

dpe

2009 - 2012

STRATEGIC PLAN

DEPARTMENT OF PUBLIC ENTERPRISES



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA





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Both myself and my Deputy will play a leading role in engaging with stakeholders to create an environment in which the contribution of our portfolio of enterprises to growth can be optimised. Achieving the objectives of the strategic plan will require a high level of effort and teamwork from the Department and the Boards, as well as management and staff of all the SOE. I look forward to the coming year with a great deal of excitement.

MINISTER'S FOREWORD

Since 2004, government policy has shifted decisively from preparing SOE for privatisation to ensuring that they are sustainable businesses that provide economic benefit to the country. In the present conjuncture, it has become increasingly important that the strategic role of the SOE as instruments of the South African development state is clearly defined. Key elements of this role would include the lead provision of economic infrastructure, the development of advanced manufacturing capabilities and the leveraging of the SOE procurement programmes to promote investment in skills, technology and plant in their supply chains.

As a starting point, it is critical that a high level of consensus is achieved as to the role of the SOE in the national economic strategy and that this role is explicitly and precisely defined. The statement of the strategic economic role of each SOE provides a key point of reference to a range of stakeholders that impact on the viability and coherence of SOE. It will guide the design of strategic intent statements that provide SOE Boards and management with their formal mandate. It will impact on the design of sectoral policies and regulations, as well as to provide a point of reference to the National Treasury for the allocation of capital to bolster SOE balance sheets.

The optimisation of the contribution of SOE to stimulating employment and growth is going to require a high level of coordination across government. The smooth roll out of the infrastructure programmes will require that master-plans are aligned, regulatory approvals are processed efficiently, funding mechanisms are in place, Environmental Impact Assessments (EIAs) are expedited and servitudes are granted. Furthermore, if we are to leverage the SOE investment programmes develop advanced industrial capabilities we will need to ensure that investments in skills, technology and plant capacity are coordinated with the procurement process. This will

necessitate that appropriate development funding packages, incentives and policies are in place and will require, amongst others, the participation of the dti, the Department of Economic Development, the Industrial Development Corporation, the Department of Science and Technology and the Department of Labour.

The Department's revised mission and strategic plan is organised around the need to actively engage with stakeholders, both within and outside of government, to achieve alignment regarding the role of the SOE in economic strategy and to ensure that sectoral policies and regulations support this alignment. In addition, the plan emphasises the need to build a myriad of effective working relationships with stakeholders that can enhance the contribution of the SOE to growth and development. In this process, we aim to explicitly build the reputation and brand of the Department as a custodian of shareholder management excellence and as a partner in economic and social development.

Both myself and my Deputy will play a leading role in engaging with stakeholders to create an environment in which the contribution of our portfolio of enterprises to growth can be optimised. Achieving the objectives of the strategic plan will require a high level of effort and teamwork from the Department and the Boards, as well as management and staff of all the SOE. I look forward to the coming year with a great deal of excitement.

BARBARA HOGAN
Minister of Public Enterprise

DIRECTOR-GENERAL'S REPORT

Over the last period, we became increasingly aware of the potential of SOE to be powerful instruments of the developmental state. Yet, this awareness is also accompanied by growing realization of the gap between our aspirations for the SOE, and the ability of the SOE in their current state to deliver on these aspirations. Balance sheet weaknesses and the absence of world-class capabilities in key areas such as procurement are examples of these gaps.

This places an increased burden on the Department to systematically intervene to ensure that a strong foundation is put in place so that the impact of the SOE on the economy can be progressively enhanced. This will require us as a Department to enhance our proactive shareholder management capabilities. The Department will be implementing some key organisational initiatives to enhance our shareholder management capabilities:

The Department has invested significant time and effort in refining the shareholder management model. This model involves developing a precise definition of government's strategic intent and negotiating with the Boards of the SOE to translate the strategic intent into a shareholder compact containing relevant key performance indicators. The enterprise's strategic and business plans can then be assessed and monitored in relation to their congruence with the indicators and targets defined in the compact. We will be placing significant emphasis on the efficient operationalisation of this model.

The Department has developed an electronic dashboard to facilitate rapid access to well organised information pertaining to SOE financial and operational performance and risks both as individual enterprises and as a portfolio as a whole. The implementation of this dashboard will mark a major step forward in systematising the process of enterprise monitoring.

In order to more proactively manage risks,

identify enterprise weaknesses and discover strategic opportunities, the SOE facing teams in the Department will be producing in-depth bi-annual enterprise and industry research reports. These reports will then be shared with selected stakeholders, depending on the commercial sensitivity of their content. The development of this capability will move the shareholder management process in the Department to a more proactive mode.

The effectiveness of the shareholder management process will be significantly impacted by the quality of the intellectual property that is accessible to officials in the Department. The collation of practical historical experiences, comparative approaches, different theories of shareholder management and structured internal dialogue and debate all contribute towards building the department's intellectual capital. The Department will put some effort into systematising its knowledge base over the coming year.

Finally, the Department is developing an Advanced Management Course, particularly relevant to SOE, with the University of Cape Town. The course will be relevant to high potential candidates from relevant government departments and SOE. The objective of the course is to start developing a future cadre of specialised shareholder and state owned enterprise managers.

The last five years have seen significant progress in understanding our mandate, recruiting specialist skills and in refining our approach to shareholder management. I am optimistic that implementing this strategic plan will significantly enhance the Department's contribution to the SOE and to the economy as a whole.

PORTIA MOLEFE
Director General



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SECTION 1:

BACKGROUND

The Department of Public Enterprises (DPE), has shareholder management and oversight responsibilities of large and important institutional actors in the South African economy in the form of the State Owned Enterprises (SOE). These SOE will play an important role in Government's overarching economic strategy through both a direct and indirect set of responsibilities.

The DPE, through the SOE, has direct responsibility for three strategic areas of economy:

- Ensuring the security of supply and the efficient and competitive provision of key economic infrastructure.
- Facilitating the development of advanced manufacturing capability through:
 - direct investment via current or new SOE
 - SOE investment and procurement programmes
 - strategic partnership engagements with global enterprises.
- SOE can be used by the state to sort out economically stifling market or regulatory failures especially in the area of network infrastructure.

DPE also has a secondary, supporting role to the programmes of other national government departments that it provides through the activities of the SOE

- Align skills development programmes within the SOE with the programmes and objectives of the responsible national government departments.
- Align investments in and by SOE with the national innovation development programmes of the responsible national government departments.
- Supporting government strategies focused on labour absorption and rural development by providing infrastructure investments and SOE-services with marginal commercial viability.

In the context of the global recession, maintaining the pace of the SOE infrastructural programs and leveraging these programs to promote economic activity throughout their supply chains has become particularly important.

INSTITUTIONAL ADVANTAGES OF STATE OWNED ENTERPRISES

The SOE represent an important instrument for the development state. The commercial enterprise has been and remains the institutional mechanism for the development of economic capabilities and the housing of economic activity. The SOE institutional form as commercial enterprises provides the state with a number of valuable levers including:

- Consistency of strategic intent in the pursuit of programmes of strategic national importance.
- Financial leverage (reducing dependence on the national fiscus) for the funding of these programmes.
- A means to partner with large global enterprises based on a common institutional form.
- A means for incentivising management more effectively than in a government department in certain specific contexts.

CONSISTENCY OF STRATEGIC INTENT

Ownership by the state provides stability and consistency of strategic intent in the planning and execution of long-term programmes in areas of strategic importance to the economy. These areas cover:

- Investment in, efficient operation of and cost-competitive provision of network infrastructure.
- Overcoming the absence of adequate levels of investment by private sector players, particularly in the context of relative regulatory immaturity.
- Development of supplier industries through well designed procurement practises to promote industrial investment.
- Provision of a large-scale commercial application of the national R and D effort.

- Direct entry of the state as a market player to provide a solution to a persistent market failure.

FINANCIAL LEVERAGE

Enterprises use a convention of financial planning and reporting that is understood by global capital markets. Consequently, enterprises have the ability to raise investment funds on these markets utilizing a range of financial instruments and sources of potential capital. Enterprises can levy users charges and use this source revenue as a basis for investment either from accumulated internal surpluses or by leveraging their future potential. This combination of capital raising and leveraging user charges, can be used to fund significant investment programmes, especially in network infrastructure, and reduce or eliminate the burden on the national fiscus.

PRIVATE SECTOR (GLOBAL AND DOMESTIC) PARTNERSHIPS

By virtue of having a common institutional platform and commercial structure, enterprises have the ability to partner with global and domestic private sector companies that provide not only additional capital but also rapidly introduce new technologies, business processes and markets to the country allowing development to proceed at a far greater pace than what can be achieved in isolation.

COMMERCIAL INCENTIVES FOR MANAGEMENT

There are a variety of established enterprise management methodologies that have been developed to rapidly align incentives and accountability within the organization so as to operate in a sustainable fashion within the disciplines imposed by a market environment. This enables the efficient mobilization and coordination of resources within the enterprise in ways that would be extremely difficult to achieve within the context of the public service. The modern enterprise has become one of the most powerful institutions driving the global economy.

CONCLUSION

In summary, under the right conditions, enterprise ownership allows government to leverage the institution that:

- Is the key driver in the development of productive capabilities.
- Has globally accepted and standardised methodologies for measuring and communicating value.
- Enables the mobilisation of a wide range of resources.
- Leverages the support of a diverse set of stakeholders in the attainment of key economic developmental objectives in an intrinsically flexible manner.

Yet, SOE are not ordinary commercial enterprises, in that they have a mandate to achieve longer term strategic economic objectives. This creates a delicate balance in that if the strategic purpose subverts commercial viability the enterprise will collapse, but if commercial considerations over-ride the strategic purpose, government objectives will be compromised. In the worst case scenario, the presence of a strategic purpose is used by management to rationalise bad decision making and inefficiency resulting in the financial failure of the enterprise and the subversion of government's strategic objectives. It is the role of the shareholder manager to ensure that this balance is well managed.

THE STATE OF THE SOE AND THEIR OPERATING ENVIRONMENT

The SOE that form the DPE portfolio, especially those focused on the provision and operation of network infrastructure, are economic institutions at the centre of the on-going operation of the economy and for driving and facilitating future economic growth. To be able to fulfill this role these SOE must be strong enterprises and must be institutionally responsive to the Strategic Intent signals of Government as shareholder. Being a strong enterprise means that there is an enabling external environment for the SOE to operate in. A strong enterprise also means that these SOE have:

- Adequately capitalised balance sheets
- Adequate and predictable cash flows going forward, sufficient for the execution of their respective business plans
- Strong Boards and Management teams
- Solid strategic and business plans
- Alignment with labour
- Responsiveness to Government's strategic objectives.

All of these characteristics are of course to varying degrees not in place. The DPE-portfolio of SOE faces a number of challenges as they are re-positioned and directed towards playing this pivotal role. The DPE has identified six (6) general challenges facing the SOE that fall into the portfolio:

- Lack of clarity of mandate
- Non-commercial history of the SOE
- Capitalisation challenges and funding constraints
- Accumulated infrastructural investment deficit in South Africa
- Policy and regulatory environment facing the SOE
- Legacy of the relationship between DPE and the SOE.

CLARITY OF MANDATE

The role of the individual SOE in Government's national economic strategy is not adequately defined. This lack of strategic role definition probably results from a combination of:

- A post-1994 focus on privatization (up until relatively recently)
- A legacy of poorly defined governance in terms of the relationship between the shareholder and the SOE

This has resulted in the SOE operating in a relative policy vacuum. Without an explicit role in the national economic strategy, it is hard to systematically justify the allocation of capital to SOE. In addition, sectoral policies and regulations can conflict with national economic objectives, should the policy department not have a clear signal as to the intended role of the SOE. Finally, the strategic direction and management of the SOE can become dysfunctional in the absence of a clear national mandate.

NON-COMMERCIAL HISTORY OF THE SOE

The non-commercial history of the SOE (many were effectively government departments) imposes severe challenges on the ability of these enterprises to meet the stiff objectives faced in balancing enterprise-level performance metrics while seeking to achieve the broader economic goals of Government. This analysis must also bear in mind that these SOE are amongst the largest and most complex of enterprises operating in the South African economy and face a multitude of stakeholder voices that need to be accommodated. The challenges facing these SOE include:

- A rigid, bureaucratic culture driven by technocratic concerns rather than a commercially orientated culture
- A budget driven, rather than commercially driven planning process.
- The quality of leadership and management
- A history of operational and service inefficiencies
- An accumulated history of poor financial results
- A historical tendency to move away from core focus.

FINANCIAL POSITION OF THE SOE

There are five important factors adversely impacting on the financial position of the DPE portfolio of SOE, indicating that a change is required in the way capital is allocated to the portfolio, particularly if a more comprehensive developmental portfolio is to be constructed. These factors include:

- The guarantee mechanism increasingly in use as the financial instrument of choice for SOE requiring balance sheet support is, in some cases, introducing a negative impact where the revenues, cost bases and resultant cash-flows of the SOE do not support substantial additional payments in respect of interest and guarantee fees.
- Certain of the SOE while in the early stages of improving their operating performance through restructuring remain loss making and continue to be under-capitalised with weak financial positions.
- Rapid and substantial capital investment



programmes in order to meet South Africa's infrastructure requirements to support growth, tend to consume cash faster than it can be generated through retaining earnings and borrowing without damaging the quality of the SOE balance sheet.

- Legacy or contingent liabilities burden certain SOE in respect of products supplied or capital equipment utilised for the provision of services.
- Lastly, the regulatory imposition of pricing constraints restricts or will restrict profitability required to fund the infrastructure programmes.

ACCUMULATED INFRASTRUCTURAL INVESTMENT DEFICIT

The SA economy faces an accumulated deficit in infrastructural investment relative to the current needs of the economy as well as in the context of meeting the infrastructural needs consistent with the achievement of the economic growth objectives set by Government. SOE are going to play an important role in delivering on these investment programmes. This places enormous pressures in the form of both the absolute and financial investment required as well as the skills and institutional capability of the SOE to deliver on these investment programmes. It should be recognised that in many instances these SOE have historically not made any investments remotely close to the quantum now being contemplated and planned for.

POLICY AND REGULATION

SOE operate in an external environment that impact on their performance as enterprises as well as their ability to meet Government's Strategic Intent objectives. In many instances these policy and regulatory environments are not enabling of the SOE achieving these twin goals, while in other instances the environment is hostile to the performance of the SOE. The DPE has identified three variations on this theme:

- SOE non-compliance with policy
 - In some cases there is conflict between policy and SOE sustainability
 - Different interpretations of policy by various stakeholders

- Misalignment between regulatory aspirations and SOE business plans
 - Inherently conflicting objectives of the regulator and SOE business plan
 - Regulations do not necessarily allow policy objectives to be supported
- Lack of capacity in the Regulatory bodies.

LEGACY OF THE RELATIONSHIP BETWEEN DPE AND THE SOE

Until 2004, official government policy focused on privatizing SOE, rather than leveraging the enterprises to achieve strategic national goals. This resulted in a high level of uncertainty and a limited view of the shareholder management process. Consequently, the relationship between the shareholder manager and the SOE remains relatively immature. A number of improvements have been achieved in the form of the following interventions introduced in the past four years:

- Shareholder Compact with clear KPIs between the DPE and the individual SOE
- SOE CEO and Chair forums
- Information sharing and compilation of the DPE-SOE Dashboard
- Regular KPI-based reporting on the various SOE based on an in-depth analysis of the financial and operation performance of the SOE
- The development of a rigorous shareholder management model by the DPE – but this is still to be fully implemented.

The relationship between the DPE and SOE Boards is critical, as the Boards are the key mechanism providing oversight of the development and implementation of SOE strategy. Consequently, Boards play a fundamental role in aligning the SOE with government's strategic intent. The DPE has identified a number of areas to focus on:

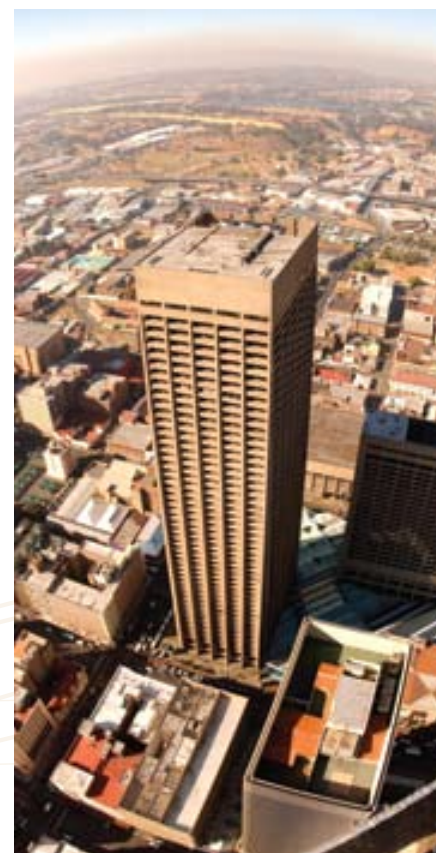
- Board Composition that covers both commercial enterprise-level dimensions as well as government's economic strategy objectives.
- Regular Board engagement to ensure that an appropriate balance between commercial and developmental objectives is being achieved.

- Regular and accurate information sharing to allow updating of plans and to revise targets.
- Assessment of board performance to ensure Board commitment to the delivery of shareholder objectives, as captured in the Strategic Intent, and the achievement of Shareholder Compact targets.
- Alignment of SOE Corporate Plans to Shareholder Strategic Intent.

HOW DPE WILL RESPOND TO THESE STRATEGIC CHALLENGES

In response to these challenges, the DPE has reviewed its mission statement. The new mission statement is:

- To optimize the alignment between the role of the SOE in the national economic strategy and the performance of the DPE's portfolio of enterprises though delivering best practise shareholder management services and engaging with stakeholders to create an enabling environment for such alignment.



To implement this mission, the DPE is focusing on developing the following capabilities:

ENGAGEMENT CAPABILITIES

- Constantly refining the shareholder management model and methodology.
- Monitoring and analysing SOE performance, capabilities, strategy, risks and impact and using the levers available to the shareholder to take both proactive and reactive corrective actions.
- Engaging with stakeholders at both a sector level and a macro-economic level to create an enabling policy and regulatory environment for SOE.
- Enhancing SOE capabilities and impact through focused projects.
- Engaging with relevant national departments to define and optimize the role of SOE in the national economic strategy.

SUPPORTING ORGANISATIONAL CAPABILITIES

- Building a DPE brand and reputation that creates leverage and good-will for all of the Department's activities.
- Continuously growing the Department's intellectual property around the state of the Department's portfolio of SOE and shareholder management practises and levers.
- Creating an environment to attract highly qualified people with relevant shareholder management skills.

THE ROLE OF DIFFERENT FUNCTION IN THE DEPARTMENT TO SUPPORT THE STRATEGY

Within this context, the revised role of the Director General (DG) is as follows:

- Overarching leadership of, and management responsibility for, the Department.
- Continuous engagement with senior stakeholders to create an enabling environment for SOE and recognition of the key role SOE can and do play in the economy.
- Continuous engagement with SOE leadership to facilitate alignment between the Department and the SOE.

The role of the DG's office in this context will be to provide strategic management support to the DG to enhance the impact and cohesion of the organisation:

- Efficient delivery of required office administrative operations.
- Over-sight of the development of the DPE brand – specifically ensuring alignment of internal activities with external messages and acting as final quality control of key external communications.
- Over-sight of development of knowledge management system – specifically ensuring that processes involving senior management have buy-in and the delivery of specialised training interventions to both internal and external stakeholders.
- Over-sight of the departmental strategy formulation process.
- To implement specific projects identified by the DG that will add value to the Department's mission.

The role of the Chief Investment and Portfolio Manager has been revised. This involves:

- To collect, aggregate, analyse and communicate relevant information relating to the state of the SOE portfolio and the environment.
- To monitor shareholder risk and provide proposals on mitigation.
- To communicate required areas of correction / mitigation that are identified and track and monitor implementation thereof.
- To provide strategic advice to the Minister, DG and SOE facing teams based on the information and analysis.
- To develop key frameworks to enhance the focus and coherence of the shareholder management process.

In addition, the Department will be establishing an economic analysis capability to engage with relevant national government departments responsible for national economic strategy development by:

- Providing analytical inputs for their strategy development activities.
- Participating in the dialogue to ensure that responsibilities assigned to the SOE are well-grounded.



The SOE Facing Teams have the role to:

- Monitor and analyse the state of SOE strategy, risk, capabilities and impact and provide recommendations to the DG, Minister and CIPM regarding proactive and reactive interventions the Department should take to optimize SOE performance and minimize risks.
- Engage with relevant sectoral stakeholders to create an enabling policy and regulatory environment for SOE.

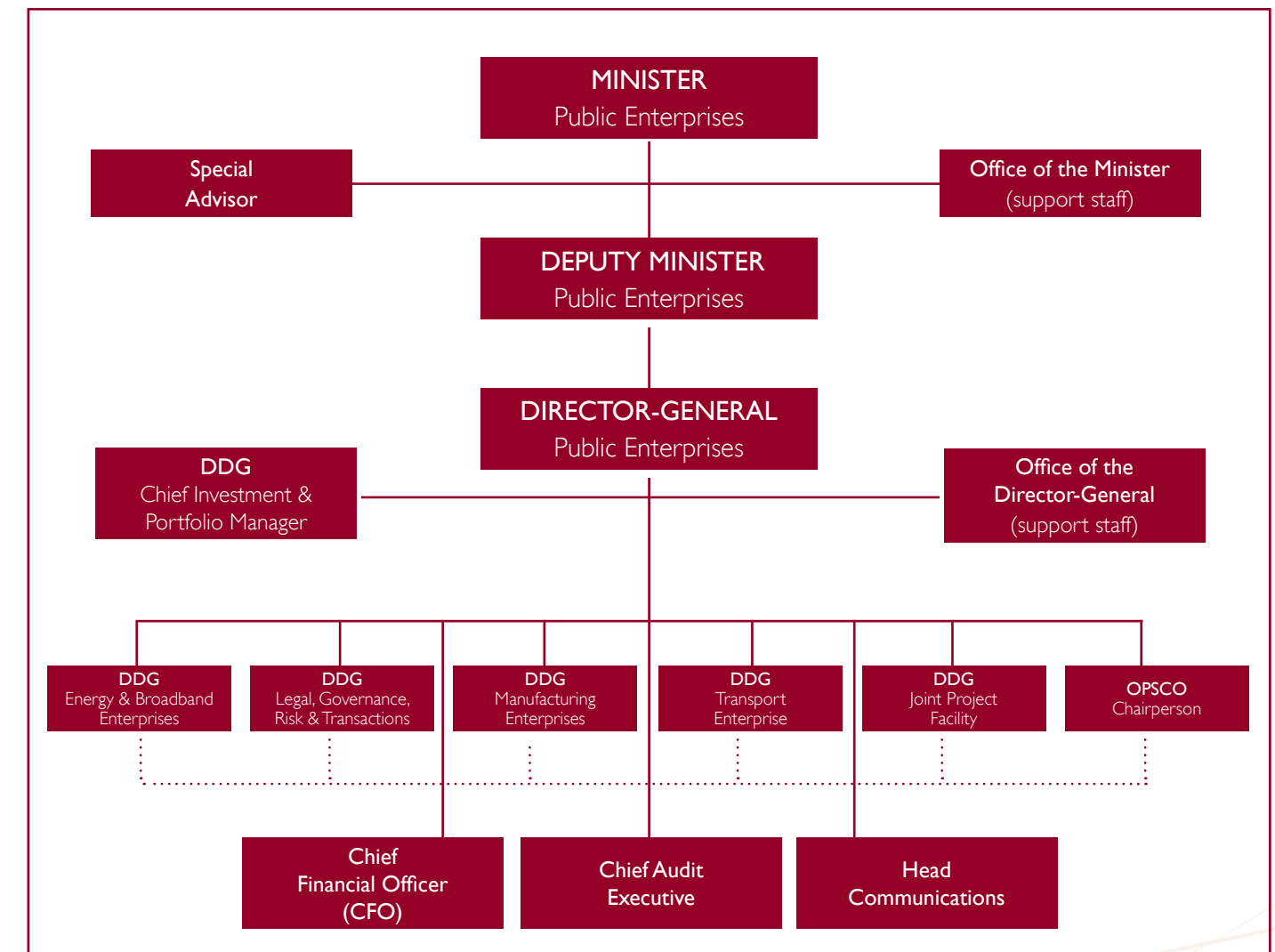
The Joint Project Facility has the role of identifying, scoping and implementing projects that leverage SOE assets, capabilities and activities to enhance the portfolio's economic impact.

Legal Services will provide specialist legal services to the Department relating to both engagements with external stakeholders and the management of internal stakeholders.

Operations has the responsibility to deliver required supporting IT, financial, human resource and other key administrative and support services.

The following tables provides detailed descriptions of the strategies and associated activities of each function within the Department.

SECTION 2: dpe organisational structure



DPE Budget - Appropriation per Programme

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
1. Administration	78 294	78 797	82 254	87 855
2. Energy and Broadband Enterprises	2 137 317	1 957 646	148 692	12 707
3. Legal, Governance, Risk and Transactions	148 868	152 754	24 283	25 737
4. Manufacturing Enterprises	269 281	8 467	9 084	9 607
5. Transport Enterprises	605 015	1 566 004	16 235	14 733
6. Joint Project Facility	30 603	33 678	31 315	32 970
TOTAL	3 269 378	3 797 346	311 863	183 609



SECTION 3: programme 1 MANAGEMENT & ADMINISTRATION

PURPOSE:

Achieve the Department's strategic objectives through providing overarching management and key supporting functions and processes.

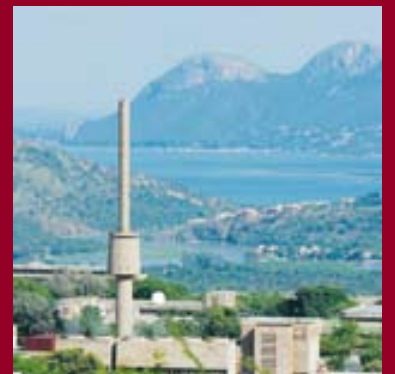
MEASURABLE OBJECTIVES:

- To provide strategic direction and leadership
- To provide support services to enable the department to deliver on its organisational objectives in an environment where the human capital within DPE is both motivated and empowered.
- To improve the quality of corporate governance and performance monitoring systems by ensuring that appropriate policies, processes and procedures are reviewed, updated and implemented within the DPE.

Management and Administration includes the Ministry, the Office of the Director-General and Support Services. The programme includes policy formulation by the Minister and senior management. Support services include corporate services, information technology, communications and finance.

The following units fall under Programme 1:

- Ministry
- Office of the Director-General
- Office of the Chief Investment and Portfolio Manager
- Corporate Services
- Finance
- Supply Chain Management
- Communications and International Relations
- Information Management



DPE Budget - Appropriation per Economic Classification

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	72 080	79 476	85 288	90 356
Goods and services	93 893	91 487	86 665	91 888
Financial transactions in assets and liabilities	344	-	-	-
Transfers and subsidies				
Public corporations and private enterprises	3 101 516	3 624 450	138 600	-
Gifts and donations	650	680	710	753
Capital				
Machinery and equipment	861	1 253	600	612
Software and other intangible assets	34	-	-	-
Total	3 269 378	3 797 346	311 863	183 609



DPE Budget - Summary of Transfer payments to SOE 2008/09 - 2011/12

	2008/09	2009/10	2010/11	2011/12
	Final Appropriation	Medium term estimates MTEF Baseline		
	R'000	R'000	R'000	R'000
Alexkor	130 000	129 090	-	-
Denel	259 516	-	-	-
Broadband Infraco	377 000	208 530	138 600	-
Pebble Bed Modular Reactor	1 750 000	1 737 750	-	-
South African Airways	-	1 549 080	-	-
South African Express Airways	445 000	-	-	-
Transnet (South African Express Airways)	140 000	-	-	-
Total	3 101 516	3 624 450	138 600	-



CIPM STRATEGY

In essence, the role of CIPM is to manage the portfolio to avoid surprises, extract optimal value to develop and co-develop a centre of excellence within DPE which confidently and consistently exercises shareholder rights and complies with shareholder obligations. CIPM will progressively demonstrate improvement value creation and reduction in exposure to the fiscus across the portfolio of investments that DPE manages on behalf of the State through shareholder management practises that induce:

- Commercial sustainability with reference to investment grade or sector comparative credit rating.
- Optimization of cross-portfolio benefits towards industrialisation, skills development, increased employment opportunities and BBBEE with reference to the value of domestic participation in capital procurement, the number of individuals trained to qualification and placed in full-time employment and compliance with BBBEE codes.
- Co-ordinated planning of capital investments as demonstrated through an integration and synergy of network infrastructure.



LOGICAL PLANNING, MONITORING AND EVALUATION PROCESS



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- Commercial sustainability with reference to investment grade or sector comparative credit rating;
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- Co-ordinated planning of capital investments as demonstrated through an integration and synergy of network infrastructure

STRATEGIC INTENT STATEMENT

The primary tool to communicate the State's expectations of SOE strategy will be contained in a Strategic Intent Statement (SIS) for each SOE in the portfolio. The SIS will be prepared annually and will contain the SOE's strategic purpose, scope of business, core business, consultation thresholds or investment strategy. To ensure clarity and transparency of objectives for the SOE and a precise articulation of the trade-offs between policy, regulatory, customer and financial interests, the DPE will consult with sector departments and the National Planning Commission (NPC) to determine the strategy for the State as a shareholder in the SOE within the portfolio. Such consultation will entail an assessment of the interaction between the policy and regulatory environment with the financial and operational goals of the SOE to ensure shareholder value optimisation and achievement of wider socio-economic objectives. The issuing of the SIS by the DPE will be aligned with the SOE corporate planning cycle to ensure that the SOE corporate plan contains the implementation details to attain the strategic intent.

CORPORATE PLAN AND SHAREHOLDER COMPACT

The corporate plan demonstrates to the Executive Authority that the Board and management have a thorough understanding of its shareholder's goals, the SOE business and of how it will achieve the shareholder's objectives. It is also a useful tool for managing goals and expectations, setting objectives for the Board and the management team and for monitoring achievement of milestones and progress. Guidelines will be developed to show the minimum level of information that the SOE should provide to the shareholder, each year, in its corporate plan. A shareholder compact consistent with the SOE corporate plan must include the key

performance measures and key indicators for assessing the SOE performance in delivering the desired outcomes and objectives.

MONITORING AND EVALUATION

CIPM continuously reviews the portfolio management system to ensure:

- SOE governance and shareholder risk management systems and procedures are sufficiently robust and provide a level of transparency to the shareholder that will enable rapid capitalisation decisions.
- Performance monitoring and analysis is logical and precise with succinct conclusions and provides the Minister and DG with adequate information to make key strategic and financial decisions relating to the portfolio.

To monitor trends in all SOE performance areas, capital investment and capital structure and enhance detection, mitigation and monitoring of cross-cutting shareholder risks on ongoing basis, the Isibuko Dashboard will be fully populated with all performance areas covered. KPIs in relation to strategic priorities and outcomes will as far as possible be impact-based, with SOE performance measured in terms of the impact on economic growth. Investor briefs will be provided to the Minister and DG on a quarterly and annual basis. The review of SOE performance will now cover a rolling period of three years. The five-year review will report on the social outcomes and economic impact of SOE activities on their respective sectors and the broader economy.

CAPITALISATION AND DIVIDEND POLICY

The DPE is developing a capital structure decision making framework comprising a process and methodology that will enable rigorous and consistent assessment of the capital requirements of each SOE. The framework will be used to assess and indicate with a specified level of certainty, the amount of capital required given the investment time

horizon and projected capital infrastructure requirements whilst maximizing the value to the enterprise by optimally allocating the required capital between equity and debt. The framework will serve as a basis for recommending an appropriate capital structure and dividend policy for the SOE. Furthermore, the DPE requires a deeper understanding of the challenges that the SOE face in securing the funding required to deliver on their respective infrastructure programmes. To this end, an assessment of the different possibilities for facilitating infrastructure funding required by the SOE is being undertaken. The objective of the study is to describe the various potential funding options for the SOE including traditional private sector corporate finance as well as the various models employed by Governments around the world to provide for large capitalisation requirements. A major shareholder risk identified is that the regulatory regime does not provide for cost-reflective tariffs and medium to long-term certainty. CIPM will therefore undertake a study on economic and regulatory cohesion for network infrastructure.



MEASURABLE OBJECTIVE:					
Sub Programme	Key Projects	Measure/Indicator	2009/10 Target/Milestone	2010/11 Target/Milestone	2011/12 Target/Milestone
CIPM	Synchronised logical planning, monitoring & evaluation process	SOE strategic intent statements issued for all SOE	Strategic intent statement issued to all SOE by end September	Strategic intent statement issued to all SOE by end September	Strategic intent statement issued to all SOE by end September
		Standardised SOE Corporate Plans	Approved guidelines for SOE corporate plan format by July 2009		
		SOE AGMs & Strategic Sessions with SOE Boards	SOE AGMs & Strategic Sessions with SOE Boards held annually by December	SOE AGMs & Strategic Sessions with SOE Boards held annually by December	SOE AGMs & Strategic Sessions with SOE Boards held annually by December
		Shareholder compacts	Shareholder compacts signed annually by April	Shareholder compacts signed annually by April	Shareholder compacts signed annually by April
	SOE performance monitoring & shareholder risk management	Fully populated Isibuko Dashboard & reporting	Quarterly Shareholder briefs to board on performance assessments, detection, mitigation and monitoring of cross-cutting shareholder risks	Quarterly Shareholder briefs to board on performance assessments, detection, mitigation and monitoring of cross-cutting shareholder risks	Quarterly Shareholder briefs to board on performance assessments, detection, mitigation and monitoring of cross-cutting shareholder risks
		Shareholder risk identification			
		Investor briefs			
	Capital structure framework	DPE Capitalisation and dividend policy	Approved DPE Capitalisation and dividend policy		
	Portfolio equity interest & contingent liability exposure management	Share, shareholder loans & guarantee office	Approved guidelines on share subscriptions, shareholder loans & guarantees	Established share, shareholder loans & guarantee office	
	Economic & regulatory cohesion for network infrastructure	Study on economic & regulatory cohesion for network infrastructure	Report on economic & regulatory cohesion for network infrastructure study		





programme 2

ENERGY AND BROADBAND ENTERPRISES

PURPOSE:

Align and timeously monitor the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infraco against government's strategic intent and associated performance targets.

MEASURABLE OBJECTIVES:

- Ensure that the corporate strategies of state owned enterprises are aligned with government's strategic intent by reviewing these strategies when necessary, and evaluating business plans annually.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure targets on a quarterly basis and assessing shareholder and enterprise risks.
- Expand South Africa's ICT infrastructure to improve capacity and lower costs by:
 - expanding Broadband Infraco's national full service network to incorporate the State Information and Technology Agency and other strategic state projects that require broadband, by mid-2008
 - completing the construction of the South Africa-Europe submarine cable by the end of the first quarter of 2010.
- Monitor Eskom's generation adequacy by examining its maintenance and operational practises, distribution efficiency, and capacity expansion programme to ensure delivery of new energy generation capacity.
- Secure long-term environmentally sustainable electricity supply through nuclear power generation by:
 - monitoring funding requirements and securing funding for capital projects undertaken by Pebble Bed Modular Reactor
 - monitoring regulatory compliance by Pebble Bed Modular Reactor, including environmental impact assessment recommendations
 - monitoring construction and testing outcomes against Pebble Bed Modular Reactor's business and strategic plans and feasibility studies.

Measurable object: Ensure energy and broadband sector SOE achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder

Sub Programme	Key Projects	Measure/ Indicator	2009/10	2010/11	2011/12
Broadband Infraco	Oversight Broadband Infraco	Annual Reports, Corporate Plan, Shareholder Compact	<ul style="list-style-type: none"> • Analysis and Assessment of the Annual Report and Corporate plan • Prepare the Annual Investor Brief • Shareholder Strategic Intent Communiqué in preparation for the Infraco AGM 	<ul style="list-style-type: none"> • Analysis and Assessment of the Annual Report and Corporate plan • Prepare the Annual Investor Brief • Shareholder Strategic Intent Communiqué in preparation for the Infraco AGM 	<ul style="list-style-type: none"> • Analysis and Assessment of the Annual Report and Corporate plan • Prepare the Annual Investor Brief • Shareholder Strategic Intent Communiqué in preparation for the Infraco AGM
		Assessment of SOE Board Strength	Develop framework for Infraco Board composition requirements	Review of the framework for Infraco Board composition requirements	Review of the framework for Infraco Board composition requirements
		Achievement of MTEF targets	<ul style="list-style-type: none"> • Analysis of Quarterly and Annual reports • Assessment of PFMA Applications • Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> • Analysis of Quarterly and Annual reports • Assessment of PFMA Applications • Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> • Analysis of Quarterly and Annual reports • Assessment of PFMA Applications • Explore and facilitate access to debt and alternative funding structures
		Infraco five year performance review	<ul style="list-style-type: none"> • Perform Infraco 5 year performance review (based on previous publication) • Analysis of Infraco's 5 year performance • Input to DPE SOE 5 year review publication 	<ul style="list-style-type: none"> • Perform Infraco 5 year performance review (based on previous publication) • Analysis of Infraco's 5 year performance • Input to DPE SOE 5 year review publication 	<ul style="list-style-type: none"> • Perform Infraco 5 year performance review (based on previous publication) • Analysis of Infraco's 5 year performance • Input to DPE SOE 5 year review publication



Measurable object: Ensure energy and broadband sector SOE achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder

Sub Programme	Key Projects	Measure/Indicator	2009/10	2010/11	2011/12
	Special Programs	Assessment of Infraco's Impact on Broadband Pricing in South Africa	<ul style="list-style-type: none"> Compile Benchmark: Price, Service level, Capacity, etc Assessment of Broadband Pricing in South Africa, outside South Africa and key destinations Analyse industry results on South African Broadband pricing and produce a mid-year and annual report Work with Infraco to determine its current contribution to GDP to establish a baseline (broken down into operations and infrastructure expansion). 	<ul style="list-style-type: none"> Compile Benchmark: Price, Service level, Capacity, etc Assessment of Broadband Pricing in South Africa, outside South Africa and key destinations Analyse industry results on South African Broadband pricing and produce a mid-year and annual report Work with Infraco to determine its current contribution to GDP to establish a baseline (broken down into operations and infrastructure expansion). 	<ul style="list-style-type: none"> Compile Benchmark: Price, Service level, Capacity, etc Assessment of Broadband Pricing in South Africa, outside South Africa and key destinations Analyse industry results on South African Broadband pricing and produce a mid-year and annual report Work with Infraco to determine its current contribution to GDP to establish a baseline (broken down into operations and infrastructure expansion).
	Capital Expenditure Programme: International Submarine Cable and Terrestrial network		<ul style="list-style-type: none"> Monitor and Facilitate the Implementation of the International Submarine Cable (West Africa Cable System) Monitor execution of projects to complete the terrestrial cable network. 	<ul style="list-style-type: none"> Monitor and Facilitate the Implementation of the International Submarine Cable (West Africa Cable System) Monitor execution of projects to complete the terrestrial cable network. Monitor Infraco's facilitation of the delivery of projects of national importance (SKA, MeerKAT and SANReN) 	<ul style="list-style-type: none"> Monitor and Facilitate the Implementation of the International Submarine Cable (West Africa Cable System) Monitor execution of projects to complete the terrestrial cable network. Monitor Infraco's facilitation of the delivery of projects of national importance (SKA, MeerKAT and SANReN)
	Business Process Outsourcing and Off-shoring (BPO&O)		<ul style="list-style-type: none"> CSDP supplier chain contribution through National and International Telecommunication infrastructure to boost the BPO&O industry (call centre, telemedicine, back office support, etc.) 	<ul style="list-style-type: none"> CSDP supplier chain contribution through National and International Telecommunication infrastructure to boost the BPO&O industry (call centre, telemedicine, back office support, etc.) 	<ul style="list-style-type: none"> CSDP supplier chain contribution through National and International Telecommunication infrastructure to boost the BPO&O industry (call centre, telemedicine, back office support, etc.)
	Leveraging SOE infrastructure development synergies to enhance rural development across the Energy and Broadband SOE		<ul style="list-style-type: none"> Develop the framework for a study to assess each SOE's infrastructure programme to identify rural areas where initiatives are being undertaken. Assess SOE infrastructure programmes and develop a proposal to leverage off existing projects to initiate or expand rural development by other SOE 	<ul style="list-style-type: none"> Develop the framework for a study to assess each SOE's infrastructure programme to identify rural areas where initiatives are being undertaken. Assess SOE infrastructure programmes and develop a proposal to leverage off existing projects to initiate or expand rural development by other SOE 	<ul style="list-style-type: none"> Develop the framework for a study to assess each SOE's infrastructure programme to identify rural areas where initiatives are being undertaken. Assess SOE infrastructure programmes and develop a proposal to leverage off existing projects to initiate or expand rural development by other SOE

Measurable object: Ensure energy and broadband sector SOE achieve their targets by the end of the MTEF period by monitoring and annually assessing their financial and operational performance against targets set in the shareholder

Sub Programme	Key Projects	Measure/Indicator	2009/10	2010/11	2011/12
Energy	Oversight Eskom and PBMR	Annual Reports, Corporate Plan, Shareholder Compact	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate plan Prepare the Annual Investor Brief Shareholder Strategic Intent Communiqué in preparation for the AGM 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate plan Prepare the Annual Investor Brief Shareholder Strategic Intent Communiqué in preparation for the AGM 	<ul style="list-style-type: none"> Analysis and Assessment of the Annual Report and Corporate plan Prepare the Annual Investor Brief Shareholder Strategic Intent Communiqué in preparation for the AGM
		Assessment of SOE Board Strength	Develop framework for SOE Board composition requirements.	Review of the framework for SOE Board composition requirements.	Review of the framework for SOE Board composition requirements.
		Achievement of MTEF targets	<ul style="list-style-type: none"> Analysis of Quarterly and Annual reports Assessment of PFMA Applications Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Analysis of Quarterly and Annual reports Assessment of PFMA Applications Explore and facilitate access to debt and alternative funding structures 	<ul style="list-style-type: none"> Analysis of Quarterly and Annual reports Assessment of PFMA Applications Explore and facilitate access to debt and alternative funding structures
		SOE five year performance review	<ul style="list-style-type: none"> Perform 5 year performance review (based on previous publication). Analysis of five year performance. Input to DPE SOE 5 year review publication. 	<ul style="list-style-type: none"> Perform 5 year performance review (based on previous publication). Analysis of five year performance. Input to DPE SOE 5 year review publication. 	<ul style="list-style-type: none"> Perform 5 year performance review (based on previous publication). Analysis of five year performance. Input to DPE SOE 5 year review publication.
	Monitor Eskom's capacity expansion programme	Timeous delivery on new capacity	Capacity delivery as per plan	Capacity delivery as per plan	Capacity delivery as per plan
	Contribute to improving the electricity distribution infrastructure in South Africa	Participate in EDI facilitated process towards establishment of Regional Electricity Distributors	Monitor progress of the implementation of the Regional Electricity Distributors	Monitor progress of the implementation of the Regional Electricity Distributors	Monitor progress of the implementation of the Regional Electricity Distributors
	Eskom's Generation adequacy assessment	Develop reporting framework to assess maintenance and operational practice as well as reserve margin	Reducing unplanned maintenance levels and improve reserve margin	Reducing unplanned maintenance levels and improve reserve margin	Reducing unplanned maintenance levels and improve reserve margin

Sub Programme	Key Projects	Measure/Indicator	2009/10	2010/11	2011/12
	Economic Impact assessment study in support of Competitive Supplier Development Programme	Develop TOR for study and framework for reporting on impact of SOE contribution to SA Economy	Assessment of SOE contribution to South African Economy	Assessment of SOE contribution to South African Economy	Assessment of SOE contribution to South African Economy
	Leveraging SOE infrastructure development synergies to enhance rural development across the Energy SOE	Develop the framework for a study to assess each SOE infrastructure programme to identify rural areas where initiatives are being undertaken.	Assess SOE infrastructure programmes and develop proposal to leverage off existing projects to initiate or expand rural development by other SOE.	Assess SOE infrastructure programmes and develop proposal to leverage off existing projects to initiate or expand rural development by other SOE.	Assess SOE infrastructure programmes and develop proposal to leverage off existing projects to initiate or expand rural development by other SOE.
	PBMR's revised business model and Product Offering	Monitor and facilitate development and implementation of the revised business model and product offering.	Implementation of revised business model	Implementation of revised business model	Implementation of revised business model



programme 3

LEGAL, GOVERNANCE, RISK AND TRANSACTIONS

PURPOSE:

Align corporate governance, risk management practises and significant and material transactions of state owned enterprises with government objectives and requirements and applicable legislation, litigation and transactions management.

MEASURABLE OBJECTIVES:

- Complete the transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries by appointing a service provider to trace the outstanding beneficiaries.
- Finalise government's exit from Aventura and the South African Forestry Company by disposing of assets such as Komatiland Forests.
- Enhance state owned enterprises' governance practises by:
 - establish framework for the governance of strategic state owned enterprises over the MTEF period
 - implementing shareholder guidelines on remuneration, founding documents and shareholder agreements, as well as board member inductions through regular interactions with the governing bodies of state owned enterprises
 - benchmarking risk management practises against industry norms through a quarterly review of performance
 - conducting quarterly assessments of enterprise and shareholder risks
 - measuring improvement in governance by conducting annual governance audits in state owned enterprises.



Measurable objective:					
Sub-Programme	Key Project	Measure / Indicator	2009/2010 Target/Milestone	2010/2011 Target/Milestone	2011/2012 Target/Milestone
LITIGATION					
	Umthunzi litigation	<ul style="list-style-type: none"> Pleadings Trial 	Successful defence of Government's case and Court order in favour of the Department	The matter is set down for trial for September 2009 and we do not anticipate further action unless if Umthunzi is unsuccessful and appeal to the Supreme Court	The matter is set down for trial for September 2009 and we do not anticipate further action unless if Umthunzi is unsuccessful and appeal to the Supreme Court
	Londoloza/ Paharpur	<ul style="list-style-type: none"> Pleadings Pre-trial proceedings 	<ul style="list-style-type: none"> Closure of pleadings Obtain trial date 	Successful resolution of Government's case and Court order in favour of the Department	If matter is set down for trial in 2010, it may also be resolved at that stage thus closing the matter
	Nabera	<ul style="list-style-type: none"> Consider Notice of Bar and getting the matter struck off the court roll 	Matter in abeyance DPE can only act once Nabera has set the matter down for trial	Matter in abeyance DPE can only act once Nabera has set the matter down for trial	Matter in abeyance DPE can only act once Nabera has set the matter down for trial
	Equity Aviation and Others	Review and respond to plaintiffs' plea	<ul style="list-style-type: none"> Exchange of pleadings Pre-trial proceedings 	Obtain trial date	Successful resolution of Government's case and Court order in favour of the Department
Legal advice	Ongoing assessment of SOE compliance with applicable legislation	Report on SOE legislative compliance	Report on SOE legislative compliance	Report on SOE legislative compliance	Report on SOE legislative compliance
TRANSACTIONS					
Aventura	Ongoing monitoring of the winding up process	<ul style="list-style-type: none"> Lodging of all relevant documents with the Registrar of Companies 	Successful winding up of the Company	It is expected that this matter will be finalised by the end of 2009	It is expected that this matter will be finalised by the end of 2009
Denel	Ensure appropriate transactional structure	Agreement on appropriate transactional structure	Review, assess and advise the Department on suite of transaction agreements for the introduction of private sector participation in Denel subsidiaries	<ul style="list-style-type: none"> Conclusion of transaction agreements Closure of transaction 	Matter is expected to have been finalised before this financial year
SAA	Assess Financial requirement for SAA to sustain turnaround	Advice to Department on legal issues, including protecting legal rights and mitigating legal risks and liabilities in the turnaround	Responsive additional advice on legal issues and implementing any necessary legal processes	Responsive additional advice on legal issues and implementing any necessary legal processes	Responsive additional advice on legal issues and implementing any necessary legal processes

Measurable objective:					
Sub-Programme	Key Project	Measure / Indicator	2009/2010 Target/Milestone	2010/2011 Target/Milestone	2011/2012 Target/Milestone
SAAT	<ul style="list-style-type: none"> Advise Department on appropriate legal transaction structure, legal rights and risks relating to the introduction of private sector participation 	<ul style="list-style-type: none"> Agreeing on transaction structure Execute transaction 	<ul style="list-style-type: none"> Draft and advise Department on transaction agreements Draft and process legislation for establishment of new SOE 	<ul style="list-style-type: none"> Execution of transaction agreements Enactment of legislation 	Transaction closure
SAFCOL	Minority shares	<ul style="list-style-type: none"> Conclude share transfer agreement between DPE, SAFCOL and NEF 	Transfer of minority shareholding out of SAFCOL	Execution of transaction documents	Transaction closure
Infraco	Construction of the Submarine cables	<ul style="list-style-type: none"> Monitor and ensure Infraco's compliance with its Act, licence and 	Report to Minister on Infraco compliance as part of shareholder compact and strategic intent statement	Timely input on Infraco compliance to shareholder compact and strategic intent statement	Timely input on Infraco compliance to shareholder compact and strategic intent statement
Shareholder Management Practises	Legislative review	Convene a workshop with all stakeholders on the review of the PFMA and the Companies Act to assess the provisions relating to SOE	<ul style="list-style-type: none"> Amendment of the PFMA and the Companies Act Submission to cabinet 	<ul style="list-style-type: none"> Implement shareholder management practices 	<ul style="list-style-type: none"> Monitor effectiveness and implementation of shareholder Management Practices
Eskom	Establishment of EDI and 6 wall-to-wall REDS	<ul style="list-style-type: none"> Constitutional Amendment EDI Bill 	<ul style="list-style-type: none"> Enactment of Constitutional Amendment Enactment of EDI Bill 	Establishment of REDS	It is expected that this matter will be finalised before this financial year

Measurable objective:					
Sub-Programme	Key Projects	Measure / Indicator	2009/2010 Target/Milestone	2010/2011 Target/Milestone	2011/2012 Target/Milestone
GOVERNANCE					
	Board appointments	<ul style="list-style-type: none"> Cabinet approval of Board appointments 	Appropriately skilled Boards for SOE	Appropriately skilled Boards for SOE	Appropriately skilled Boards for SOE
	Annual General Meetings	<ul style="list-style-type: none"> Advice to Minister on exercise of shareholder rights and AGM agenda items 	Advice to Minister on exercise of shareholder rights and AGM agenda items	Advice to Minister on exercise of shareholder rights and AGM agenda items	Advice to Minister on exercise of shareholder rights and AGM agenda items

Measurable objective:					
Sub-Programme	Key Projects	Measure / Indicator	2009/2010	2010/2011	2011/2012
			Target/Milestone	Target/Milestone	Target/Milestone
	Governance Toolbox and Audit	• Report on SOE adherence to corporate governance principles	SOE adherence to corporate governance principles	SOE adherence to corporate governance principles	SOE adherence to corporate governance principles
	Generic shareholders agreements and founding documents for SOE	• Revised generic shareholders agreement and founding documents for SOE	Workshop revised generic shareholders agreements and founding documents	Implementation of generic shareholders agreements and founding documents	Monitor SOE implementation of generic shareholders agreements and founding documents
	Owners expectation manual	Minister's and Cabinet approval of manual	Workshop manual with SO	Implement manual	Monitor SOE implementation of manual
	Annual Board performance agreement	• Support SOE team in Shareholder Strategic Intent Statement and Shareholder Compact	Support SOE team with timely completion of statement and shareholder compact	Support SOE team with timely completion of statement and shareholder compact	Support SOE team with timely completion of statement and shareholder compact
	Director's and Board Induction	• Induction modules presented to Boards by DPE on shareholder expectations.	Incorporation of Board induction into annual evaluation of Board performance.	Incorporation of Board induction into annual evaluation of Board performance.	Incorporation of Board induction into annual evaluation of Board performance.



programme 4

MANUFACTURING ENTERPRISES

PURPOSE:

Align and timeously monitor the corporate strategies and performance of Denel and the South African Forestry Company Limited against government's strategic intent and performance targets.

MEASURABLE OBJECTIVES:

- Ensure that the corporate strategies of the state owned enterprises are aligned with government's strategic intent by reviewing these strategies when necessary, and evaluating business plans on an annual basis.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure trends and targets on a quarterly basis, and assessing shareholder and enterprise risks.
- Assist in returning Denel to profitability by 2011/12 by:
 - monitoring the implementation of the turnaround strategy
 - monitoring performance against the 2006 turnaround strategy
 - facilitating the sourcing of 60 per cent of Denel's turnover from the domestic defence market
 - restructuring the Denel subsidiaries to ensure commercial viability.
- Increase the impact of the defence industry by:
 - ensuring strategic alignment between the Department of Defence and Denel
 - facilitating defence related exports through research, incentives and international cooperation, such as establishing a Defence Export Council in 2009.



Measurable objective:					
Sub-Programme	Key Project	Measure / Indicator	2009/2010 Target/Milestone	2010/2011 Target/Milestone	2011/2012 Target/Milestone
Denel	Ongoing Performance Monitoring and Direction Setting for Denel	<ul style="list-style-type: none"> Shareholder Strategic Intent Statement and Shareholder Compact 	Timely completion of statement and shareholder compact	Timely completion of statement and shareholder compact	Timely completion of statement and shareholder compact
		<ul style="list-style-type: none"> Assessment of Corporate Plan 	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE
		<ul style="list-style-type: none"> Assessment of SOE Relevant SOE Performance Reports 	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE
	Enabling Denel's Strategic Role in provision of Defence Capabilities	<ul style="list-style-type: none"> Retention of strategic and sovereign capabilities in areas agreed to with DOD 	Finalisation and Implementation of Denel Future State Process	Implementation of Denel Future State	Implementation of Denel Future State
	Enabling Denel's Strategic Economic role in promoting advanced manufacturing	<ul style="list-style-type: none"> Entering into design-to-build (DTB) contracts or lines of business (LoB) in sectors identified in sectoral strategies (within 3 years) 	Align Denel's strategy with Industrial policy Identify key DTB and/or new LoB opportunities	Fulfil pre-requisites for entering into new DTB contracts and / or new LoB	Execute DTB contracts and / or new LoB
		<ul style="list-style-type: none"> Establishment of new firms in South Africa to support advanced manufacturing and stimulate the industrial upgrading in the sector (within 5 years) 	Identify opportunities and role for Denel in supporting and catalysing the development of advanced manufacturing in South Africa	Implement strategy	Implement strategy
		<ul style="list-style-type: none"> 60% of Denel's Procurement spent locally 	Develop supplier development plans for each of Denel's BU including targets for local procurement	Implement Supplier Development Plans	Implement Supplier Development Plans
	Enabling Denel's Business Sustainability	Self funding sustainable organisation	<ul style="list-style-type: none"> Adequately funded business by March 2010 	<ul style="list-style-type: none"> Positive operation profit by March 2011 	<ul style="list-style-type: none"> Positive Net profit by March 2012

Measurable objective:					
Sub-Programme	Key Project	Measure / Indicator	2009/2010 Target/Milestone	2010/2011 Target/Milestone	2011/2012 Target/Milestone
		Adequate investment in self-funded R&D by each business unit	<ul style="list-style-type: none"> Finalising Restructuring of Denel 	<ul style="list-style-type: none"> Align R&D Plan to restructuring plan 	<ul style="list-style-type: none"> Achieve industry benchmarks for R&D by March 2012
		Improved Programme Delivery	<ul style="list-style-type: none"> Achieve Delivery Targets on All Major Programmes 	<ul style="list-style-type: none"> Achieve Delivery Targets on All Major Programmes 	<ul style="list-style-type: none"> Achieve Delivery Targets on All Major Programmes
	Enabling Denel's Business Efficiency	<ul style="list-style-type: none"> Ongoing year on year improvement in profit margins (gross, operating and net) 	Achieve targets in Corporate Plan	Achieve targets in Corporate Plan	Achieve targets in Corporate Plan
SAFCOL	Ongoing Performance Monitoring and Direction Setting for SAFCOL	<ul style="list-style-type: none"> Shareholder Strategic Intent Statement and Shareholder Compact 	Timely completion of statement and shareholder compact	Timely completion of statement and shareholder compact	Timely completion of statement and shareholder compact
		<ul style="list-style-type: none"> Assessment of Corporate Plan 	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE
		<ul style="list-style-type: none"> Assessment of SOE Relevant SOE Performance Reports 	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE	Timely completion of assessments and feedback to SOE
		<ul style="list-style-type: none"> Assessment of Board Performance 	Timely completion of assessments	Timely completion of assessments	Timely completion of assessments
	Enabling SAFCOL Strategic Role in South African Economy	<ul style="list-style-type: none"> Finalisation of SAFCOL Future Post Land Claims 	Definition of role and institutional form of SAFCOL post land claims and implementation plan thereof.	Implementation of Implementation Plan	Implementation of Implementation Plan



programme 5

TRANSPORT ENTERPRISES

PURPOSE:

Align and timeously monitor the corporate strategies and performance of Transnet, South African Airways and South African Express Airways against government’s strategic intent and performance targets.

MEASURABLE OBJECTIVES:

- Ensure that the corporate strategies of the state owned enterprises are aligned with government’s strategic intent by reviewing these strategies when necessary, and evaluating business plans annually.
- Ensure that corporate strategies and shareholder compacts are implemented as intended by benchmarking and monitoring the financial, operational and infrastructure trends and targets at least quarterly, and by assessing shareholder and enterprise risks.
- Strengthen private sector participation in ports and rail over the medium term through:
 - introducing a private operator for the Ngqura container terminal
 - ensuring access to rail branch lines by private operators.
- Develop a long term strategy for improving the efficiency and performance of investments by state owned enterprises in the transport enterprises by:
 - monitoring progress of the South African Airways restructuring and turnaround strategy by assessing profit margins against targets
 - applying the national corridor performance measurement tools and indicators.



Measurable objective: Proposals and strategies to ensure that the strategies and operations of Transnet, SAA and SAX are aligned with Government's strategic economic intent					
Sub Programme	Key Projects	Measure/Indicator	2009/2010 Target/ Milestone	2010/2011 Target/ Milestone	2011/2012 Target/ Milestone
Transport	Oversight	Corporate Plan	Annual assessment	Annual assessment	Annual assessment
		Shareholder Compacts with Transnet	Conclusion before Annual General Meeting	Conclusion before Annual General Meeting	Conclusion before Annual General Meeting
		Achievement of MTEF target by Transnet	Quarterly and annual monitoring	Quarterly and annual monitoring	Quarterly and annual monitoring
			Assessments of PFMA Section 54 application	Assessments of PFMA Section 54 application	Assessments of PFMA Section 54 application
	Oversee private sector participation in Ngqura container terminal	Agreed process for private sector participation and execution of transaction	Agree framework with key stakeholders Initiate and monitor transaction process	Finalise transaction Operator in place	Monitor impact on port and freight logistics sectors
	Private sector participation in rail through ensuring access to branch lines by private operators	Establishment of institutional structure	Monitor establishment of institution (branch line entity)	Concession and roll-out of first wave of concessions	Continued rollout and introduction of new operators
		Framework for concessions	Identify initial set of concessions on the network		
		New operators on the branch line network			
	Develop National Corridor Performance Measurement (NCPM) tools and indicators	IT system in place	System development and agreed indicators	Pilot on selected corridor	Initiate rollout to other critical freight corridors
		Agreed indicators			
		Population and monitoring of system data			
		Business intelligence outputs			
	Analyse and assess Transnet's role and influence in the economy	Develop baseline study of Transnet's impact on the economy	Undertake baseline study Quantify externalities	Review baseline study	Not applicable
	Monitor rollout of Transnet's capex programme	Monitor compliance to budget Assess impact of changes in plan	Annual assessment	Annual assessment	Annual assessment
	Implementation of Competitive Supplier Development Programme (CSDP)	Leverage of Transnet capex in the development of local supplier industries	Identification of CSDP opportunities in Transnet	Monitor implementation	Monitor implementation

Measurable objective: Proposals and strategies to ensure that the strategies and operations of Transnet, SAA and SAX are aligned with Government's strategic economic intent					
Sub Programme	Key Projects	Measure/Indicator	2009/2010 Target/ Milestone	2010/2011 Target/ Milestone	2011/2012 Target/ Milestone
Aviation	Oversight SAA and SAX	Corporate Plan	Annual assessment	Annual assessment	Annual assessment
		Shareholder Compacts with SAA and SAX	Conclusion before Annual General Meeting	Conclusion before Annual General Meeting	Conclusion before Annual General Meeting
		Achievement of MTEF target by SAA and SAX	Monthly (SAA only), quarterly and annual monitoring	Monthly (SAA only), quarterly and annual monitoring	Monthly (SAA only), quarterly and annual monitoring
			Assessments of PFMA Section 54 application	Assessments of PFMA Section 54 application	Assessments of PFMA Section 54 application
	Further development and implementation of the African Aviation Strategy	Enhanced African Aviation Strategy developed in consultation with key stakeholders.	Implementation of the African Aviation Strategy by SAA and SAX	Monitoring	Monitoring
	Review SAA & SAX route network particularly intercontinental and Africa	Agree business plans	Assessment of the business plans	Assessment of the business plans	Assessment of the business plans
	Develop a strategic scenario planning model for SAA	Scenario planning model	Financial model developed & used for scenario planning and forecasting	scenario planning and forecasting	scenario planning and forecasting
	Ring-fencing of selected SAA business units and pursue strategic equity investments	Development of an independent business focus and new strategic alignment	Work with SAA to develop business plan for selected business units and assess capital requirements.	Work with SAA to develop business plan for selected business units and assess capital requirements. Implementation of business plans during 2009/10	Implement business plans during 2010/11
	Assess options for establishing South African Airways Technical (SAAT) as a multi-airline focused African maintenance hub	Feasibility study	Assessment of feasibility of SAAT as a refocused maintenance facility with outside equity investment	Work with SAA and national Treasury on proposed methodology	If successful proposal to cabinet



programme 6

JOINT PROJECT FACILITY

PURPOSE:

Identify synergies, coordinate and develop cross-cutting projects that leverage the assets, activities and capabilities of the SOE to the benefit of the SOE, the South African economy and Africa as a whole.

Projects under JPF are:

The Competitive Supplier Development Programme (CSDP) is responsible for finding innovative ways to leverage SOE procurement to build local world class manufacturing capabilities, both to supply the SOE with capital goods in their build programmes and to gain access to the global value chains of the SOEs' first tier multi-national suppliers. This project also coordinates supplier industry support measures across government, involving DTI, DST and the IDC. Another key component of this project is creating world class procurement practises in the SOE, through training and certification.

The South African Power Project (TSAPPRO) has been established to investigate and recommend how the benefits of Eskom's long term Capital Expansion Programme and the associated municipal refurbishment and expansion programmes, can be maximised to the benefit of the South African economy. This will entail the creation of a sustainable local industrial manufacturing base for power equipment and related plant to meet the requirements of the build programme.

The Human Resources and Capacity Building Programme is a key focus area to ensure a sufficient supply of artisans, technologists and engineers to support the infrastructure build programme and its ongoing maintenance. DPE and the SOE are working together with DoL and DoE to facilitate SETA-funded workplace placements with SOE suppliers for FET College graduates to enable them to meet the requirements for obtaining artisan trade certificates. A sub-programme of the HR and Capacity Building Programme, **the Solar Water Heater (SWH) Skills Development Programme**, was initiated in response to the electricity shortfall early in 2008 since skills

gaps in the plumbing industry were identified as a key constraint to the mass rollout of SWH. A further sub-programme is the introduction of a **Management Learning Programme** which will assist government officials as well as SOE Managers to deal with complex issues surrounding the management and performance of state enterprises. DPE also hosts **Autumn School** for the Parliamentary Portfolio Committee on an annual basis to provide an opportunity for a dialogue with industry experts around key issues facing government and the SOE.

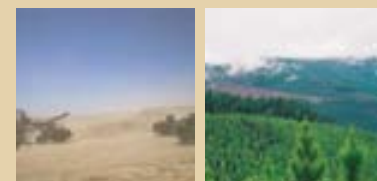
The Africa Programme is focused on facilitating the development of regional electricity generation and rail corridor capacity through the SOE, DFA and regional government and utility counterparts. A further component is focused on the identification and development of regional suppliers to participate in SOE build and maintenance programmes and consequently to gain access to the global value chains of multi-national original equipment manufacturers. This is being achieved through the supplier benchmarking and supplier programme undertaken as part of the CSDP.

The Aerostructures Project builds upon current initiatives as well as demand and supply side studies to develop an Aerospace Strategy for South Africa to grow our technologies and skills base in this sector.

The Technology and Innovation Project is aimed at providing a framework for SOE for technology management to develop long term commercialisation opportunities.

The Property Project is focused on optimising the value and developmental impacts of non-core SOE properties. The project has established a SOE Non-Core Property Disposal Policy and set of Broad-Based Black Economic Empowerment Guidelines to guide the disposals.

The Environmental Issues Project develops proposals to ensure that the government policy balances the needs of environmental conservation with the need to develop SOE infrastructure rapidly.





Measurable objective: Identify synergies, co-ordinate and develop cross-cutting projects that leverage the assets, activities and /or capabilities of the SOE to the benefit of the SOE							
Project	Outputs	Measure / Indicator	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Competitive Supplier Development Programme (CSDP)	Re-establish local manufacturing and supplier industries to support SOE infrastructure build and maintenance plan through benchmarking, gap analysis and support to upgrade equipment and skills	Monitor implementation of Supplier Development Plans on dashboard.	SDP implementation and quarterly reporting on dashboard.	SDP implementation and quarterly reporting on dashboard.	SDP implementation and quarterly reporting on dashboard.	SDP implementation and quarterly reporting on dashboard.	SDP implementation and quarterly reporting on dashboard.
		UNIDO appointed to complete supplier benchmarking & supplier development.	Monitor implementation	Monitor implementation	Review programme funding and location.	Review programme funding and location.	Review programme funding and location.
		Professionalisation of procurement through learning and certification	SOE to implement procurement learning initiatives	SOE to implement procurement learning initiatives	SOE to implement procurement learning initiatives Implementation.	SOE to implement procurement learning initiatives Implementation.	SOE to implement procurement learning initiatives Implementation.
		SOE procurement alignment to CSDP	Process flow report	Implementation of extension of CSDP			
The South African Power Project (TSAPPRO)	Maximise the benefits of the energy infrastructure spend to the South African economy.	Level of industrialisation and localisation achieved through power infrastructure upgrades.	Implementation of procurement strategy	Implementation.	Implementation.	Implementation.	Implementation.

Project	Outputs	Measure / Indicator	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Africa Programme	Signed Power Purchase Agreements and commissioning of power projects in line with intergovernmental consensus	Assist in the finalisation of PPA for power generation projects.	Implementation	Implementation	Implementation	Reassess work plan	To be determined
	Rail corridor work plan developed in line with intergovernmental consensus.	Facilitation of consensus on corridor work plan.	Implementation	Implementation	Implementation	Reassess work plan.	To be determined
	Definition of expanded Africa programme in line with intergovernmental consensus	Identification of and intergovernmental consensus on catalytic projects	Implementation	Implementation	Implementation	Implementation	Implementation
	Regional Supplier Development Programme.	Recruitment of country team leaders, installation of monitoring platform and benchmarked suppliers linked to demand.	Implementation and monitoring	Implementation and monitoring	Reassess location of project	To be determined	To be determined
The Human Resources and Capacity Building Programme Sub-Programme: Employment and Skills Development Agency (ESDA)	Artisan trainees placed by suppliers for workplace experiential learning to attain artisan status.	ESDA establish partnerships and utilised suppliers to provide experiential training. FET programmes on key artisan trades aligned to industry needs.	Implementation and monitoring	Review location of ESDA and possible relocation to Department of Education	To be determined	To be determined	To be determined
Project	Outputs	Measure / Indicator	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
HR&CB: Solar Water Heater (SWH) Skills Development Programme	SWH skills development for accelerated SWH geyser installation and maintenance	Plumbing and services industries enrol learners to attain SWH certification	Skills development implementation and monitoring	Skills development implementation and monitoring	Review project scope	To be determined	To be determined

Project	Outputs	Measure / Indicator	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Management Learning Programme	Management Learning Programme offered at a higher education institution to facilitate improved SOE performance and management	A post graduate MLP hosted at a tertiary institution	Programme located outside of DPE at host institution	Annual Programme Review	Annual Programme Review	Annual Programme Review	Annual Programme Review
Autumn School	Learning experience for Portfolio Committee	Annual Autumn School	DPE to host and Portfolio Committee to attend	DPE to host and Portfolio Committee to attend	DPE to host and Portfolio Committee to attend	DPE to host and Portfolio Committee to attend	
Aerostructures Project	Leverage a long term fleet procurement plan and technology base to optimise development of the national aerospace industry	Strategic and operational viability of aerostructure business and global repositioning of South African manufacturing	Implementation	Implementation	Reassess programme	To be determined	To be determined.
Technology and Innovation Programme	SOE Technology Management Frameworks	Framework for assessment of SOE innovation performance. Framework for strategy formulation to manage innovation and technology in SOE.	Implementation	Implementation	Reassess programme	To be determined	To be determined
Property Project	SOE value optimisation and developmental impacts through property disposals and contribution to transformation of the property sector	Property disposals and facilitation of Key Integrated Developments	Property project closure with SOE team dashboard monitoring	Monitoring	Monitoring	Monitoring	Monitoring
Environmental Oversight Project	Cohesive and integrated environmental and infrastructure plans	Application of EIA for Strategically Important Developments	Monitoring	Monitoring	Monitoring	Monitoring	Monitoring





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