



CHRIS HANI DEVELOPMENT AGENCY (SOC) LIMITED

(REGISTRATION NUMBER 2012/033437/07)

ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2017

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1. Introduction:

The agency's strategic objectives are aligned to the parent municipality's IDP objectives. These have been secured in a Service Level Agreement (SLA) between the agency and the CHDM for the year 2016-2017, and have served the basis of structuring the agency's Annual Performance Plan (APP) for the year.

These overarching strategic objectives, or programmes are:

- 1) ***Creation of a viable and proficient organization***
- 2) ***Creation of viable agricultural clusters***
- 3) ***Development of sector specific scarce skills***
- 4) ***Investment promotion, enterprise development and job creation***
- 5) ***Partnerships and stakeholder engagement***

The annual performance report will provide an assessment of the agency's performance in the period starting 1 July 2016 to 30 June 2017, against these identified strategic programmes, and reflect in depth on areas of non-performance, so that remedial action can be taken timeously to ensure planned objectives are realized by 30 June 2017.

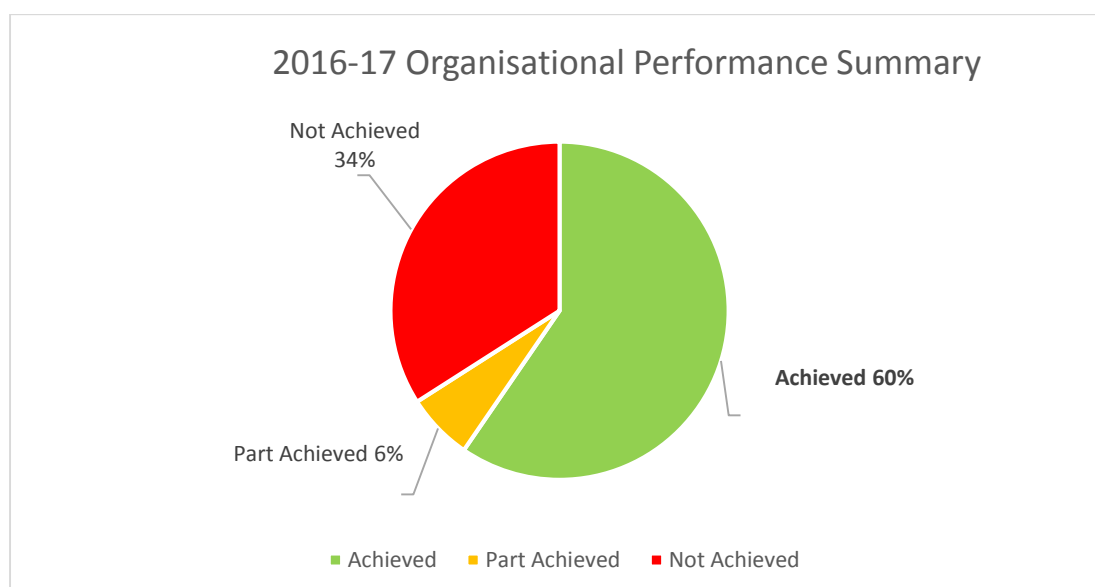
2. Summary Organizational Performance – Annual for 2016/17:

The agency's assessed performance for the period 1 July 2016 to 30 June 2017, is as follows:

Achieved: 60% (91 – 100% or greater completion of planned outputs due by end June 2017)

Partially achieved: 6% (76 – 90% completion of planned outputs due by end June 2017)

Not achieved: 34% (less than 75% completion of planned outputs due by end June 2017)



The chart above indicates the status of key output deliverables at 30 June 2017. A detailed look at these figures is explained below:

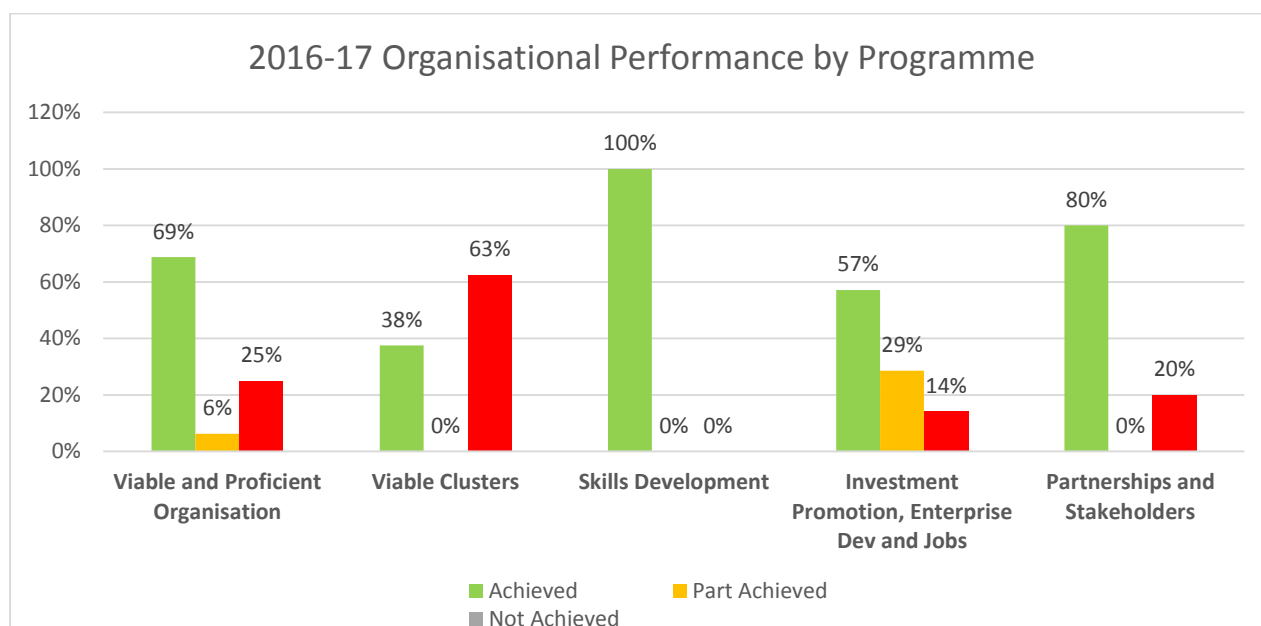
- A total of 27 deliverables of the 47 (60%) identified for the year have been achieved to within 90 - 100% of the annual target.
- A total of 3 deliverables of the 47 (6%) identified for the year have been partially achieved to within 76-90% of the annual target, and
- A total of 16 deliverables of the 47 (34%) identified for the year have been not achieved, as they have fallen within 0-75% of the annual target.

In compiling the performance figures, the organizational performance was reviewed against the individual performance by programme, across each of the 5 key programmes in 2016-17. The performance by programme can be summarized as follows:

- 1) **Creation of a viable and proficient organization** - 69% achieved
- 2) **Creation of viable agricultural clusters** - 38% achieved
- 3) **Development of sector specific scarce skills** - 100% achieved
- 4) **Investment promotion, enterprise development and job creation** - 57% achieved
- 5) **Partnerships and stakeholder engagement** - 80% achieved

		No of Outputs to be Achieved 30June2017	No of Outputs Achieved 30June2017	No of Outputs Partially Achieved 30June2017	No of Outputs Not Achieved 30June2017
			91->100%	76-90%%	0-75%
			60%	6%	34%
Performance by Programme - 30Dec2016		47	28	3	16
Programme 1	Viable and Proficient Organisation	16	11	1	4
		40%	69%	6%	25%
Programme 2	Viable Clusters	16	6	0	10
		34%	38%	0%	63%
Programme 3	Skills Development	3	3	0	0
		6%	100%	0%	0%
Programme 4	Investment Promotion, Enterprise Dev and Jobs	7	4	2	1
		15%	57%	29%	14%
Programme 5	Partnerships and Stakeholders	5	4	0	1
		11%	80%	0%	20%

The detail above has been summarized below:



These performance figures were achieved with the agency utilizing 79% of its overall budget, as follows:

Expenditure/Source	Budgeted	Actual	% Spent	Funds Received
Project Expenditure	41 065 933	28 335 880	69%	Budgeted
Operational Expenditure	20 390 646	20 743 100	102%	61 744 425
<i>Programmes</i>	<i>1 451 137</i>	<i>1 443 205</i>	<i>99%</i>	Received
<i>General Expenses</i>	<i>6 722 974</i>	<i>7 072 805</i>	<i>105%</i>	47 074 427
<i>Repairs and Maintenance</i>	<i>12 457</i>	<i>9 994</i>	<i>80%</i>	% Received Funds to Budgeted
<i>Asset Finance Reserve</i>	<i>1 445 733</i>	<i>1 455 295</i>	<i>100%</i>	77%
<i>Employee Related Costs</i>	<i>10 758 345</i>	<i>10 771 800</i>	<i>100%</i>	
Total Expenditure	61 738 149	49 078 981	79%	

However, it is worth noting that one of the key challenges for the year resulting in some non-performance was the receipt of only 77% of budgeted – for funds, with the rest not being received. This is indicative in the total programming expenditure being at 69%.

The next part of the report will indicate in detail areas of key achievement, and areas of non-achievement for 2016-17, within each of the programmes' key areas of focus.

3. Summary on Key Successes – Annual for 2016/17:

The key areas of notable performance leading to the results in the summary table above have been tabled below for easy reference.

For noting, key achievements for the year have been summarized below:

Programme 1: Creation of a Viable and Proficient Organisation:

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
Good Corporate Governance	Governance Structures	☺ The agency governance structures provided the required levels of oversight over agency business, with solid performance reviews conducted for the agency board and sub-committee members. However, there were shortcomings in the review of external audit committee members, and training for the PFI committee
	Strategic Projects	☺ The agency identified a CSI initiative to support. This initiative talked to the agency identifying and providing financial support as part of the Chris Hani Heritage Month, wherein which the Chris Hani Choral Music event (theme for the year being “Celebrating OR Tambo”) was provided financial support to the value of R 60 000 ☺ Improvement in the annual strategic planning processes, with the annual strategic review being held with good attendance and inputs from key stakeholders, LM’s and the parent municipality
Financial Viability	Fundraising	☺ Fundraising capabilities have been developed, and annual target of R 500 000 in funding to be secured exceeded, with the agency securing over R 900 000 in funding from the Construction SETA (CETA) for bursaries in engineering studies for 20 Chris Hani underprivileged youth
Realisation of Unqualified Audit Opinion	mSCOA Readiness Programme	☺ The mSCOA readiness programme was delivered successfully, with the agency being “live” on an mSCOA – compliant system by 1 July 2017, despite weaknesses identified by internal audit relating to the formation of a formal project steering committee
Risk Management	Identification, Monitoring and Management of Risk	☺ The agency audit plan was implemented in full, with the scheduled annual follow up to be reported on in the quarter of the following period, and management has developed an internal process of assessing risk, and monitoring of identified risk action plans/ countermeasures
Performance Management	Development of Agency Programme Planning and Reporting Tool to Assist with Performance Management in the PMU	☺ A performance planning and reporting tool was developed to assist with improved planning in the PMU, as well as project reporting in the PMU. This tool will assist management better plan for projects, allowing for better identification of risks, better budgeting, and improved reporting both internally and externally. ☺ Also, the agency developed a SOP manual for the collation, processing, reporting and treatment of performance information

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
Internal Competencies, Learning and Growth	HR Policies	☺ The agency successfully developed an attraction and retention strategy for scarce skills, in addition to other non-APP human resources policy documents, comprising of a grievance and disciplinary procedures policy
	Strategic HRM – Staff Capacitation and Development	☺ The agency has improved in the development and capacitation of staff, with actual training and staff development activities exceeding the desired 80% of the approved training plan for the year

Programme 2: Creation of Viable Agricultural Clusters

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
Resuscitation of Irrigation Schemes	Implementation of Irrigation Scheme Optimal Operating Model	☺ The agency has developed a comprehensive community engagement model for the work to be done in the irrigation schemes to guide the way forward in how the agency interacts with partners and communities. This strategy was presented to CHDM and local municipalities, and approved for implementation
	Commercial Production	☺ Planting activities at schemes have been completed in line with minimum hectorage planned – 55hectares of Lucerne, 7ha wine grapes and 20hectares butternuts have been planted successfully at Bilatye, Shiloh and Qamata irrigation schemes respectively
Development of Agricultural Value Chains	Development of Livestock Value Chain	☺ The planned work to be done in the assessment of the Elliot feedlot to support the beef linkages programme has been completed successfully, with clear expansion gaps identified for future implementation of proposed expansion plan
	Development of Crop Production Value Chain	☺ The mechanization center at Qamata has been operational in 2016-17, and managed to bill out R2.1 million in mechanization support services to emerging farmers. This is in excess of the targeted R1.5 million in revenue to be generated by the center
	Development of Fruit Cluster Value Chain	<p>☺ The business plan for the Shiloh winery has been developed and submitted to funders</p> <p>☺ An offtake confirmation has been received for the export market, where the winery will have to meet over 1 million bottles per year, starting January 2018. Plans are under way to partner with other producers to make the required number of bottles, as the vineyard is still at 12 hectares, in order to meet the requirements for delivery at the time of signing the sales agreement</p> <p>☺ The 30ha pomegranate pilot was successful, with a successful harvest</p>

Programme 3: Skills Development

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
Development of Sector – Specific Scarce Skills	Bursary Fund	<ul style="list-style-type: none"> ☺ The agency has continued to deliver on the implementation of the CHDM Mayor’s bursary fund in 2016-17. A total of 22 students were approved onto the fund, with a reported pass rate of 95% in the June 2017 examination period ☺ An additional R 900 000 in bursaries from CETA for engineering studies was secured
	Career Expos / Seminars	<ul style="list-style-type: none"> ☺ The agency delivered on its target of hosting 4 career seminars during the year. A fifth expo was held in a partnership with the Dept. of Communications and MICT Seta, resulting in a 125% achievement rate to planned target
	Skills Programmes	<ul style="list-style-type: none"> ☺ The CETA programmes applied for in 2013-14 were finally given the go-ahead for implementation, and a total of 20 interns and 50 learners were identified and enrolled in the CETA programme in 2016-17. ☺ An additional 20 learners were approved for an MICT learnership currently in progress, with 16 active learners, in a partnership between the agency, Silulo Technologies and the MICT Seta

Programme 4: Investment Promotion, Enterprise Development and Job Creation

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
<p>Promotion of CHD as Preferred Investment Destination</p>	<p>Revitalisation of Industrial Park (Queenindustria)</p>	<p>☺ The agency has successfully delivered a masterplan for the Queenstown Industrial Park, in consultation with key stakeholders, Enoch Mgijima LM and the CHDM</p>
	<p>Operationalisation of Ncora Agripark</p>	<p>☺ The agency delivered on its target of participating in the task team set up towards operationalizing the Ncora Agripark. The agency, amongst other stakeholders, participates in the capacity of providing planning and technical support, having been part of the initial team established to develop the concept and business plans for the Agripark</p>
<p>Facilitation of New Enterprise, SMME Development and Job Creation</p>	<p>SMME Development</p>	<p>☺ The agency continues in 2016-17 with the SMME development initiative from previous year. A total of 7 local SMME's were identified in 2015-16, and provided with funding support by CHDA, through the mayor's SMME fund. The 7 SMME's were provided with post-funding business support by the CHDA, in partnership with the local ECDC and SEDA offices, as part of creating viable small enterprises</p> <p>☺ A feasibility study was successfully completed for the revitalization of the Molteno biltong factory</p>
	<p>Job Creation</p>	<p>☺ Despite a target of creating 250 work opportunities for CHD locals, the agency, through its various development programmes / initiatives, provided a total of 213 permanent jobs, temp working contracts and work opportunities. This is worth noting that in 2016-17, 85% of the annual target was realized, although not in full, but of greater performance than the significantly lower achievement of below 50% in 2015-16</p>

Programme 5: Stakeholder Engagement and Partnership Building

Sub-Programme	Focus Area	Actual Deliverables / Successes Realised
Stakeholder Engagement	Participation in District Planning Forums	☺ The agency has successfully participated in various district – level planning forums, contributing towards co-ordinated development planning for the district between key development stakeholders, entities and partners
	Strategic Partnerships	☺ The agency delivered on its target of identifying a minimum of 2 new working partnerships for development programmes. A partnership was entered into for providing long-term business advisory and support assistance to SMME’s who had been provided with startup and expansion funding by CHDA in 2015-16, as well as a new partnership between the agency, and CETA for skills programmes, where CETA learners are placed with the Dept. of Public Works for on-job training. ☺ Also, a new partnership was established between the agency, Distell and emerging farmers in Elliot, for the piloting of a stonefruit initiative in the area. This is in addition to working partnerships with specialist firms on pomegranate and wine grapes
Corporate Communications	PR and Communications Strategy	☺ The agency achieved in its targeted performance on implementing on its PR and communications plan for the year. The desired performance was achieved, despite budget constraints.

4. Summary on Areas of Non-Performance – Annual for 2016/17:

The key areas of non-performance leading to the results in the summary table above have been tabled below for easy reference.

The table indicates areas of non-performance, underlying issues, and progress to remedial action and anticipated level of confidence in target being achieved in the new financial year

Programme 1: Creation of a Viable and Proficient Organization

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Financial viability	Agency function	Additional SLA with DEA not signed for implementation	There were delays with final approval of the DEA waste project business plan	Retain performance commitment made, and carry forward to APP 2017-18	Ongoing engagement with DEA	No movement, as DEA has requested additional changes to the b/plan after the environmental impact assessment was finalized end June 2017	High probability of target not being achieved going forward
Risk management	Internal audit	Risk management policy not approved	Draft done in quarter 3, and item not part of agenda for meeting held in May2017	Retain performance commitment made, and carry forward to APP 2017-18	Item at next meeting 08/2017	In progress	High level of confidence target will be achieved
		SOP's for agency policies not developed	The policy reviews in line with latest legislative changes for SCM, mSCOA, etc. delayed the process. It was decided all SOP's be aligned to latest policies	Retain performance commitment made, and carry forward to APP 2017-18	Policies reviewed, and to be presented to board for approval in quarter 1 of 2017-18	In progress	High level of confidence target will be achieved going forward

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Internal competencies and growth	Strategic HRM	0-10% vacancy rate not achieved	There were terminations during the year, resulting in a drop in the vacancy rate, without new appointments being made before end June 2017. This was due to pending organogram review which was only done in late June 2017	Retain performance commitment made, and carry forward to APP 2017-18	The organogram review resulted in decisions being made to issue 3 positions on the organogram currently vacant in the new year (PM irrigation schemes, PO agribusiness, PO skills dev and SCM officer demand).	In progress	100% level of confidence target will be achieved
Internal competencies and growth	Strategic HRM	EE plan	The EE plan not done, as it was advised by HRRemCo that EE targets to be aligned with parent municipality, and benchmarking to be done prior. This would be linked to an approved policy, which is currently in draft format	Retain performance commitment made, and carry forward to APP 2017-18	The draft EE policy to be presented for approval in quarter 1 of 2017/18 and EE plan will be done and finalized in quarter 1 of 2017/18 after benchmarking and aligning targets with parent municipality	In progress	100% level of confidence target will be achieved

Programme 2: Viable Agri - Clusters							
Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Irrigation schemes	Renovations to mechanization center	Eskom connection not finalized to mechanization center	Eskom delays	Retain performance commitment made, and carry forward to APP 2017-18	None – third party	In progress	100% level of confidence target will be achieved
	Scheme operating models	HR positions at schemes filled for finance and admin staff	The item was not approved by Prov. Treasury after project approval by DRDAR for transfer of funds for implementation by CHDA	Retain performance commitment made, and carry forward to APP 2017-18	None – third party	No movement	High probability of non-achievement
		Training for 100% finance and technical staff					
Commercial production	No of animals placed at Bilatye piggery	The placement of 400 pigs by end Dec2016 did not happen as technical partner reneged on agreement to supply animals after CHDA's renovations to the facility	Retain performance commitment made, and carry forward to APP 2017-18	B/plan for irrigation schemes in 2017/18 submitted and approved by CHDM – funds not yet received for implementation in 2017/18	In progress	100% level of confidence target will be achieved	

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Irrigation schemes	Revenue from irrigation scheme operations	Estimated revenue target not achieved	<p>The estimate was based on the assumption that the Bilatye piggery would be operational. No placement of growers resulted in lost revenue for 2 placement cycle</p> <p>Also, no bottles were actually sold on the Shiloh winery operations, as marketing still under way, with commitment received for Jan2018</p> <p>The 55ha Lucerne planted at Bilatye was also unsuccessful due to the poor germination resulting from drought conditions</p>	Retain performance commitment made, and carry forward to APP 2017-18	<p>Funding to be mobilized from the CHDM for population of the Bilatye piggery after third party pulled out of their part of the signed agreement</p> <p>The next year will also continue with potato planting at Qamata in the partnership with PotatoSA, in addition to the 2017/18 butternut planting. The increased hectorage will yield more output and sale target can be realized</p>	In progress	100% level of confidence target will be achieved

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Agricultural value chains	Ikhephu office structure	75% completion rate of structure could not be confirmed	An unqualified builder was appointed by the beneficiaries, and sub-standard materials used, resulting in an unstable structure that cannot be completed	Retain performance commitment made, and carry forward to APP 2017-18	Structural engineer to be appointed to ensure unstable structure is re-enforced, and all condemned material to be replaced with SABS approved materials. A qualified contractor will be appointed to ensure quality work is done to complete the structure. Sakhisizwe LM will provide ongoing structural / technical support	In progress	100% level of confidence target will be achieved
	Sakhisizwe beef linkages programme	No of animals placed in the beef weaner programme	Funding transfer delays to the implementing agent resulted in non-placement of animals with successful applicants	Retain performance commitment made, and carry forward to APP 2017-18	None - Third party dependent	In progress	100% level of confidence target will be achieved

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Agricultural value chains	Revenue from agribusiness	Revenue from forestry support initiative	An MOU was brokered between the nursery and Hans Merensky for 100 000 seedlings. However, the agreed price was R0.86 / tree, and the order placement is in small batches, resulting in final anticipated revenue not being realized by 30 June 2017	Retain performance commitment made, and carry forward to APP 2017-18	The follow up orders under the MOU will be monitored to ensure they add up to the targeted sales number	In progress	100% level of confidence target will be achieved

Programme 4: Investment Promotion, Enterprise Dev and Jobs							
Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Promotion of CHD as preferred investment destination	Electricity upgrade to industrial park	SCM process not commenced and finalized in quarter 3	There were delays in approval of TOR's from the Enoch Mgijima LM, and the briefing held led to an increase in the scope of the project, and double the approved budget, resulting in no appointments due to CIDB requirements / irregular expenditure, and limited budget	Retain performance commitment made, and carry forward to APP 2017-18	The tender to be re-issued for the supply of materials for the project, given limited budget, as Lukhanji LM has agreed to provide the technical and installation work	In progress	100% level of confidence target will be achieved
	Komani upgrade by DTI/DBSA	Planned PSC meetings not held by CHDA as coordinator of project	Delays in commencing work on project Phase 1B resulted in no sittings held in quarter 3 after Phase1A was completed, and phase 1B had not yet commenced due to delays by DTI and DBSA	Retain performance commitment made, and carry forward to APP 2017-18	None - Third party dependent	No movement	High probability of non-achievement

Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
New enterprise development and job creation	Job creation on agency projects	213 / 250 jobs / work opportunities created from agency programmes	The target was set with the DEA waste project implementation in mind, so without the b/plan being approved and SLA signed, no implementation took place in 2016/17	Retain performance commitment made, and carry forward to APP 2017-18	Agency needs better methods of recording jobs and work opportunities from programme implementation.	In progress	100% level of confidence target will be achieved

Programme 5: Partnerships and Stakeholder Engagement							
Sub-programme	Project	Area of Non-Performance	Reason	Action	Detailed Counter - Measures	Status at Mid-August 2017	Expected Outcome at 30 June 2018
Strategic partnerships	Partnerships for development projects	1500ha BBC partnership not commenced and planned 50% hectorage target for quarter 3 not met	The partnership identified with BBC (Black Business Council) for planting of maize did not commence due to lack of budget resulting from delays in Land Bank transferring funds to BBC	Retain performance commitment made, and carry forward to APP 2017-18	None – Third party dependent, but the project will be launched on 15 August 2017 per invites sent out to key stakeholders in the partnership and beneficiary groups. The project planting is expected to commence in Oct2017	In progress	100% level of confidence target will be achieved

5. Concluding Remarks

The key areas of non-performance up to the end of June 2017 are due to areas within the CHDA's area of control, and outside of its control:

Non-Performance Issues Within Agency's Area of Direct Control	
1) Improvement in own fund-raising for programmes	Agency to consider: <ul style="list-style-type: none"> - Building internal skills associated with programme conceptualization, feasibility analysis, business planning and funding applications to help reduce reliance on handed-over projects, and non-receipt of promised funds. This will create project autonomy, and alternative sources of programme implementation funds
2) Investment in skills and capacity of implementing resources	Agency to invest more in: <ul style="list-style-type: none"> - Attracting and recruiting the right candidates with the right set of skills, which are needed for building distinct competencies and build organizational strengths - Training and development for implementation staff, to ensure that those who drive programmes are well-equipped with technical, financial and project-management capabilities
3) Improvement in monitoring processes	Agency to consider: <ul style="list-style-type: none"> - Allocating the responsibility of a strategic manager / performance officer or senior operations to a single individual on a full-time basis to ensure that programme and performance planning, monitoring and management of programme risks is managed daily and prioritized, so performance can be championed within the agency - Design improved methods of reporting by project implementers, linked to pre-approved key performance indicators on programmes. This function has to be driven and monitored by a key resource in the agency, so all reporting is not only reactive, but linked to solutions and counter-measures, and monitoring of high – importance / high – impact areas that could result in poor performance - Investment in advanced monitoring and evaluation training for those involved in project implementation

	<ul style="list-style-type: none"> - Investment in a monitoring and evaluation baseline study to identify benchmarks for performance planning, and performance review. This will help motivate a business case for the agency, and highlight key achievements
4) Improvement in partner selection and evaluation	<p>Agency needs to:</p> <ul style="list-style-type: none"> - Create a formal method of selecting partners for development projects, so as to enter in meaningful MOU's and SLA's, given CHDA's disappointments from third parties in the past. - All partnerships must be based on distinctive competencies the agency does not have access to, so all partnerships are mutually beneficial, and reduce the likelihood of non-performance on both parties - A formal method of vetting partners, and monitoring their performance under the terms of the MOU are necessary, so un-beneficial partnerships are cancelled timeously to mitigate associate strategic risk from non-performance
5) Better coordination and planning with CHDM and LM's	<p>Agency needs to:</p> <ul style="list-style-type: none"> - Find suitable means of engaging with the parent municipality and local municipalities to better package development solutions and harness shared budgets. This would position the CHDA as an ally, rather than a competitor, and make working partnerships more feasible for all parties

Non-Performance Issues Outside of Agency's Area of Direct Control

1) Default on MOU terms by third parties, or non-performance by technical partners
2) Non-receipt of approved funding for programme implementation
3) Handover of projects by the parent municipality which may be difficult to fully have control and power over anticipated outcomes
4) Social issues in irrigation schemes, which affect how well the agency is able to fulfil its mandate in these areas

A detailed performance report for the year is attached as

ANNEXURE A: Annual Performance - Detailed Summary _2016-17

