentage	District population percentage
Cacadu District	450 584	6.87%	9.68%
Amatole District	892 637	13.60%	19.18%
Chris Hani District	795 462	12.12%	17.09%
Joe Gqabi District	349 768	5.33%	7.51%
O. R. Tambo District	1 364 943	20.80%	29.32%
Alfred Nzo District	801 344	12.21%	17.22%
Buffalo City	755 200	11.51%	N/A
Nelson Mandela Bay	1 152 115	17.56%	N/A
Total	6 562 053	100.00%	100.00%

Total district population	4 654 738	70.93%
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Source: Statistics South Africa

The table above shows that:

- ✚ 4.6 million people representing 71% of the province population reside in the 6 districts; and
- ✚ CHMD accounts for 12% of the Eastern Cape population and 17% of the district population.

3.4.3 Unemployment

The 2011 national unemployment rate was estimated at 30% with the Eastern Cape unemployment rate sitting at 37%. The table below shows the unemployment rates per district in the Eastern Cape:

District	Employed	Unemployed	Total	Employment rate
Cacadu District	122 074	40 484	162 558	24.90%
Amatole District	91 115	68 460	159 573	42.90%
Chris Hani District	99 463	63 515	162 979	38.97%
Joe Gqabi District	51 344	28 095	79 440	35.37%
O. R. Tambo District	120 889	95 244	216 132	44.07%
Alfred Nzo District	68 709	52 816	121 523	43.46%
Buffalo City	185 215	100 008	285 223	35.06%
Nelson Mandela Bay	290 155	167 229	457 384	36.56%
Total	1 028 964	615 851	1 644 812	37.44%

Source: Statistics South Africa

The table above shows that:

- ✚ CHDM has an unemployment rate of 39% which is above the provincial unemployment rate (37%)
- ✚ CHDM has the 3rd lowest unemployment rate amongst the 6 districts in the province, however that said an unemployment rate of 39% is regarded as high.

The unemployment rate however does not show the full picture of the welfare of the people of the Eastern Cape. To see the full effect of the unemployment analysis of the income per household is performed below.

3.4.4 Income per household

Income per household is a key indicator as it indicates the proportion of households living below the poverty datum line. Based on a paper published by Statistics South Africa in 2007 the poverty datum line stood at R430 per person per month. By factoring in the changes in prices by using the CPI this equates to R659 per person per month. According to the 2011 national census the average household size in the Eastern Cape is 3.9, however the households in the district areas are expected to have a higher size. This places the approximate poverty datum line per household per month at R2 833.

The table below shows the income per household per month for each district in the Eastern Cape:

District	No income	R1 - R800	R801 - 3 200	R3 201 - R6 400	R6 401 or more
Cacadu District	12.81%	9.99%	44.09%	14.64%	18.46%
Amatole District	14.89%	17.23%	51.22%	7.96%	8.70%
Chris Hani District	14.46%	16.70%	48.95%	8.72%	11.16%
Joe Gqabi District	15.02%	18.27%	48.06%	8.19%	10.47%
O. R. Tambo District	17.06%	20.34%	44.62%	7.66%	10.32%
Alfred Nzo District	16.20%	21.28%	47.44%	6.77%	8.30%
Buffalo City	17.01%	12.22%	35.55%	11.14%	24.08%
Nelson Mandela Bay	15.82%	10.48%	33.12%	12.94%	27.64%
Average	15.41%	15.81%	44.13%	9.75%	14.89%

Source: Statistics South Africa

The table above shows that:

- ✚ approximately 80% of households in CHDM earn a monthly income of less than R3 200 a month on the back of a poverty datum line of R2 833;
- ✚ approximately 9% of households in CHDM earn a monthly income of between R3 200 and R6 400 which is marginally over the poverty datum line; and
- ✚ Approximately 11% of households in CHDM earn a monthly income of above R6 400.

3.4.5 Interpretation of key indicators

As noted earlier the key indicators are unemployment and poverty. The analysis above shows an unemployment rate of 39% however the true effect is seen when the incomes of households are analysed. The analysis shows that approximately 80% of households in CHDM are below the poverty datum line.

However this trend is persistent in the whole province as the key indicators show that the provincial unemployment rate is 37% as opposed to a national unemployment rate of 30%. 75% of the households in the Eastern Cape Province live below the poverty datum line as opposed to 63% nationally. The GDP analysis shows that the Eastern Cape has the lowest GDP per capita amongst the 9 provinces of South Africa.

3.4.6 Setting development goals

CHDM objective to reduce poverty and unemployment over a 10 year period should be based on the key indicators discussed above being unemployment and poverty measure.

Coupled with this, to measure the effectiveness of the development goals, further analysis should be performed in comparison to the other districts in the Eastern Cape as general development in the district could be a result of general national economic growth.

CHAPTER 4 : KEY PERFORMANCE AREAS – PROGRAMMES

The performance delivery environment remains largely influenced by the District Municipality's Integrated Development Plan. In this section on the performance delivery environment, the focus will be on interpreting the mandate of the Agency in terms of Key Performance Areas, outlined in work undertaken in Programmes in the various Business Units as follows;

- Programme 1: Corporate Services Unit (Finance, Human Resources)
- Programme 2: Economic and Rural Development Unit (Focus will be on agro-processing and industrialisation of the district)
- Programme 3: Project Management Unit (Focus will be on supporting the CHDM Technical Services & IPED Directorates as well as the Property Development function)
- Programme 4: Skills Development Unit (Administration unit to manage and administer the Chris Hani Community Skills Fund)

4.1 PROGRAMME 1 : CORPORATE SERVICES

Purpose of Programme

- This programme aims to contribute to the attainment of corporate governance, resourcing and financial sustainability of the Agency. It contains the three administrative functions of Human Resources, Finance and Administration.

Strategic Objectives

- Ensure that effective corporate governance of the organisation is harmonious to the CHDA board charter, memorandum of articles and other relevant codes of good practice.
- Coordination and implementation of CHDA programmes according to the CHDA vision, mission and mandate.
- Human Resources component managed efficiently and in accordance with Labour Relations.
- Efficient management and control of funds.
- Ensure efficient and effective supply chain management within the Supply Chain Management (SCM) legislation.

Key to Programme 1 during the 2012/13 financial year involved the implementation of the following;

- Procedural processes as mandated by the Municipal Systems Act as amended.
- Identification and amendment of Board of Directors, registered office, auditors, etc
- Appointment of Board and the CEO to drive the implementation of the mandate of the Agency;
- Cost containment with utilisation of shared services with the CHDM and CHCDC
- Identification of prospective funders, strategic private partners and specialist consultants to development needs;
- On-going legislative and regulatory compliance.

At a Governance level, the Memorandum of Agreement which confirms the mandate of the Agency was completed together with the subsequent approval and signing of the Service Delivery Agreement which ushered amongst others the administration of the Chris Hani Community Skills Development Fund and the project management of the Chris Hani International Investment Summit.

The development and approval of organizational policies and framework to guide systems development and procedures was swift and has been ongoing. Key amongst the Policies developed were the HR Policies, the Supply Chain Management Policy, Investment and Banking Policy, the Board Remuneration Policy for Non-Executive Directors and the Delegations Framework which have greatly assisted the Operationalisation and functioning of the Agency.

This has provided critical guidelines for the Agency in establishing basic Standard Operating Procedures for the functional aspects of the CHDA whilst seeking to observe compliance with applicable legislation that governs the management of public funds.

In the development of the 2013/14 Strategic Business Plan, the Risk Management Framework and related Fraud and Corruption Policies were identified as significant gaps in our Governance Framework.

4.2 PROGRAMME 2 – ECONOMIC AND RURAL DEVELOPMENT

Purpose of Programme

- The purpose of the Economic and Rural Development Programme is to support the implementation of the District Development Agenda through investment promotion, development facilitation and specialised strategic advisory services.

Strategic Objectives

- The implementation of the District Development Agenda is facilitated through the development of the Special Economic Zone action plans
- The realisation of Priority and Catalytic Projects focusing on secondary and tertiary beneficiation/ sectors such as agro-processing and manufacturing.
- Provide investment promotion and development facilitation services through innovative solutions, stakeholder relations and networking strategic events

To achieve the above, a clear linkage to the development strategies reflected in both the CHDM IDP and Corridor Development Plan and value Chain Analysis and Integration (November 2011) documents, is the need for:

- Integration of development Agency activities with the coordinated development focus of various stakeholders to ensure optimal targeting of resources and funding into catalytic development projects aimed at alleviation of poverty and unemployment within the region;
- Usage of both internal and external expertise through specialist consultants and / or strategic partners to facilitate optimal resource usage and expertise availability;
- Provision of a revenue generating asset base within controlled structures to support and maximise the potential of Development Corridor Catalytic Projects to meet the substantial input needs of the Cradock based biofuel project, agro-processing enterprises, etc;
- Self-sustainability through commercial revenue streams; and compliance with the public finance and management statutes.

The last financial year initiated the next phase in the growth and establishment maturity of the CHDA with the initiation of a Project Pipeline starting with the engagement of Elitheni Coal Mine presenting two investment opportunities for the CHDA and the Chris Hani District broadly. This Investment Facilitation track led to the successful organization and hosting of the Chris Hani Investment Summit, effectively triggering the CHDA's Investment Promotion and Facilitation work.

4.3 PROGRAMME 3 – PROJECT MANAGEMENT SERVICES

Purpose of Programme

- The purpose of the Project Management Services Programme is to support the planning, execution and monitoring of Infrastructure Development Programmes as well as the Property Development Programmes in the District.

Strategic Objectives

- The primary strategic objective is to provide Programme Management monitoring and reporting services in partnership with the District Municipality.
- The key focus is to support the management of projects from inception, design and scoping, planning, contracting and execution to an acceptable and successful project closure stage, including archiving.
- The secondary objective is to develop specialised capacity and innovative solutions for the development and management of a State-led Property Portfolio that will house the District Municipality and other Government Departments with the intention of revenue enhancement.

Key to the success of CHDM's development goals is effective and competent management of development projects. As a result, the CHDA has planned to set up a Project Management Office (PMO) that is solely responsible for this.

As part of its key Office Operations, the CHDA seeks to establish a PMO which will anchor the technical support function to the CHDM, starting with the property development (District Office) infrastructure, the bulk infrastructure programme and the government housing programme of the District.

The PMO is budgeted to have the management systems capacity, the technical and systems capacity to facilitate the delivery of project management services, the engagement of Experts and other Specialists to roll-out the Implementation Agent function within an appropriate environment which is conducive for enhancing productivity and efficiencies to effect the service delivery aspirations of the District Municipality.

The envisaged Programme Management function aimed at ensuring reliable information, reporting and governance is provided throughout the project cycle. The establishment and operations of the PMO are contained in the "Summary Concept Paper for the Establishment of the Project Management Office" document.

The PMO was only conceptualized in the 2012/13 financial year and the first phase implementation will be effected in the next financial year.

4.4 PROGRAMME 4 – SKILLS DEVELOPMENT SERVICES

Purpose of Programme

- The purpose of the Skills Development Services Programme is to support the administration of the Chris Hani Community Skills Development Fund, the establishment of partnerships with other Education and Support Agencies to develop and harness scarce and critical skills at all levels of the economy.

Strategic Objectives

- The administration of the Skills Development Fund on behalf of the District
- Co-ordination of Career Exhibitions in partnership with institutions of higher learning nationally and FET's located in the province
- Facilitation and scoping the work of developing of proper administrative systems, building relationships with the Institutions of Higher Learning and SETA's, ensuring that a conducive environment is created for the bursary and learnerships recipients.

The realisation of the District Developmental Agenda with a key focus on Crop Production, Forestry, Tourism, Coal Mining, Livestock improvement, Irrigation schemes, Bio-fuels, Industrialization of the district economic hub need the development of relevant and appropriate sector skills. A District Developmental Agenda requires a firm skills base which is currently a challenge in the District.

In response to this and acknowledgement of education as a societal issue, the Executive Mayor of the District during his State of the District Address on 30 May 2012, pronounced the establishment of a Skills Development Fund with an off-set injection of R2 million. The Fund seeks to improve the skills profile of the district by addressing the scarce skills challenge through financial support to deserving learners from the Chris Hani District Municipal jurisdiction.

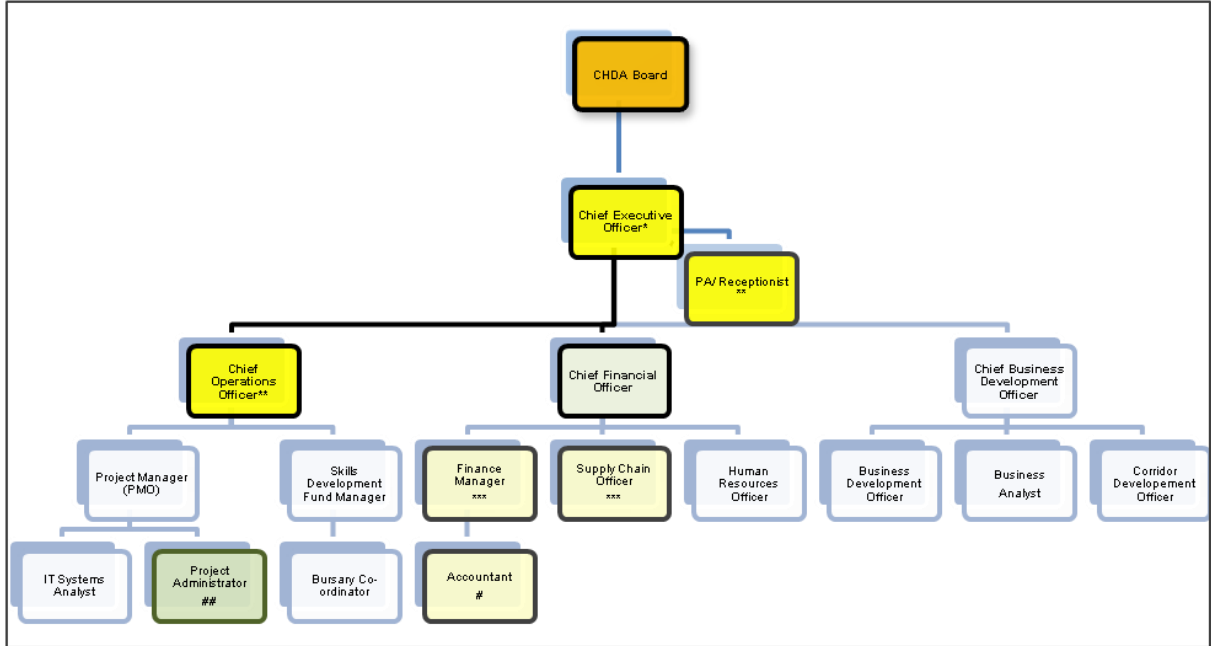
The Chris Hani Development Agency, was mandated as the implementing agent of the Skills Fund, and is thus overseeing the administration function. In this regard, the CHDA has operationalized a Skills Development Unit and assisted the CHDM to place and support twenty two (22) young people from Chris Hani District giving them an opportunity of a life time and become economic liberators of their own families and communities. 2013 marked the first real implementation of the community skills development plan for the Chris Hani District.

The Chris Hani Skills Development Fund supported and provided for the placement of 22 young people from the Chris Hani District in Institutions of Higher Learning throughout the country, i.e. the NMMU, UCT, UWC, University of Fort Hare and the University of Johannesburg. Item 12 proudly present a picture of academic excellence by these young people who come from impoverished backgrounds.

Messrs August and Thyala have broken ground with the achievement of 76% in their first year effectively contending to the cum-laude potentials in their respective fields of study with August studying Engineering in Mechatronics in the University of Cape Town whilst Tyhala is studying Agriculture in the Nelson Mandela Metropolitan University.

Whilst the results of the 22 students are not conclusive because of outstanding results, the beneficiaries have performed above expectation given the challenges experienced in the first year of implementation of the Bursary Fund with two of the students having achieved 76% as per above and only three (3) students to date have achieved less than the required 60% margin of retention in the bursary scheme.

CHAPTER 5 : MACRO ORGANISATIONAL STRUCTURE



- The above structure shows the operational units in CHDA. The Chief Operations Office is primarily responsible for the management of projects, infrastructure development and skills development programme. A proposal has been drafted to setup a Project Management Office (PMO) responsible for project management.

5.1 ORGANISATIONAL SUSTAINABILITY

The Development Agency as wholly owned municipality entity will continue to operate as a commercial entity and will derive the following revenue streams from its strategic business unit operations towards sustainability of operations:

- ✚ Grant funding related to personnel and resources made available from CHDM in support of the Development Agency;
- ✚ Grants and / or loan funding made directly available to the Development Agency by CHDM for purpose of funding of Infrastructure assets of community based projects – e.g. Shiloh and Ncora dairy projects, Qamata irrigation projects, etc.
- ✚ Appointment of the Development Agency as implementing agent for key strategic developmental projects at an agreed fee; and
- ✚ Returns from productive asset investments made available for agricultural equipment necessary to expand grain and other crop production necessary to supply agro-processing operations.

CHAPTER 6: FINANCIAL PERFORMANCE

There are specific interventions that have been implemented to ensure sound financial management, risk management, supply chain management and ensuring good corporate governance. In meeting the strategic objective **“To establish an effective governance procedures and efficient management systems”**

This strategic objective also encompasses effective Board oversight and advisory services. Through the procurement of a Company Secretary the agency has fully functional Board sub-committees. Compliance to key statutory requirements with regards to the submissions of the Annual Financial Statements, Annual Report, Budget and Adjustment Budgets.

Statement of Financial Position

	NOTES	<u>2013</u> R
ASSETS		
Non - current assets		
Property, plant & equipment	1	291 597
Current assets		
Cash and cash equivalents	2	382 997
Trade and other receivables	3	102 972
Total assets		777 566
LIABILITIES		
Current liabilities		
Trade and other payables	4	1 123 782
Taxation payable	5	-
Total liabilities		1 123 782
Net Liabilities		(346 216)
NET LIABILITIES		
Contributions from owner	6	1 000
Accumulated deficit		(347 216)
Total net liabilities		(346 216)

Statement of Financial Performance

	NOTES	<u>2013</u> R
Revenue	7	6 736 842
Sundry Income	7	269 265
Total revenue		7 006 107
Project costs	8	(3 996 097)
Operating expenses	9	(3 375 542)
Operating deficit		(365 532)
Interest received		31 824
Finance costs		(13 508)
Deficit before tax		(347 216)
Taxation		-
12Deficit for the period		(347 216)
Other comprehensive income		-
Total comprehensive deficit for the period		(347 216)

Statement of Changes in Net Assets

	Contributions from owner	Accumulated deficit	Total
	R	R	R
2013			
Balance at incorporation	1 000	-	1 000
Total comprehensive deficit for the period	-	(347 216)	(347 216)
Balance at 30 June 2013	1 000	(347 216)	(346 216)

Statement of Cash Flow

	NOTES	<u>2013</u> R
Cash flows from operating activities		
Cash generated from operations	10	725 998
Interest received		31 824
Interest paid		(13 508)
Taxation		-
Net cash from operating activities		744 314
Cash flows from investing activities		
Purchase of property, plant and equipment		(361 317)
Net cash from investing activities		(361 317)
Net cash movement for the period		382 997
Cash at the beginning of the period		-
Total cash at end of the period		382 997

Budget on Accrual Basis

DESCRIPTION	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Statement of Financial Performance

Revenue

Revenue from exchange transactions

Interest received	-	19 402	19 402	301 089	281 687
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Revenue from non-exchange transactions

Grants received	13 395 316	-5 767 913	7 627 402	6 736 842	-890 560
Total revenue	13 395 316	-5 748 511	7 646 805	7 037 931	-608 874

Expenditure

Personnel	1 379 500	-63 270	1 316 230	1 401 889	85 659
Transfer payments	5 450 000	-3 940 000	1 510 000	3 996 097	2 486 097
Depreciation and amortisation	-	-	-	69 720	69 720
Finance costs	-	16 576	16 576	13 508	-3 068
Repairs & maintenance	-	-	-	-	-
General expenses	2 761 372	1 899 685	4 661 057	1 903 933	-2 757 124
Total Expenditure	9 590 872	- 2 087 008	7 503 864	7 385 147	-118 717
Surplus before taxation	3 804 444	- 3 661 502	142 941	- 347 216	-490 157
Actual amount on a comparable basis as presented in the Budget and Actual Comparative Statement	3 804 444	- 3 661 502	142 941	- 347 216	-490 157

Statement of Financial Position

Assets

Non-Current Assets

Property , Plant & Equipment	433 360	-249 821	183 539	291 597	108 058
Accounts receivable	-	-	-	102 972	102 972
Total Assets	433 360	-249 821	183 539	394 569	394 569

Liabilities	-	-	-	1 123 782	1 123 782
Net Assets	433 360	-249 821	183 539	-729 213	-912 752