

**STATEMENT BY CEO, STEVEN NGUBENI ON OCCASSION OF THE PRESENTATION  
OF THE NYDA ANNUAL REPORT 2010/2011  
29 SEPTEMBER 2011 – 11:00**

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Good Afternoon Ladies and Gentlemen of the media.

It is on a celebratory note that we present the National Youth Development Agency's (NYDA) second annual report following the most fruitful year we have had since our establishment in June 2009. We have made great strides, which in our view, tells us that it was indeed a good decision to establish the NYDA with its current mandate given the challenges faced by young people.

As a result of the merger between the Umsobomvu Youth Fund and the National Youth Commission, the National Youth Development Agency was established in 2009 by an act of parliament, Act no. 54 of 2008 (the National Youth Development Act) to address the challenges faced by youth. The NYDA was given a more extensive mandate of initiating, designing, co-ordinating, evaluating and monitoring programmes aimed at integrating the youth into the economy and society in general. The youth of South Africa gave the NYDA an uncompromising mandate to ensure that the NYDA has presence everywhere they are found. This meant offices in all 281 municipalities in all nine provinces.

As we present to you today, the annual report with a clean audit opinion award, we look back with pride as our delivery record has improved significantly in the financial year 2010 to 2011. We achieved 42 out of the 49 key performance indicators thus scoring an 85% achievement. Of the 42 targets met, some were greatly exceeded and the seven that were not met were behind with only a few points. This indeed is a significant improvement.

We must remember that the NYDA received an unqualified audit opinion in their first financial year. Despite the mostly negative criticism, the NYDA once again for the last financial year, attained an unqualified audit opinion (clean opinion) from an independent audit by the Auditor-General of the Republic of South Africa.

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Ladies and gentlemen of the media, on the ***Financial Information***, the AG found the finances of the organization to be in good order, in all-material fairness.

The AG has, without amending his clean audit opinion, highlighted few matters of emphasis. It is important to note that some have since been resolved, whilst we are working tirelessly to improve on others. These matters include the following:

1) *Restatement of prior year figures*

The Auditor General has reported an accounting error that happened in the previous financial year 2009/2010, in this regard a loan amount to the value of R 3.6 million received from First National Bank in terms of a joint venture agreement between the NYDA and FNB was incorrectly accounted for as an accrual. This error was identified in the financial year under review (2010/2011) and the amount was therefore correctly accounted for as a loan however to achieve fair presentation the prior year financial statement figures needed to be corrected. This does not amend the clean audit opinion by the AG.

2) *Irregular Expenditure*

For the financial year 2010/2011 the NYDA incurred expenditure to the value of R67 649 297 that was not in accordance with the requirements of the treasury regulations. Of these irregular expenditure incurred R26 million relates to expenditure incurred for the World Festival of Youth. This was as a result of a late withdrawal by a service provider who was awarded the contract for managing the WFDY festival on behalf of the NYDA. The second reason relates to having received late commitment from funders to fund the activities of the festival. Due to the urgency resulting from the limited time, the normal tender processes were not followed to allow the delivery of a successful festival.

The remainder of approximately R 41 million relates to expenses incurred in the normal course of running NYDA operations, mainly these expenses relate to contracts entered into by the former Umsobomvu Youth Fund which continue to run where either contracts were not entered into or documentation could not be found to present to the Auditors for review. In certain instances NYDA documentation filing processes were inadequate where even where treasury regulations were complied with, such documentation could not be located for provision to the auditors.

It is important to note in this regard that, the Auditor General has satisfied himself that other than the procurement process not being followed to the 't', no misappropriation of the funds occurred and no other unbecoming conduct in relation to these expenses in question occurred. Thus this remained a matter of emphasis without amending the clean audit opinion of the AG.

### 3) *Fruitless and Wasteful Expenditure*

The Auditor General reported on fruitless and wasteful expenditure incurred by us as the NYDA to the value of R 2 million. This expenditure arose from interest paid by the NYDA to Old Mutual. We were liable for this interest as a result of late payment of management fees to Old Mutual in relation to a Joint Venture that was entered into during the Umsobomvu Youth Fund days. Upon the establishment of the NYDA and its mandate that focussed on youth aged between 14-35, NYDA had to dispose of its shareholding in the fund to our partner Old Mutual as the criteria of the fund were no longer within the new mandate of the NYDA i.e. the fund targeted women of all ages. This too did not lead to the amending the clean audit opinion by the AG and could only remain the matter of emphasis.

### 4) *Material Impairments*

This refers to clients who have the “potential” not to pay. This is not bad debt yet. The Auditor General also reported on material impairments on the NYDA’s loan book which had to be impaired during the financial year which amounted to R 38 million. The reason for the significant impairments is mainly the character and the risk profile of the NYDA’s target market as these are mainly young people with no security for collateral on the funds advanced to them and the recession also played a direct impact.

Ladies and gentlemen of the media, considering the financial year under review includes the matter of the World Festival of Youth and Students, this is a remarkable achievement. The AG has in his opinion cleared the festival. We believe we are close to laying the matter of the World Festival to rest, what is outstanding is the enquiry report from the Public Protector that is currently seeking to answer the following questions, Was the World Festival of Youth and Students within the mandate? Were the monies allocated for the World Festival not misappropriated? We are confident that the NYDA will once again be in the clear, following the report from the Public Protector.

Two important matters have already been cleared. One matter of emphasis that has been resolved subsequent to the approval of the financial statements for the year ended 31 March 2011 is the matter of the outstanding sponsorship from the National Lotteries Board for the World Festival. The National Lotteries Board has paid the final tranche being R16 million of its R40 million contribution to the NYDA for the World Festival. This final payment of R16 million has not been recorded as a debtor in the financial statements for the year ended 31 March 2011 as it was a non- adjusting event that occurred subsequent to the approval of the financial statements. This is good news as it means that the NYDA has met all the

requirements as set out in the agreement with the National Lotteries Board for the World Festival.

Another matter which has also been resolved is with regards to the outstanding payment owed to the transport service providers for the World Festival, reported in the disclosure notes to the financial statements as a contingent liability. The NYDA and the City of Tshwane have agreed to each contribute 50% of the outstanding amount in order to settle the debt of R5, 7 million owed to the transport service providers. The NYDA will therefore contribute R2, 8 million towards settling the debt. Unfortunately this brings the cost of the World Festival to R106 million. Please note that this is the final figure as all World Festival expenses have now been accounted for and the NYDA books for the World Festival have been closed and audited. The R6 million increase on the originally reported figure is mainly due to the late receipt of invoices relating to travel and accommodation from the service provider that provides travel and accommodation services to NYDA. The NYDA has been receiving invoices related to this service as late as March 2011.

NYDA is committed to good governance and proper financial management and has heeded the recommendations made by the Auditor-General. As already indicated in some cases we have already implemented corrective measures. We undertake to work with the National Treasury and the Auditor-General to ensure that concerns raised in the report are prevented from occurring again in the future.

The NYDA has in the year under review expended R139 million on 433 people under the employ of The NYDA. R42 million of this was on support staff and R97 million on project-related costs. On average, we have expended R322 000 per capita per annum. The staff expense to income ratio is 35%. These figures are based on the audited financial statements for the year 2010/2011

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Ladies and gentlemen of the media, on the **Performance Information**, the AG has found the claims we made in terms of achievements, to be correct in all material fairness.

It is important to note that the NYDA Performance Report for the year ended 2010/2011 is based on the approved and communicated annual plan for the same year. Parliament through its Portfolio Committees received and supported this Annual Plan. The plan with clearly outlined objectives and indicators covered eight Key Performance Areas (KPA's).

As already indicated overall the performance levels were exceptionally high with the NYDA meeting 42 out of 49 targets set.

Under the Economic Participation KPA, we aimed at creating job opportunities, providing business support and opportunities as well as finance. To this effect, we have met 10 out of 13 targets individually. It is, however, important to note that 18,038 jobs were created compared to the targeted 14,888. Funding opportunities to the tune of R17,5 million have been accessed as opposed to the R10 million target. We were expected to approve R11 million worth in new loans and we managed to approve R41,7 million worth of loans due to the growing demand and commitment. Equally we have disbursed R35,5 million instead of the R10 million target. We issued more loans to young people than expected, that is, 13,895 against a target of 8,150 loans were issued.

Through our KPA on Education and Skills Development programme, we intended to improve the matriculation results, provide the youth with life, technical and business skills, and also help them with career choices. To this effect we have met all the five targets including enrolling 2,039 learners on the matric rewrite project against the target of 2,000. However, more young people remain outside these statistics and the NYDA needs additional resources to decisively increase our reach.

Our National Youth Service Programme (NYS) KPA aims to give an opportunity to our youth to serve their communities while gaining skills and experience. All three targets were met and 66,063 youth were enrolled and participated in the NYS programme against the target of 50,000. A total of 49 partnership agreements on NYS, with national and provincial departments as well as municipalities, against the target of five, were entered into.

On Social Cohesion KPA, with which we aim at improving nation building and patriotism, all five targets were met. Of note is the 2010 Soccer World Cup volunteers programme. The NYDA recruited 18,048 young people to volunteer, against the target of 15,000. More workshops and engagements by the youth of South Africa will have to be organised to promote the cohesion of the youth at an early age.

With regards to the activities towards the KPA on Policy, Lobby and Advocacy we exceeded all our targets. This KPA is aimed at ensuring that other stakeholders (that is, government departments, provinces, municipalities and the private sector) contribute and participate in youth development programmes. It also aims to contribute towards policy making.

Activities in relation to Research, Monitoring and Evaluation KPA with which we seek to increase the knowledge base on youth development, and the interventions on youth development, four out of five targets were met owing much to the inadequate staff capacity.

Under the Efficient and Effective Management of Resources KPA, two out of five targets were met. It is noteworthy to indicate that due to the declines to the youth applicants on the basis of lack of resources, at 88.7% the client satisfaction level was slightly lower than the targeted 90%. Our Portfolio at Risk (PAR) for the SME loans rose by 10% instead of an equal decrease; this is mainly due to the nature of our clientele and how they were affected by the economic downturn. As the NYDA we commit to enhance our mentorship support programme to entrepreneurs in order to ensure their sustainability and success. We believe that with this support, the youth repayment rate will improve.

It should be spelt out that despite the remarkable performance against the targets, the fact remains that compared to the magnitudes of the youth challenges, our interventions are but a drop in the ocean compared to the extent of the challenges and backlogs in relation to youth development as required, justifiably by the youth of South Africa.

The NYDA has indeed demonstrated that even with the limited budget a difference can be made. While we acknowledge that government resources are not in abundance, the NYDA is underfunded for it to meet its obligations and touch every young person in our country. The NYDA Act requires of the organisation to be in every area where there are young people and at the moment the NYDA is available at 144 access points. It should be accessible to all young people for them to explore their potential and take advantage of the services it offers.

It should be noted that the due diligence conducted by National Treasury on both UYF and the NYC recommended that for the NYDA to operate optimally and to make it successful, it had to be capitalised by R600 million on an annual basis. For 2010/11 MTEF submission the NYDA requested R930 million however the organisation was allocated R370 million which is 39% less than the recommended amount; the organisation received a R385 million budget allocation for 2011/12 MTEF. This has not discouraged the hard working leadership and staff of the NYDA from doing what is most needed by the youth of South Africa. The audit report received speaks volumes. The NYDA also continues to engage with various stakeholders for more funding.

As part of strengthening its internal capacity and ability to deliver on its mandate, the National Youth Development Agency (NYDA) has brought on board a group of skilled young people as its Chief Operations and Chief Financial Officers and Executive Managers. The newly appointed staff bring with them a wealth of experience and expertise, which will boost the NYDA's capacity to effectively implement its mandate. These positions were not created for luxury, but they required by law enshrined in the Act 54 of 2008. For your information, in your press packs we have included their resumes.

The NYDA is delivering on its mandate and progress has been made in many areas. It is however impossible for the NYDA to address all the challenges without the participation of the private sector, civil society and the entirety of the state machinery. Youth development cannot be achieved if not prioritised by all sectors of society. Our country needs dedicated youth structures within organisations to mainstream youth development and make sure that the interests of young people are taken into consideration in everyday activities.

It is against this background that we make a clarion call to all sectors of society to prioritise youth development and allocate resources for its success. NYDA remains committed to form partnerships with all organisations and youth formations to find sustainable solutions to the challenges faced by our youth.

We are in the process of finalising the Integrated Youth Development Strategy, which will guide youth development in our country. The public has made contributions to this process and the strategy is due to be presented to cabinet for approval very soon.

In conclusion, I would like to thank the NYDA Board and the staff for the sterling work they have carried out in this period and their ongoing commitment and dedication to the development of our youth. We do thank the media for covering The NYDA during the financial year in question. We however wish to invite the media to cover more of the ordinary South African Youth who are benefitting from the programmes of the NYDA. We have a database of such people; feel free to ask for it.

Thank You!