

INDEPENDENT DEVELOPMENT TRUST

Annual Performance Plan for 2021/22 Financial Year

Date of Tabling



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ACRONYMS

| ACRONYMS | FULL DESCRIPTION |
|----------|--|
| AAP | Audit Action Plan |
| AGSA | Auditor-General of South Africa |
| APP | Annual Performance Plan |
| Asidi | Accelerated Schools Infrastructure Delivery Initiative |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BEPCS | Built Environment Professional Consulting Services |
| Capex | Capital Expenditure |
| CBE | Centre for Built Environment |
| CBO | Community-Based Organisation |
| CDP | Contractor Development Programme |
| CEO | Chief Executive Officer |
| CETA | Construction Education and Training Authority |
| Cidb | Construction Industry Development Board |
| COIDA | Compensation for Occupational Injuries and Diseases Act |
| DPWI | Department of Public Works and Infrastructure |
| ECD | Early Childhood Development |
| EPWP | Expanded Public Works Programme |
| EXCO | Executive Committee |
| HIPO | High Potential Individual |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome |
| ICT | Information Communications Technology |
| IDMS | Infrastructure Delivery Management System |
| IDT | Independent Development Trust |
| ITM | Information Technology and Management Plan |
| JBCC | Joint Building Contracts Committee |
| MTEF | Medium-Term Expenditure Framework |
| NDP | National Development Plan |
| NGO | Non-Governmental Organisation |
| NHI | National Health Insurance |
| NPO | Non-Profit Organisation |
| NSS | Non-State Sector |
| NT | National Treasury |
| OD | Organisational Development |
| PFMA | Public Finance Management Act |
| PIMOs | Performance Information Management Officers |
| PMTE | Property Management Trading Entity |
| PPMIS | Programme Project Management Information System |
| PPPFA | Preferential Procurement Policy Framework Act |
| PROCSA | Professional Client/Consultant Services Agreements |
| SACAP | South African Council for the Architectural Profession and the |
| SACQSP | South African Council for the Quantity Surveying Profession |
| SCM | Supply Chain Management |
| SETA | Sector Education and Training Authority |
| SIPDM | Standard for Infrastructure Procurement and Delivery Management |
| SMART | Specific, Measurable, Attainable, Relevant and Timely |
| SMME | Small, Medium and Micro Enterprises |
| SONA | State of the Nation Address |
| UIF | Unemployment Insurance Fund |

FOREWORD BY THE MINISTER

It gives me great pleasure to present the 2021/22 Annual Performance Plan (APP) for the Independent Development Trust (IDT).

The 2021/22 APP comes just over a year after country was hit by the Covid-19 global pandemic. The outbreak of the Covid-19 pandemic in March 2020 found a vulnerable South African economy that had already experienced two consecutive quarters of a recession. Covid-19 resulted in deepening the economic crisis to enormous proportions, where the Construction Sector has been the hardest hit, with many people losing their jobs and businesses closing their doors.

SA's Infrastructure Investment Plan, which was approved in May 2020 is an implementation plan that not only deals with the hard core infrastructure but also is about achieving spatial and economic justice through connecting our people, integrating our communities and bring people closer to work opportunities. Infrastructure is not just about cold, hard buildings but if we look deeper, we can see that it is about giving communities access to water, sanitation, decent roads and bridges or access to government services including clinics, schools, police stations and magistrates courts in an integrated, sustainable way, thereby reversing the legacy of our apartheid past. The overall objective is therefore about giving people access and dignity and changing people's lives for the better.

The IDT has been mandated by the Department of Public Work and Infrastructure's as the agency responsible for the implementation, through a Shareholder's Compact, of many of government's infrastructure programmes and projects for social infrastructure, underpinned by community mobilisation and empowerment. Over the past years IDT has experienced serious hardships and very poor service delivery which nearly resulted in the public entity closing its doors. In the third quarter of the 2020/21 financial year, however, a decision was taken to appoint a Board for a shortened six month period to, among others, reviving board structures, instituting turnaround measures, how to address the filling of vacant core posts needed for the execution and completion of projects and giving support to management in their efforts to build client relations amid an uncertain future for the entity.

The 2021/22 financial year and beyond will see the appointment of the new fully fledged IDT Board of Trustees who will be dedicated to strengthening internal controls and improving governance systems to enable the public Entity to again to play a critical role a significant in the delivery of primarily quality social infrastructure.

Of particular importance in this financial year is for IDT to not only address the backlog that they have in the delivery of capital social infrastructure projects and programmes in a level of quality and professionalism that is excellent, but in particular those that relate to the construction of schools and the related water reticulation and sanitation infrastructure to the schools. Further, IDT needs to ensure that the construction is undertaken in accordance with the contracted standard and at a high quality, thereby ensuring compliance with the 7 key national priorities.

In conclusion I wish thank the Board of Trustees and to the Executive Management of the IDT and wish them every success in executing the mandate of this entity through the Shareholders Compact, so as to ensure that the IDT is better placed to play a significant role in the delivery of public infrastructure going forward.

P. de Lille

Ms Patricia De Lille, MP

MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

STATEMENT BY THE CHAIRPERSON OF THE BOARD

I am pleased to introduce the IDT's Annual Performance Plan on behalf of the Board. The plan spells out the entity's contribution to the realisation of national development goals set out in the National Development Plan, and some of the priorities of the sixth administration. When we recommenced serving our tenure as board members in October 2020 we were met with innumerable challenges emanating from the fact that the IDT had been operating with the unlawful interim Board for over two years until the resignation of its members in July 2020, leaving the IDT without an Accounting Authority for an extended period of time until our appointment as Trustees. Unfortunately, these events have had an adverse effect on the operations of the organization including the implementation of regulatory and statutory requirements. In the four months of our tenure as trustees we have had to catch up with the operational issues that span over a period of more than two years. The Board has also been required to develop and implement strategies to address revenue generation, governance and operational lapses in the organization

The goals spelled out in this plan were set against the backdrop of an economy that was almost decimated by the covid-19 pandemic and in the context of the largest global economic contraction since the Great Depression of the 1930s. As part of efforts to contain the spread of the novel corona virus, government declared a state of disaster and a national lockdown. The restrictions placed on movement as part of the lockdown led to the closure of many businesses and more than 2.1 million people lost their jobs, while levels of poverty increased. Levels of employment in the construction industry, which experienced an almost complete shutdown and employs more than 1 million people, fell dramatically during the period of hard lockdown. This was also a reflection of low levels of public investment in the sector in recent years.

The tight fiscal environment and public sector budget cuts have implications for the IDT and calls for a drastic change in the way the entity conducts its business. In response to some of the performance related challenges identified by clients and the Shareholder, the board instructed management to put together a turnaround plan which identifies measures that need to be put in place to improve the entity's performance. Some of the measures include strengthening financial viability by improving billing and collection of management fees, improving system and process efficiency as well as developing and strengthening partnerships with clients and the Shareholder. It is our view that if implemented properly, these measures could make the IDT continue to be a significant part of the infrastructure delivery value chain of the State.

During the previous financial year, the Executive Authority took a decision to dissolve the IDT and subsequently appointed a task team to work on an exit strategy. The task team found that the cost of closing the entity would be far higher than allowing the entity to continue to exist. Other risks to closing the entity include the cost of handing over incomplete projects to other implementing

agents. The entity also developed a business sustainability plan which shows among others that despite some its challenges, the current IDT's project pipeline makes it viable and sustainable. Customer satisfaction levels are an indicator of an entity's performance in the eyes of its clients. In view of this, management made efforts to mend broken relations with clients, and the growth in the size of our portfolio in regions such as Limpopo and Kwazulu-Natal are a positive outcome of these efforts. However, the threat of closure and the moratorium on the appointment of staff affected staff morale and this found expression in the delays in turnaround times responding to audit queries, which inevitably resulted in negative audit outcomes for the 2019/20 financial year. Similarly, the reluctance of some clients to allocate new projects to the IDT point to a need for the Shareholder to send an unequivocal message to clients on the future of the entity.

In the middle of the past financial year, the IDT experienced an exodus of members of its Interim Board of Trustees including independent professionals who served on its Audit and Risk Committee. However, in the third quarter of the year, the Executive Authority facilitated the appointment of the current board, which I chair for a brief tenure which until 1 March 2021. Since coming into office, the new board has been preoccupied with efforts to strengthen the IDT by among others, reviving board structures, instituting turnaround measures, how to address the filling of vacant core posts needed for the execution and completion of projects and giving support to management in their efforts to build client relations amid an uncertain future for the entity. The 2021/22 financial year and beyond will be dedicated to strengthening internal controls and improving governance systems which will enable the entity to continue to play a critical role in the delivery of quality infrastructure.

In conclusion I wish to thank the Shareholder, staff and management of the IDT led by the Acting CEO for their support during the past few months that the board has been in place. It is my hope that in the 2021/22 financial year and beyond, the IDT will be transformed into an agile, high performance entity which delivers to the satisfaction of its clients and takes its rightful place in the infrastructure delivery value chain of the South African government.

Dr L Zitha



Chairperson: Board of Trustees

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

The Independent Development Trust (IDT) continues, notwithstanding its operational challenges and the uncertainty that underpins its future existence, to show resilience and putting up a strong case for its continued existence through the kind of strategic contribution it has, consistently, been making to the realisation of the National Development Goals, with measurable impact, derivable from the following focussed interventions:

- Implementation of public social infrastructure programmes to support provision of health and education infrastructure e.g. refurbishment, replacement, upgrades and construction of new school infrastructure and health facilities;
- Delivery of quality social infrastructure on time, within budget and scope;
- Incorporation of community mobilisation and empowerment in development programmes through social facilitation and other interventions;
- Implementation of the Contractor Development Programme;
- Increase expenditure on BBBEE;
- Award contracts to youth, women and people with disabilities; and
- Contribution to the creation of a reservoir of skills in the built environment profession.

Currently, for example, the entity boasts no less than 25 contractual agreements with various client departments such as the Departments of Basic Education; Correctional Services; and Justice and Constitutional Development that it is busy servicing. These are agreements with clients who have put their unwavering faith in our entity's proven track record to deliver their contracted infrastructure plan rollouts. They are aware of our entity's operational challenges but nonetheless still firmly believe in its ability to deliver them on time, within budget and scope.

1. Uncertainty on the future status of the entity

It is worth mentioning the fact that our entity's annual performance planning for 2021/22 financial year took place against a backdrop of continued uncertainty with regards to its future status, occasioned, in part, by the Executive Authority's stated intention to dissolve it but also the rampant surge in the corona virus infection rate which adversely affected the construction industry, not only in our country but globally too. It is the same uncertainty that more or less characterised the intended tabling of our entity's 2020/21 Annual Performance Plan (APP) before Parliament, which ultimately could not be proceeded with, following the request of our Executive Authority. In the 18 May 2020 correspondence addressed to the Presiding Officers of

both Parliamentary houses, our Executive Authority asked to be afforded some time to initiate a process of crafting an exit strategy for the IDT, in line with her expressed intention to dissolve our entity.

Having chosen to dissolve our entity, the Executive Authority then set up a Task Team on the IDT's Exit Strategy. The Task Team's mandate was to come up with an implementation plan on the dissolution to be used by the Executive Authority and the IDT Board to use it as a basis for action to decide on whether to dissolve the IDT Board or not. The Task Team was given the deadline of 15 June 2020 by which to finalise the implementation plan, which it reportedly met with the submission of the plan to the Executive Authority by 12 June 2020 and thus concluding its mandated work. The implementation plan reportedly covered such salient points as the staffing issues, litigation and liabilities and assets. The Executive Authority's final decision on the plan is still pending, a situation that makes our entity's forward strategic planning a bit of a challenge.

2. 2019/20 financial year Audit outcome

The management is greatly disappointed with the negative audit outcome the entity received for 2019/20 financial year. It marks a regrettable reversal of the positive turn that was witnessed with the audit outcome for 2018/19 financial year. There are many factors that can be cited for the negative audit outcome, chief among which, is the entity's inability to recruit and retain the requisite critical staff in key business functional areas, due to the present reality of job insecurity and uncertainty characterising the future of the entity. Furthermore, the entity's accounting system does not have a maintenance and improvement plan/arrangement, as the accredited service provider contract has expired and the IDT is unable to procure these required services. This effectively meant that the approved 2018/19 Audit Action Plan could not be implemented in its entirety as intended to soundly address all the audit matters cited by the office of the AGSA.

The entity is still not in a position to implement in full the audit action plan for 2019/20 due to the entity's dated systems, financial and human resource constraints, matters that could only be largely resolved through the normalisation of the entity's operations in the form of expediting the final determination of all matters pertinent to the entity's future status

3. Low hanging fruits for improved cash flow

While awaiting the Executive Authority's ultimate determination of the future of our entity, and strongly persuaded by the view it holds that the process of dissolving the entity, in the event the Executive Authority's final determination points towards that eventuality, is likely to be a long drawn process, the management team has put together the annual performance plan for

2021/22 financial year. It is a plan that is predicated on two primary considerations. First, the appreciation of the imperative and obligation that our entity has to continue to diligently and professionally service the 25 contractual agreements it currently has with various client departments. Second, the management team's objective professional belief that the entity has an inherent ability to generate adequate cash flow from its current and future projects and in, so doing, progress towards self-sustainability.

Having assessed the internal organisational strategic operations, the management team strongly reckons that the entity's cashflow challenges aren't insurmountable. They can be addressed through massive financial benefits derivable in the course of implementing, among others, the following envisaged focussed interventions:

- Review of the existing organisational structure to ensure fit for purpose in line with implementation of the revised service model;
- Implementation of a focused client relationship strategy for each client segment to retain and attract new business (programme portfolio);
- Recovery of project implementation direct costs (disbursement and legal fees)'
- Implementation of adjusted management fee billing aligned project process stage gates.
 - Increase management fee rate to range between 10% and 12%; and
 - Adjust the minimum management fee rate for social infrastructure by 1,5% (inflation impact since 2014).
- Increase of an average annual collection rate by 10% (from 85% to 95%);
- Development of new competency and expansion of service offering to include infrastructure planning and infrastructure procurement and implementation, and social infrastructure maintenance; and
- Regional Office Space rationalisation through non-renewal of existing lease agreements for office space in some regions to curtail the monthly expenditure on office accommodation.

4. Concluding remarks

My gratitude is reserved for my fellow management team members and staff for their admirable resilience in the face of a trying working conditions brought about by, among others, high staff turnover and the entity's current inability to recruit replacement staff.

I also wish to thank the current Board trustees for its continued encouragement and support extended to management.

In concluding, I would also like to extend heartfelt word of gratitude to the Department's Acting Director-General and his support team, the Minister and Deputy Minister and their respective support teams for the able leadership they displayed towards our entity.

A handwritten signature in black ink, consisting of a large, stylized 'L' followed by a series of loops and a final flourish.





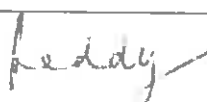

Mr C Lombaard

Acting Chief Executive Officer

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Independent Development Trust and approved by the Board of Trustees under the guidance of the Minister of Public Works and Infrastructure;
- Takes into account all relevant policies, legislation and other mandates for which the IDT is responsible;
- Accurately reflects the Impact, Outcomes and Outputs which the Independent Development Trust will endeavour to achieve during the 2021/22 financial year.

| Name | Designation | Signature |
|-------------------------------|--|---|
| Mr C Lombaard | Chief Executive Officer |  |
| Mr. C Lombaard | Executive Head: Programme Management Office |  |
| Ms N Raliphada | Active General Manager: Cooperate Services |  |
| Mr C Mulaudzi | General Manager: Strategic Planning, Policy and Business Performance |  |
| Mr J Reddy | Manager: Financial Accounting (for CFO) |  |
| Dr L Zitha | Chairperson: Board of Trustees |  |
| Honourable Ms. P de Lille, MP | Minister of Public Works and Infrastructure | P. de Lille |

PART A: STRATEGIC OVERVIEW

1. Constitutional Mandate

The Independent Development Trust (IDT) is a programme management and implementation agency of the Department of Public Works and Infrastructure. The entity manages the implementation of social infrastructure projects on behalf of government in the construction, renovation, upgrading and maintenance of infrastructure facilities such schools, clinics and hospitals, correctional services facilities, among others. The provision and maintenance of these facilities enable the state, through relevant government departments, to achieve the progressive realisation of the following socio-economic rights provided for in the Constitution of the Republic of South Africa, 1996.

Table 1: Constitutional Mandate

| Provision of the Constitution | IDT's contribution towards progressive realisation of the constitutional right |
|---|--|
| Section 27 (1a): Everyone has the right to have access to health care services, including reproductive health care | The IDT supports Health Authorities to progressively meet this right through the provision of health facilities, thereby creating an environment conducive for access to and provision of dignified health care services. In the past six years (2014 – 2020), the IDT has managed the construction of 19 clinics and four community health centres. A further 22 hospitals were either renovated, rehabilitated, or upgraded. |
| Section 29 (1a): Everyone has the right to a basic education, including adult basic education | The IDT supports education authorities at both national and provincial level to provide appropriate education facilities and related infrastructure conducive for effecting teaching and learning thereby progressively achieving the right to basic education. More than 96 education facilities were built by the IDT during the period 2014-2020 |
| Section 34 Everyone has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court | The IDT supports the Department of Justice Correctional services to provide court and correctional facilities to enable the state to progressively ensure that disputes are resolved by the application of law are decided in a fair public hearing before a court. In recent years the entity has completed a number of Magistrate Courts in Gauteng, Kwazulu-Natal and Western Cape as well as Provincial Divisions of the High Court in Limpopo and Mpumalanga. |
| Section 35(1)(e) | The entity further supported the Department of Correctional Services in delivering on its mandate of safe, humane incarceration of offenders |

The IDT Trust Deed sets the primary goal of the Trust as "...to use its resources, together with strategic partners in ways which in the opinion of the Trustees will best serve to enable poor communities in the Republic of South Africa to access resources and recognise and unlock their potential so as to continuously improve their quality of life". In 2001, the Board of Trustees reached agreement with Government regarding certain amendments to the Trust Deed and redefined the relationship between the Trust and Government in terms of the management, integration and implementation of certain of Government's development programmes.

In terms of the redefined relationship, the IDT has a role to influence, support and add value to the national development agenda by deploying its resources in the initiation, planning and implementation of innovative and sustainable development programmes, which make a measurable difference in the levels of poverty, inequality, unemployment and underdevelopment.

This repurposing of the entity was underpinned by the 1997 government resolution to reconstitute the IDT as a development agency and public entity to support all spheres of government. It followed Cabinet endorsement of a recommendation of a Cabinet Advisory Committee that, inter alia, "*The IDT must be transformed into a government development agency that will implement projects which are commissioned by government departments. It must cease to be a civil society organisation, an independent agency or funding agency.*"¹ Building on its effectiveness as a civil society body and redistributive mechanism, the IDT was integrated into the public service delivery system in 1999 with the promulgation of the Public Finance Management Act (PFMA) (Act 1 of 1999), as amended, and listed as a Schedule 2 Major Public Entity. The 1997 mandate of the IDT is still in place

The IDT reports to Parliament through its Executive Authority, the Minister of Public Works and Infrastructure.

1.1 Strategic Repositioning of the IDT.

The IDT has over the past ten years been facing operational and financial challenges which have resulted in a decline in its business portfolio. This triggered a number of transformation initiatives, some of which involved the revision of its operating model and organisational redesign. The aim was to formulate a strategy that would result in business growth and ensure long-term sustainability. Behind these initiatives was the realisation that since the change of mandate in 1997 and subsequent rescheduling as a Schedule 2 entity under the PFMA, the entity's business model- under which it continued to deliver services to the state at no cost- was unsustainable. As the entity's capital base shrank, the entity undertook a financial modelling exercise in 2006 which predicted that organisation's initial endowment would be exhausted by the 2012/13 financial year. This triggered a

¹ *Structural Relationships between government and Civil Society Organisations.*" A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

number of initiatives aimed at securing the IDT's long-term future. Some of the initiatives included the introduction of cost recovery mechanisms to a category of IDT services (i.e. programme management) as part of short-term intervention while the other intervention sought to develop a business case for the entity's long-term sustainability in line with its revised mandate. However, the implementation of cost recovery failed to generate sufficient revenue to make the entity financially viable, despite the introduction by National Treasury of Instruction Note 04 in 2014/15, which set an average management fees to be billed by the IDT at 5 percent. However, some clients ignored the Treasury Instruction and continued to pay management fees below the percentage recommended by National Treasury.

While the entity's portfolio continued to decline amid budgetary cuts and the withdrawal of business by clients, the IDT Board and management, in November 2017, approved a turnaround plan aimed at repositioning the entity to be financially viable and self-sustaining. However, this strategy has not been successful largely because of lack of support from the shareholder, which means that the entity could not secure the necessary financial resources to implement some of the key critical success factors of the turnaround plan. In October 2019, The IDT interim Board adopted a new strategic intent for the entity, which if approved, would have transformed the IDT into a fit-for-purpose entity operating with a commercial mind-set. However, the strategic repositioning was not approved by the shareholder amid the latter's intention to dissolve the IDT by the end of March 2021. The Executive Authority's decision to dissolve the IDT was followed by the appointment of a Task Team to work on an Exit Strategy for the entity. A detailed analysis of the IDT by The Exit Strategy Task Team, some of which have since been incorporated into the entity's business sustainability plan developed at the request of the Department, made the following findings:

- IDT operations cannot be reasonably brought to a close by 31 March 2021 and more time will be needed to conclude all the projects currently underway. Other Implementing Agents or even sector departments would be very wary of taking over projects that are already in planning and construction because of inherent contractual and other risks involved in doing so.
- The IDT currently has 25 contractual agreements (MOA/SLA) with client departments which cover all the stages of the infrastructure delivery cycle from inception to close out (stages 1 to 6). These require detailed discussions and agreements between the parties prior to cancellation/transfer to another party, since transfer could have huge impact on expenditure, budgets and future delivery of services to communities.
- Work on projects between stage 1 and 4 (from planning to procurement) has stopped in its entirety since June 2020 as per the instruction from the Minister resulting in the total collapse of the project pipeline for the MTEF. This will have a negative impact of the ability of client departments to implement social infrastructure programmes/projects as part of their future

service delivery mandates resulting in possible service delivery protests. The impact on the earning of management fees and ultimate sustainability of the entity is massive.

- There is a potential for the IDT to generate enough cash flow from its current and future projects and in so doing progress towards self-sustainability beyond the end of the 2020/21 financial year.
- There are huge risks associated with the dissolution of the IDT mainly associated with the transfer/ceding of projects to another entity/department.

1.2 The Case for a Transformed, Commercially-driven IDT

The repositioning of the IDT into a financially sustainable entity which contributes to the realisation of the goals of the National Development Plan will depend on among others, the following factors, which are largely within the entity control:

- Unlock cash flow through programme execution and reduce reliance on the fiscus for operational expenditure: Review programme implementation billing to align with construction projects approval stage gates;
- Introduce disbursement billing to recover direct project operational cost;
- Bill client departments on a time/cost basis for work undertaken as part of the planning process prior to receiving an instruction for the client department to execute the projects and the budget thereto;
- Increase the management fee from the current average of 5% to a minimum 6% and a maximum of 10% as per the current industry norm; and
- Recover legal costs from client departments that have resulted in litigation against the IDT informed by inadequate client performance in terms of the Agreement with the IDT.
- Continue to offer client services to prevent a potential collapse in the delivery of planned and needed social infrastructure.
- Seek approval for the Minister of DPWI to commit and ring fence projects to the value of R1billion during 2021/22 and R2.3 billion during 2022/23.

The challenge facing the IDT now and beyond is how to transform it into an agile, competitive organisation able to deliver quality infrastructure on time and cost. In order to achieve this, there is a need to revise and implement the existing operations improvement plan. Being able to deliver infrastructure to the satisfaction of our clients also hinges on our ability fully understand and implement what it is that we are better at delivering.

2. Legislative and Policy Mandates

The IDT Deed of Trust mandates the IDT to influence, support and add value to the national development agenda by deploying its resources in ways that deliver impact, eradicate poverty and promote sustainable livelihoods. This development approach emanates from a Cabinet resolution of 1997, which said that: *"The IDT must be transformed into a government development agency that will implement projects which are commissioned by government departments. It must cease to be a civil society organisation, an independent agency or funding agency."*² Emanating from that Cabinet decision, the IDT has operated as a Schedule Two (2) public entity.

The implementation of the IDT's mandate is governed by the relevant Government legislative, regulatory and policy frameworks. Based on the analysis of the current business environment, the following are some of the key pieces of legislation and regulatory instruments which are applicable to the IDT:

Table 2: Legislation and regulations informing the IDT

| Item | Short title of the Act | Purpose of the Act/Regulation |
|------|---|--|
| 1 | Constitution of the Republic of South Africa: Act of 1996 | The constitution of Republic of South Africa sets out rights and duties of citizens and defines the structure of government. |
| 2 | Public Finance Management Act (PFMA, Act 1 of 1999) | The PFMA regulates the management of finances in the national, the provincial government and the state-owned entities. It sets out the procedures for efficient and effective management of revenue, expenditure, assets and liabilities. |
| 3 | Construction Industry Development Board (CIDB) Act (Act 38 of 2000) | To provide for establishment of the Construction Industry Development Board (CIDB); to implement an integrated strategy for the reconstruction, growth and development of the construction industry and to provide for matters connected therewith. |
| 4 | Preferential Procurement Policy Framework Act (Act 5 of 2000) | The Preferential Procurement Policy Framework Act among other things seeks to promote socio-economic transformation, small enterprises, cooperatives, rural and township enterprises development and local industrial development. |
| 5 | National Treasury Regulations | The purpose of the Treasury regulations, among other things is to institute good financial governance including ensuring that government departments and State-Owned Entities (SOEs) efficiently and effectively manage public resources and corruption is prevented and detected. |

² *Structural relationships between government and civil society organisations.* A report by the Advisory Committee to the Deputy President, as adopted by Cabinet in March 1997. Page 3.

| Item | Short title of the Act | Purpose of the Act/Regulation |
|------|---|--|
| 6 | Prevention and Combating of Corrupt Activities Act (Act 12 of 2004) | To provide the strengthening of measures to prevent and combat corruption and corrupt activities. Also, to place a duty on certain persons holding position of authority to report certain corrupt activities. |
| 7 | Labour Relations Act (Act 66 of 1995) | Aims to promote economic development, social justice, labour peace and democracy in the workplace. It applies to all employers, workers, trade unions and employers' organisations. |
| 8 | Occupational Health and Safety Act (Act 85 of 1993) | To protect workers from health and safety hazards on the job. It sets out duties for all workplace parties and rights for workers. |
| 9 | Employment Equity Act (Act 55 of 1998) | To achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups. |
| 10 | Pension Funds Act (Act 24 of 1996) | To provide for the registration, incorporation, regulation and dissolution of pension funds and for matters incidental thereto. |
| 11 | Companies Act (Act 71 of 2009, as amended) | Regulates the workings of business entities and provides stipulations relating to allowable legal form. |

3. Institutional Policies and Strategies over the five-year planning period

The IDT plays a major role in ensuring that the Department of Public Works and Infrastructure delivers on its mandate of building and maintaining government immovable assets in the form of social infrastructure across the country. The entity contributes to the national socio-economic development imperatives such as the eradication of poverty, job creation and localisation through enterprise development. Its strategy is aligned to the government's Medium-Term Strategic Framework (MTSF) and its strategic themes of poverty eradication and stimulating economic growth.

The IDT takes a special interest in policy positions which are relevant to its mandate. Currently, the most pertinent policy directive is the National Development Plan (NDP): Vision 2030, which is the country's blueprint for national development. Furthermore, the entity seeks to contribute to the aspirations of the Sustainable Development Goals (SDGs) and also takes cognisance of, and actively aligns its work to the National Infrastructure Plan (NIP) approved by Cabinet in 2012 as well as the more than 50 Strategic Infrastructure Projects announced by the Minister of Public Works and Infrastructure in July 2020. The IDT's mandate directly contributes to the following Strategic Infrastructure Plans (SIPs) under the NIP:

- SIP 6: Integrated Municipal Infrastructure Project
- SIP 12: Revitalisation of Public Hospitals and other Health Facilities
- SIP 13: National School Build Programme.
- SIP 14: Higher Education Infrastructure.

Both the NDP and the NIP enjoin the IDT to contribute to the national agenda 2030 by:

- Fostering balanced economic development;
- Unlocking economic opportunities;
- Promoting mineral extraction and beneficiation;
- Promoting job creation; and
- Facilitating the integration of human settlements and economic development.

Table 3: IDT's contribution to National Development Goals/ 6th Administration Priorities

| 6 th ADMIN PRIORITIES | IMPACT | DPWI POLICY PRIORITIES AND OUTCOMES & IDT OUTCOMES | IDT CONTRIBUTION / INTERVENTION |
|----------------------------------|--|--|--|
| Education, Skills and Health | <ul style="list-style-type: none"> Improved education, training and innovation Inclusive Economic growth A dignified customer experience | <p><u>DPWI Outcome (s)</u></p> <ul style="list-style-type: none"> Sustainable Infrastructure Investment Productive Assets <p><u>IDT Outcome(s)</u></p> <ul style="list-style-type: none"> Increased access to quality social infrastructure | <ul style="list-style-type: none"> Implementation of public social infrastructure programmes to support provision of health and education infrastructure e.g. refurbishment, replacement, upgrades and construction of new school infrastructure and health facilities Deliver quality social infrastructure on time, within budget and scope Incorporation of community mobilisation and empowerment in development programmes through social facilitation and other interventions Grow, increase the size of the IDT portfolio Grow / increase the value of programme spend |
| | <ul style="list-style-type: none"> Inclusive Economic growth <ul style="list-style-type: none"> Increased access to better economic opportunities by marginalised groups through public employment schemes | <p><u>DPWI Outcome (s)</u></p> <ul style="list-style-type: none"> Transformed Built Environment <p><u>IDT Outcome(s)</u></p> <ul style="list-style-type: none"> Transformed built environment | <ul style="list-style-type: none"> Implementation of public social infrastructure programmes to contribute to economic development, growth and support to SMMEs, women and youth owned enterprises Implementation of the Contractor Development Programme Increase expenditure on BBBEE Award contracts to youth, women and people with disabilities Contribution to the creation of a reservoir of skills in the built environment profession |
| | | <p><u>DPWI Outcome(s)</u></p> <ul style="list-style-type: none"> Optimised Job Opportunities <p><u>IDT Outcome(s)</u></p> <ul style="list-style-type: none"> Decent employment through public (infrastructure) Programmes | <ul style="list-style-type: none"> Implementation public employment initiatives and public social infrastructure programmes which contribute to economic development, growth and support to SMMEs, women, youth owned enterprises and other categories of designated groups (people with disabilities, etc.) |

| 6 th ADMIN PRIORITIES | IMPACT | DPWI POLICY PRIORITIES AND OUTCOMES & IDT OUTCOMES | IDT CONTRIBUTION / INTERVENTION |
|---|--|--|--|
| <p>A capable, ethical and developmental state</p> | <ul style="list-style-type: none"> • A capable, ethical state | <p><u>DPWI Outcome(s)</u></p> <ul style="list-style-type: none"> • A resilient DPWI <u>IDT outcome</u> • A Commercially Oriented, Compliant, and Fit-for-Purpose Entity <p><u>Sub-outcome(s)</u></p> <ul style="list-style-type: none"> • A Commercially Oriented, Fit-for-Purpose Entity • A Financially Sustainable Entity | <ul style="list-style-type: none"> • Building the IDT into a sustainable organisation <u>operating on sound commercial principles</u> and maintaining a clean administration committed to the efficient application of resources; that is accountable and complies with regulations and legislation. • Increase the skills base by ensuring a 70:30 split between technical and non-technical staff • Deliver infrastructure on budget, time and to the right quality • Transform the IDT into an agile organisation which can respond to customer needs ahead of any competitor |

4. Relevant Court Rulings

The construction industry is highly litigious. As a result, the IDT has a number of legal claims for and against it emanating from matters related to programme delivery. To curb the flurry of litigation, the IDT introduced a new contracting model during the course of 2018/19 financial year. The contracting model distributes risk proportionately between the IDT and clients with performance obligations on all parties. Although the contracting model is only applicable to all new projects, and will as such not address legacy problems, its implementation in the next five years and beyond will significantly reduce the risk of litigation against the entity.

PART B: OUR STRATEGIC FOCUS

The IDT undertakes as part of its core ideology to contribute to building a capable, ethical and developmental state, to play a transformational and developmental role in realising its strategic vision into 2024. The IDT is committed to being accountable, transparent and fair in all its work undertakings.

5. Mission

The IDT is a Built Environment project management agency which manages and delivers integrated public infrastructure programmes.

6. Vision

A commercially driven public sector built environment project management enterprise

7. Brand Promise

Assured efficient infrastructure delivery

8. Values and Operating Principles

Our Approach

The IDT's approach to social infrastructure development entails the necessary measures and networks required to prepare communities to receive, participate in, own and sustain their own development.

The organisation espouses six core values which also inform its operating principles as outlined in Table 4 below.

Table 4: Values and Operating Principles

| VALUES | OPERATING PRINCIPLES |
|-------------------------------|---|
| Thinking like our clients | <ul style="list-style-type: none">• Our services are regulatory compliant• Our client's value chain is our concern• We are committed to sustainable development. |
| Continuous active visibility | <ul style="list-style-type: none">• We are physically visible on site• Continuous honest reporting |
| Commercially minded | <ul style="list-style-type: none">• We create value for our clients and shareholders• We are cost conscious in delivering services to our clients• We do more with less |
| Competitive and collaborative | <ul style="list-style-type: none">• We believe in working together with like-minded business partners, including our competitors for the good of our clients |
| Innovative and proactive | <ul style="list-style-type: none">• We constantly anticipate different scenarios and find solutions for problems before they escalate |
| Zero tolerance for corruption | <ul style="list-style-type: none">• We conduct our business in a lawful, honest, ethical and corrupt free manner.• We mean what we say and say what we mean |

9. Situational Analysis

9.1 External Environment Analysis

As part of the annual environmental scanning exercise, the IDT has identified a number of external factors which have an impact on its business operations. The critical external factors which have been identified cover the geopolitical and national political environments, economic and fiscal dynamics, social and development issues as well as technology and infrastructure trends. All these external factors have an impact on the country and, to a certain degree, on the operations of the IDT. This is informed by the realisation that the world is confronted with many challenges that could impact the well-being and happiness of society. Emerging challenges include the novel corona virus which has caused untold harm to national economies, including that of South Africa, raising rates of unemployment and poverty to levels not seen in recent years. And as ever larger numbers of people move from rural areas to urban areas in search of a better life, the need for better infrastructure has become increasingly acute. As an implementing agent which plays a critical role in the infrastructure delivery value chain of the state, the IDT has become more relevant. As such, the extent to which the state addresses the ever-increasing needs for social infrastructure amid budgetary cuts caused by anaemic economic growth has implications on the future of implementing agents such as the IDT.

9.1.1 Political environment perspective

The IDT's success in securing business portfolio and effectively deliver on current programmes is directly and indirectly influenced by the level of stability in the political environment. For example, changes in governance and administrative structures of the State influence decisions on public investment in social infrastructure. It also affects networks and stakeholder relations invaluable for business generation. As part of the infrastructure delivery of the state, the entity constantly works on expanding its footprint in parts of the country where its portfolio was negligible and new business opportunities are emerging in some of the regions. However, the extent to which the entity succeeds in growing its portfolio is not only determined by the quality of its work, but also by the political currents which often have an impact on business decisions which may either be in favour of or against the entity.

Economic disparities, inequality and unemployment, particularly among young people, remain pervasive in South Africa. These challenges manifest in lack of access to educational opportunities, services and inadequate living conditions affecting people's quality of life, health and well-being. Most South African regard unemployment as the single most pressing issue facing them. As a result of this, more and more people migrate to urban areas where they hope to get a better life. Furthermore, South Africa continues to attract immigrants because of the perceived economic opportunities it provides as well as a conducive human rights culture which guarantees

peace and stability, especially for asylum seekers fleeing persecution in their home countries. A sizable number of migrants are illegal immigrants, and they often find themselves having to compete for jobs with locals, which often result in violent clashes which are often characterised as xenophobic. This continuous migration to the urban centres puts enormous pressure on existing infrastructure, including facilities such as schools, clinics and other social infrastructure. The situation makes it increasingly difficult for a most people to access education, healthcare and employment. Amid rising levels of unemployment, frustrated communities have often expressed their disquiet through violent service delivery protests, which often leads to extensive damage to public facilities such as clinics, schools and municipal offices. Service delivery protests are a symptom of a growing frustration with the low levels of service delivery and a lack of confidence in the State. Clashes between migrants and locals often thwart efforts at building social cohesion.

These challenges have implications for a public entity such as the IDT, especially as it relates to building and obtaining community buy-in for the social infrastructure it builds. This calls for innovative ways to maximise community participation in, and ownership of local development initiatives. Social facilitation remains the IDT's main differentiator and tool for securing community buy-in and ownership of development projects. This, alongside interventions such as the implementation of the provisions of PPPFA to promote localisation in the procurement of services can be an effective tool for achieving the goals of building social cohesion and building an inclusive economy.

9.1.2 Economic environment perspective

In early 2020, the novel corona virus struck many countries around the world. In order to contain the impact of the virus on its health system, South Africa, like the rest of the world, implemented a national lockdown, which has had a devastating impact on the economy. South Africa has the highest number of Covid-19 cases in sub-Saharan Africa. Covid-19 and the resultant disruptions of the global supply chains, exacerbated an already declining economy which was affected by a number of structural constraints, rising debt levels, leaving government with little fiscal space or resources to spend on mitigating the impact of the pandemic. The South African economy is hobbled by among others, spending burdens skewed towards consumption instead of investment, low levels of innovation and productivity, high debts levels -the country spends R2.1 billion per day on borrowing costs, the fastest-growing expenditure item in the medium term. The ability to reign in debt has been further hindered by an expected sharp contraction in tax revenue as a result of the COVID-19 pandemic. Concerns over weak growth and rising fiscal deficits have already led to credit rating downgrades³. The pandemic has worsened South Africa's decades long problems of inequality, unemployment and poverty, leaving the poor ever more vulnerable to further

³ For details see <http://www.treasury.gov.za/documents/mtbps/2020/mtbps/FulIMTBPS.pdf>

hardships. In August 2020, the International Monetary Fund's World Economic Outlook report forecast that due to the Covid-19 pandemic, the South African economy could contract by 7.8 percent while the unemployment rate in could rise to an unprecedented 37 percent⁴.

The pandemic and the subsequent economic lockdown have had a devastating effect on employment as a result of large-scale business closures. According to the Quarterly Labour Force Survey and the Quarterly employment statistics (QES) survey released by Statistics South Africa in November and December 2020 respectively, South Africa's unemployment rate (narrow definition) increased to a record high of 30.8% in Q3 2020, after a record total 2.2 million jobs lost between April and June 2020, reducing the total number of employed persons to 14.1 million. More than 259 000 of these jobs losses were in the construction industry. The largest job losses recorded in a single quarter before this was in Q3 2009 (527,000 job losses), in the wake of the global financial crisis. Although there were modest jobs created in the third quarter, 31 000 in the trade industry, 26 000 in the community services, 21 000 in construction and 8000 in the manufacturing industry, these were not enough to offset the devastating job losses recorded in the second Quarter, April- June 2020⁵. Covid-19 related restrictions were expected to cause a decline of 8.7 % in the construction sector.⁶

Low levels of investment along with the decline in tax revenue, and sovereign rating downgrades have conspired to stifle domestic economic growth, leading to high rates of unemployment, poverty and inequality. National Treasury estimates of economic growth in the MTEF suggests that as a result of the covid-19 pandemic, the economy contracted by 7.8 in 2020, and will grow by a modest 3.3 percent in 2021, 1.7 percent in 2022 and 1.5 percent in 2023. Debt servicing cost is the fastest growing area of spending and is projected to increase from R225. billion in 2020/21, to 353 billion in 2023/24 and at annual growth rate of 16.1 percent. The growth of debt servicing costs has increasingly crowded out and reduced expenditure on other key government services. To these challenges can be added the fact that the most state owned companies and public entities have been in dire financial state and in need of recapitalisation for years⁷.

The low levels of economic growth and the fall in the value of the South African currency, the Rand against major currencies escalation of prices of commodities such as cement and steel due to inflation and volatile exchange rate compounds an already difficult economic climate. The rand is projected to depreciate further against major currencies in the next four years, leading to further

⁴<https://www.imf.org/en/Publications/CR/Issues/2020/07/28/South-Africa-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-49612>; See also, <http://www.statssa.gov.za/?p=13890> (Quarterly employment survey report, December 2020, <https://www2.deloitte.com/za/en/insights/economy/emea/africa-economic-outlook.html>, 18 November 2020

⁵<http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2020.pdf>, <http://www.statssa.gov.za/?p=13890> (Quarterly employment survey report, December 2020; see also, <http://www.treasury.gov.za/documents/mtbps/2020/mtbps/FullIMTBPS.pdf>

⁶ Construction World, February 2021, online, <https://www.crown.co.za/construction-world-magazine/15317-construction-world-february-2021>

⁷ National Treasury, Medium Term Budget Policy statement, October 2020, <http://www.treasury.gov.za/documents/mtbps/2020/>

increases in the costs of importing commodities, including construction costs. The sluggish levels of economic growth seen in recent years, will continue for a foreseeable future, raising the spectre of an economic meltdown.⁸

Although the past decade has seen higher levels of public spending-averaging 4.1- percent since 2008, well above the real GDP growth of 1.5 per cent, this has failed to stimulate economic growth. The budget deficit is expected to widen to 15.7 per cent of GDP in 2021, up from 6.4 percent of GDP in 2019/20. In the 1920/20 financial year, government spending accounted for 35.9 percent of GDP, up from 29.6 per cent of GDP in 2008/09. Over the medium term, public finances are projected to deteriorate even further, with debt servicing cost expected to be the fastest growing expenditure item⁹.

The objective of the National Development Plan as regards infrastructure is to ensure that public infrastructure investment should be at 10% of GDP by 2030. However, due to the current fiscal pressures, the target is unlikely to be met as expenditure remains lower than the target.¹⁰

The economic recovery plan announced by the president in October 2020 puts jobs creation, especially in new infrastructure investment and large-scale public employment programmes as the centre of efforts to revive the economy. According to the President, government seeks to “unlock more than R1 trillion in infrastructure investment over the next 4 years. Infrastructure has immense potential for stimulate investment and growth, to develop other economic sectors and create sustainable employment both directly and indirectly”¹¹.

Slow economic growth has forced government to pronounce further cut backs on [the] budgetary allocations to government departments. The resultant under-investment in social infrastructure has negatively affected the size of the IDT’s portfolio. Given the fact that the construction industry is labour intensive, this hobbles the entity’s ability to contribute significantly to the creation of decent employment for marginalised groups.

Construction sector outlook: According to a report released by the World Economic Forum in March 2018, the construction industry accounts for 6 % of global GDP and employs more than 100 million people.¹² The South African construction industry contributes 3.5 % to the country’s Gross Domestic Product (GDP), and employs about 1.4 million individuals. Infrastructure spend stimulates economic activity and creates jobs. However, without the high levels of public expenditure last seen around 2010, the construction industry has been in decline, and the recent

⁸ Afriforesight, <https://www.afriforesightresearch.com/> (5-year Forecast Quarterly Report, September 2019)

⁹ National Treasury, Medium Term Budget Policy statement, October 2020, <http://www.treasury.gov.za/documents/mtbps/2020/>

¹⁰ <https://constructioncomputersoftware.com/blog/view/focus-on-infrastructure-spend-in-the-2019-sa-budget>

¹¹ <https://www.gov.za/speeches/president-cyril-ramaphosa-south-africa%E2%80%99s-economic-reconstruction-and-recovery-plan-15-oct#>

¹² <https://www.weforum.org/reports/future-scenarios-and-implications-for-the-industry>

closure of Group 5 and Basil Read bears testimony to this. The decline is caused mainly by the decrease in infrastructure spend and has led to massive job losses in the industry. In the 2017/18 financial year government's infrastructure budget was R947.2-billion. This was reduced to R834.1-billion in 2018/19. This represents a 12% decrease (Creamer's Engineering News). And as already discussed above, more than 259 000 construction jobs were lost during the hard lockdown.

Performance of the Construction Sector: A Study conducted by British Magazine, *The Economist*, the construction industry is inefficient, with more than 90% of the world's infrastructure projects either late or over-budget partly as a result of defects which need to be fixed¹³. As a result of this, the industry suffers of a negative public image, which in turn makes it difficult to attract the right talent and fill the skills gap¹⁴. This is common in South Africa too, where the construction industry faces a skills shortage, especially project managers and highly skilled engineers and other technical staff.

A comprehensive study conducted by the National Planning Commission (NPC) on the delivery of public infrastructure and construction sector dynamism in the South African economy confirms some of the findings of the Economist Magazine. The study suggests that government is largely unable to spend its infrastructure budget, leading to disappointment outcomes in the delivery of infrastructure targets which are critical to the delivery of infrastructure-led economic growth. According to this study, the root causes of this poor performance include among others the following:

- Defects in the identification, assessment and preparation of projects;
- Poor structuring, management of tender processes, contract management and drafting of contracts
- Poor procurement practices and poor management of outsourced infrastructure-related functions
- Inappropriate procurement practices which are often reflected in the initiation, creation and fulfilment of contracts and the inability of clients to plan, specify, and procure and deliver infrastructure projects efficiently and effectively.
- Political interference, political rush and unrealistic time scales
- A general lack of appropriate skills, capability, capacity and experience amongst those responsible for planning, specifying, procuring and overseeing the delivery of infrastructure

¹³ <https://www.economist.com/business/2017/08/17/efficiency-eludes-the-construction-industry>

¹⁴ <https://www.weforum.org/reports/future-scenarios-and-implications-for-the-industry> (WEF March 2018)

as well as those involved in the formulation of legislative instruments and the enforcement thereof;

- Lack of management capacity, continuity / frequent changes in the project team and proper quality control mechanism¹⁵

The findings dovetail with the findings of StatsSA's *Financial statistics of provincial government* report release in September 2020 which found that widespread delays and interruptions affected the delivery of social and economic infrastructure in a number of provinces, with Kwazulu-Natal, Limpopo and North West recording the largest decline in expenditure (KZN R R458 million, Limpopo: R447 million, and North West: R486 million). This affected mainly the construction of schools and the rehabilitation of roads. During the 2018/19 financial year South Africa's 123 provincial government departments recorded a 5,4% decrease expenditure in infrastructure spending, which amounted to R1,88 billion compared with 2017/18. North West provincial government recorded a fall of R486 million in capital expenditure. The North West Department of Education, recorded a cut of R398 million to the overall provincial under expenditure of R486 million. The R398 million cut was for the construction of schools in the province. Similarly, Limpopo's under expenditure was largely the result of the provincial Department of Education spending less on infrastructure projects. There were also delays in the construction and completion of new schools¹⁶. According to the 2020 Adjusted Estimate of National Expenditure, R474.901 million has been rolled over to the *school infrastructure backlogs grant* to provide safe sanitation. Covid-19 has had a negative impact on the number of school infrastructure targets, leading to the revision of such targets. However, despite the adjustment, the performance was still low. Consider for example, the fact that the Department of Basic education had targeted to build 31 school facilities in the 2020/21 financial year. The target was adjusted to 24 schools, but only two (2) were built in the first six months of the 2020/21 financial year. Similar performance levels were noted with respect to the provision of sanitation and water target for the same financial year¹⁷.

Data covering the entire public sector shows an 8,2% fall in infrastructure investment in 2018. This was on the back of a 4,0% decline in 2017. With these decreases, public-sector capital spending slipped to a level last seen in 2014. The general fall in infrastructure investment mirrors the long-term stagnation in the construction industry. Construction experienced its eighth consecutive

¹⁵ National Planning Commission (NPC), Public Infrastructure delivery and construction sector dynamism in the South African economy, 12 April 2020, online, <https://www.nationalplanningcommission.org.za/assets/Documents/Public%20infrastructure%20delivery%20and%20construction%20sector%20dynamism%20in%20the%20South%20African%20economy.pdf>

¹⁶ <http://www.statssa.gov.za/?p=13662#:~:text=In%20June%202020%2C%20government%20announced,55%20projects%20across%20six%20sectors.&text=Delays%20and%20interruptions%20hampered%20infrastructure,the%202018%2F19%20fiscal%20year>

¹⁷ <http://www.treasury.gov.za/documents/mtbps/2020/aene/FuIIAENE.pdf>

quarter of economic decline in the second quarter of 2020, according to the latest gross domestic product (GDP) figures ¹⁸.

This dovetails with the recent study by the National Planning Commission which revealed that after an average annual expenditure growth of 4.3 in public infrastructure growth between 1998/99 and 2017/18 (during which time the public sector spent R3 trillion on infrastructure, public infrastructure expenditure has been in decline since 2017. Thus, total reduction in infrastructure spend since 2017 is R303bn. The levels of spending between over the 2015/16, 16/17 and 2017/18 MTEF period by state owned enterprises and public entities was not more than 75 percent and 65 percent¹⁹.

A recent National Treasury review of government spending concluded that the outcomes of expenditure on high-spending procurement areas such as infrastructure suggests that high expenditure is not matched by the delivery of high quality infrastructure or efficiency, and that government is overpaying for goods and services²⁰.

Skills shortage in the Construction Industry: The performance of the construction industry is closely related to, and is a reflection of a general lack of skills in the industry. In 2018, for example, 110 engineers were reported to have left the country as a result of the low-growth environment and increasing violence on construction sites²¹. In October 2018, the Association of South African Quantity Surveyors reported that there were too few quantity surveyors in government to oversee contractual and accounting budget, which often results in cost overruns in projects. In order to address these challenges, National Treasury February 2019, allocated R625million towards addressing challenges with project preparations. ²².

Other efforts to address the skills shortage in the built environment include the skills Pipeline Strategy of the Department of Public Works and Infrastructure which offers bursaries, internships and learnerships²³. The Council for the Built Environment (CBE) oversees the implementation of the Structured Candidacy Programme through which candidates for professional registration as built environment professionals are assigned mentors. The IDT participates in the programme as part of its skills development programme. These challenges also provide an opportunity for the IDT

¹⁸ Ibid

¹⁹ NPC, Public infrastructure delivery and construction sector dynamism in the South African economy, 12 April 2020, online, <https://www.nationalplanningcommission.org.za/assets/Documents/Public%20infrastructure%20delivery%20and%20construction%20sector%20dynamism%20in%20the%20South%20African%20economy.pdf>

²⁰ <http://www.treasury.gov.za/documents/mtbps/2020/aene/FullAENE.pdf>

²¹ <https://www.engineeringnews.co.za/article/construction-industry-in-rapid-decline-as-work-wanes-mafia-takes-over-warns-safcec-2019-04-08/searchString:Webster+Mfebe>

²² <https://www.engineeringnews.co.za/article/lack-of-quantity-surveyors-in-govt-depts-the-root-of-infrastructure-budget-missspending-2019-10-29>

²³ <http://www.treasury.gov.za/documents/mtbps/2020/aene/FullAENE.pdf>

<http://www.treasury.gov.za/documents/National%20Budget/2020/ene/Vote%2013%20Public%20Works%20and%20Infrastructure.pdf>

to use its capability and experience to be at the centre of the delivery of public infrastructure in the country.

Infrastructure Investment: Government intends to spend R100 billion of the newly created Infrastructure plan in the next ten years. R18 billion is targeted to be spent in the medium term period. The Infrastructure Fund will be will draw R 526 billion worth of projects by bringing in the private sector and Development Finance Institutions. Twenty (20) percent of social services infrastructure will include allocation to education (6%) and health (4%). State-owned enterprises have a share of 38.5% (R 314 billion) of total infrastructure spend followed by local government at 24.1% (R 196.8 billion) and provincial departments at 21.7% (R177 billion).

The delivery of planned social infrastructure for basic education, universities and technical and vocational education and Training colleges (TVET) on time and within available budget remains one of the key focus areas of government. Expenditure on education is part of efforts to achieve better educational outcomes and in the long run build the necessary human capital on which a prosperous South Africa can be built²⁴. Government plans to work closely with private partners in order to deepen responses to infrastructure delivery gaps. The idea is to ensure that the planning, design, construction and operation of infrastructure projects are undertaken using the best expertise available.

Table 5 below shows consolidated expenditure by function. Its illustrates that over the medium-term, learning and culture, which includes basic education, will be allocated the largest share of funds.

Table 5: Consolidated Expenditure by function

| Consolidated expenditure by function ¹ | | | | | | |
|--|--------------------|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| | 2019/20 Outcome | 2020/21 Revised ² | 2021/22 Medium-term estimates | 2022/23 Medium-term estimates | 2023/24 Medium-term estimates | Average annual growth 2020/21 – 2023/24 |
| R billion | | | | | | |
| Learning and culture | 383.4 | 398.3 | 399.0 | 406.7 | 411.3 | 1.1% |
| Basic education | 261.1 | 267.8 | 267.8 | 272.0 | 274.5 | 0.8% |
| Post-school education and training | 111.8 | 118.7 | 119.7 | 123.0 | 124.9 | 1.7% |
| Arts, culture, sport and recreation | 10.5 | 11.8 | 11.5 | 11.8 | 11.9 | 0.2% |
| Health | 223.2 | 226.2 | 235.3 | 242.0 | 246.3 | 2.9% |
| Peace and security | 212.8 | 216.8 | 210.7 | 213.3 | 214.5 | -0.4% |
| Defence and state security | 50.8 | 52.0 | 47.2 | 47.7 | 48.1 | -2.5% |
| Police services | 104.3 | 104.8 | 105.3 | 106.1 | 106.4 | 0.5% |
| Law courts and prisons | 47.7 | 49.5 | 49.1 | 49.7 | 50.0 | 0.3% |
| Home affairs | 10.0 | 10.5 | 9.1 | 9.9 | 10.0 | -1.7% |
| Community development | 197.0 | 208.2 | 221.1 | 232.2 | 236.4 | 4.3% |
| Economic development | 196.7 | 211.3 | 224.7 | 236.3 | 242.0 | 4.6% |
| Industrialisation and exports | 37.2 | 38.6 | 41.5 | 41.5 | 42.3 | 3.1% |
| Agriculture and rural development | 28.8 | 29.1 | 28.2 | 28.7 | 28.9 | -0.2% |
| Job creation and labour affairs | 21.4 | 23.1 | 24.3 | 25.3 | 25.6 | 3.4% |
| Economic regulation and infrastructure | 92.8 | 103.9 | 113.7 | 123.3 | 127.3 | 7.0% |
| Innovation, science and technology | 16.5 | 16.6 | 17.0 | 17.5 | 17.8 | 2.4% |
| General public services | 66.2 | 69.8 | 71.0 | 70.4 | 71.2 | 0.6% |
| Executive and legislative organs | 15.2 | 15.2 | 14.6 | 14.9 | 15.0 | -0.3% |
| Public administration and fiscal affairs | 43.5 | 46.6 | 48.4 | 47.2 | 47.8 | 0.9% |
| External affairs | 7.5 | 8.1 | 8.0 | 8.2 | 8.3 | 0.9% |
| Social development | 298.7 | 315.4 | 312.2 | 329.9 | 335.7 | 2.1% |
| Social protection | 221.7 | 227.3 | 228.4 | 241.0 | 242.8 | 2.2% |
| Social security funds | 77.0 | 88.0 | 83.7 | 88.9 | 92.9 | 1.8% |
| Payments for financial assets | 66.0 | 86.5 | 42.9 | 26.2 | 23.7 | – |
| Allocated by function | 1 644.0 | 1 732.6 | 1 716.7 | 1 757.0 | 1 781.0 | 0.9% |
| Debt-service costs | 204.8 | 225.9 | 271.8 | 317.6 | 353.1 | 16.1% |
| Contingency reserve | – | – | 5.0 | 5.0 | 5.0 | – |
| Consolidated expenditure | 1 848.7 | 1 958.4 | 1 993.5 | 2 079.6 | 2 139.2 | 3.0% |
| Consolidated expenditure including June 2020 budget adjustments | 1 848.7 | 2 037.8 | 1 993.5 | 2 079.6 | 2 139.2 | 1.6% |

1. Consisting of national and provincial departments, social security funds and public entities

2. 2020/21 excludes June 2020 budget adjustments

Source: National Treasury

9.1.3 Social environment perspective

Although South Africa has made considerable strides in improving the quality of life for its citizens since the transition to democracy in 1994, the gains have since witnessed a reversal. Levels of poverty remain stubbornly high while unemployment remains rife, especially among the youth, 55.2% of whom were unemployed in 2019. In 2015, the Gini co-efficient stood at 0.63 having risen from 0.61 in 1996²⁵.

According to the *Poverty Trends Report* by Statistics South Africa (StatsSA), in 2017 there were over 14 million South Africans living below the poverty line. The high number of people living in poverty highlights the persisting socio-economic challenges of poverty, unemployment and inequality. A sizable portion of the black population, particularly those living in rural and township

²⁵ World Bank Economic Outlook for SA, 2019, online,

<https://www.worldbank.org/en/country/southafrica/overview#:~:text=The%20South%20African%20economy%20grew,little%20room%20to%20reduce%20poverty>

settlements, continue to suffer from lack of adequate skills and decent jobs and live in areas where they have limited access to government services.

The socio-economic factors impacting on the demand for social and basic services infrastructure include:

- High demand for jobs and economic opportunities especially communities in townships, rural areas, and in informal urban, peri-urban and mining settlements;
- Community demand for localisation of development benefits e.g. emphasis on local procurement of supplies, use of local suppliers, and the creation of job opportunities for local communities; and
- Demand for mainstreaming of participation by women, youth and people with disabilities in development programmes as vehicles for promoting inclusive development.

It is mentioned elsewhere in this plan that of 2.2 million jobs were lost during the second quarter due to the corona virus, the largest losses were recorded in the trade industry (400 000), manufacturing (300 000), community and social services (298 000) and construction (259 000). The informal sector, which is where most poor people are employed, shed 640 00 jobs²⁶. The creation of jobs through the rollout of infrastructure is the centrepiece of the Economic Recovery Plan announced by the President in October 2020. If planned and executed properly, the infrastructure roll-out could revive the ailing construction sector and reverse the massive job losses caused by covid-19.

However, some of the infrastructure delivery targets are likely to be derailed by the growing levels of criminality in the construction industry. The birth of the **construction mafia** is arguably the most notable if odious consequence of rising unemployment and feelings of exclusion from economic activity. Although the full extent of the impact of mafia activity on IDT construction sites is yet to be determined, the risk of disruptions remains relatively high and will need to be factored into the entity's approach to the delivery of social infrastructure.

²⁶ <http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2020.pdf>

9.1.4 Technological perspective

Digital technologies have launched the Fourth Industrial Revolution, transforming entire industries. However, the Infrastructure industry has not kept up with recent changes. Most companies in the industry's many sectors still use primarily manual methods, offer traditional products and services and operate according to established practices and business models. Productivity has lagged as a result.²⁷ Some of the benefits of 4IR include the development of sustainable buildings, better communication among construction professionals and the elimination of construction project delays in the form of cost and time overruns. Construction project delays in the form of cost and time overruns have been a major factor in the South African construction industry and 4IR could significantly reduce these risks²⁸.

The South African construction industry lags behind countries such as the United Kingdom in the adoption of new technologies and better ways of doing things, especially in shifting towards collaborative procurement practices, resulting in delays, cost overruns and poor quality outcomes. Despite the failure to collaborate, the industry seems reluctant to embrace modern technology and its procurement practices appear to be driven by a heavy focus on low cost. Given these challenges, it will take a while for the industry to train its workforce to appreciate the value of 4IR to its work²⁹.

Thus, in the next few years the IDT, along with the rest of the construction industry, will have to grapple with the challenge of embracing 4IR as part of the delivery of infrastructure.

9.1.5 Ecological perspectives

The past three decades have seen an increase in average global temperatures, leading to more intense rains, storms and rising sea levels. Extreme weather damages infrastructure, leading to a need for more expenditure in refurbishment and construction infrastructure to replaced damages facilities³⁰. Climate related risks and events have risen in frequency and intensity especially in the Southern Africa region since 2016. There is a percentage increase in temperatures and the European Union Joint Research Centre (JRC) declared 2018 the fourth warmest year since records began in the 1800s and that every year of the 21st century has been warmer than the 1981-2010 global average. The global mean surface temperature has increased by 0.86% since the 19th

²⁷ http://www3.weforum.org/docs/Future_Scenarios_Implications_Industry_report_2018.pdf (Executive Summary)

²⁸ Temidayo. O. Osunsanmi, Clinton Aigbavboa, Ayodeji Oke; Construction 4.0: The Future of the Construction Industry in South Africa, in World Academy of Science, Engineering and Technology International Journal of Civil and Environmental Engineering, Vol.12, No:3, 2018, online, <https://publications.waset.org/10008621/pdf>, accessed 29 October 2019.

²⁹ X. Kamudyariwa and D. Root, Barriers top Construction Procurement Change in Higher Education Institution, in, C. Aigbavboa and W Thwala. The construction Industry in the Fourth Industrial Revolution, proceedings of the 11th Construction Industry Development Board (CIDB) post graduate Research Conference, July 2019, Johannesburg. Springer International Publishing, Switzerland, 2020

³⁰ Purwanti Sri Pudyastuti¹, and Nurmuntaha Agung Nugraha, Climate Change Risks to Infrastructures: A General Perspective, AIP Conference Proceedings 1977, 040030 (2018)

century.³¹ As a result, Southern African Development Community (SADC) will in the future experience extreme weather, leading to chronic drought, flash floods, hail and strong winds. Furthermore, there will be seismic activity that will result in earthquakes and landslides.

Climate change, and the resultant rise in natural disasters such as floods, has implications for the construction industry. In view of the frequency of natural disasters, the building of quality, reliable, sustainable and resilient infrastructure to support human wellbeing and economic development has become ever more critical. In response to this, National treasury has introduced a programme to support cities with technical expertise to build resilient infrastructure by supporting them with assistance to strengthen project design, packaging and preparation. The programme will also strengthen cities' capability to manage climate-resilient assets by integrating climate-change considerations into their planning tools, including the Infrastructure Delivery Management System³².

9.1.6 Legal Perspective (Relevant Court Rulings)

The construction industry is highly litigious. As a result, the IDT has a number of legal claims for and against it emanating from matters related to programme delivery. To curb the flurry of litigation, the IDT introduced a new contracting model during the course of 2018/19 financial year. The contracting model distributes risk proportionately between the IDT and clients with performance obligations on all parties. Although the contracting model is only applicable to all new projects, and will as such not address legacy problems, its implementation in the next five years and beyond will significantly reduce the risk of litigation against the entity.

9.2 Internal Environment Analysis

In December 2020, the newly inaugurated IDT Board approved a new Turnaround Plan which was a revised version of the Revised Operating Model and Turnaround Plan approved in 2017. The objective of both plans is (was) to refocus and reposition the IDT as an effective and efficient, self-sustaining social infrastructure programme and project management implementing agency. However, 2017 plan could not be implemented in full due to lack of resources which the entity had hoped to receive from the shareholder. However, one of its key elements, the Organisational Development project was partially implemented. The objectives of the OD project were among others, to create an organisational structure biased towards the technical skills (core business),

As part of this process, a new organisational structure was approved in November 2017 with a total of 297 positions, later reviewed and revised down to 292 positions in February 2019. The December 2020 turnaround plan reaffirmed the tenets of the 2017/18 plan and has short, medium to long term plans/ interventions. The short-term plans include among others the following:

³¹ <https://ec.europa.eu/jrc/en/science-update/state-climate-2018-fourth-warmest-year-record>

³² <http://www.treasury.gov.za/documents/National%20Budget/2020/review/Annexure%20D.pdf>

- Improving billing and collection systems (management fee rate and billing adjustments);
 - Increasing value of confirmed projects (programme allocation from DPWI clients);
 - Competency development and skills acquisition; and
 - Communicating the content and context of the turnaround plan with stakeholders.
- In the medium to long-term, the following are key activities of the turnaround plan to safeguard the entity's long-term sustainability: -
 - Service expansion and market growth
 - Systems and process efficacy
 - Governance and regulatory compliance
 - Strengthening leadership and culture change
 - Collaboration and partnership building
 - Trust, image and reputation rebuilding

9.2.1 Governance and regulatory compliance

The entity has dedicated time and resources to addressing challenges identified in the area of governance and regulatory compliance, including the exercise of board oversight on corporate performance and regulatory compliance. With the IDT performance consistently declining for over five years while obtaining negative audit outcomes, focus will continue to be on strengthening internal controls to improve audit outcomes. Board oversight on performance has also been strengthened. There have been significant developments in corporate governance, which necessitates a review of the Deed of Trust to align it with recent developments in legislation and governance. An important milestone to be considered in turning the IDT around in its current form is its corporatisation that is, converting the entity into a company under the shareholding of government (Department of Public works and Infrastructure).

9.2.2 Strengthening financial viability and organisational sustainability

The current IDT service model and its supporting funding model have not been able to make it self-sustainable, despite the implementation of National Treasury Instruction 04 of 2014/15. Since the change in the entity's mandate in 1997 and its categorisation into a Schedule 2 of the PMFA, there was an expansion of the entity's services which were offered to the state at no cost. This business model was unsustainable and quickly depleted the entity's capital base. The increasing overheads associated with a growing programme portfolio and decreasing interest also contributed to the shrinking capital base. As the capital base shrank, the entity undertook a financial modelling exercise in 2006 which indicated that the entity's initial endowment would be exhausted by the 2012/13 financial year. This triggered a number of initiatives aimed at securing the entity's long-term future. The interventions were twofold. One was to introduce a cost recovery mechanism to a category of IDT services (i.e. programme management) as part of a short-term intervention while

the other sought to develop a business case for the long-term sustainability in line with the revised mandate of the entity. However, the implementation of cost recovery failed to generate sufficient revenue to make the entity financially viable.

It is therefore necessary that both the IDT service model and the funding model are revised for the IDT to be self-sustainable. The turnaround plan identifies the investment required to transform the IDT and provides a long-term financial plan outlining the IDT revenue inflows and expenditure. The proposed repositioning of the entity with a bias towards becoming a fit for purpose entity should go a long way towards making the IDT financially viable and sustainable in the long run.

9.2.3 Culture change, leadership development and partnership building

The turnaround plan introduces change and improvements in a variety of areas. Some of the areas for improvement include the introduction of a change management programme which is intended to build an inclusive performance-driven culture and work ethos. This will entail collaborations and partnerships with organisations which positively impact on the work of the IDT, and investing in rebuilding the trust that has been lost between the IDT and its clients. These efforts shall also target the rebuilding of the tarnished IDT image and reputation through corporate communication, client relations, and stakeholder management.

A number of interventions and activities shall be pursued to drive each of these turnaround measures. Of significance in this process shall be focus, effective planning and continuous monitoring and evaluation.

9.2.4 The status of the institution regarding compliance with the BBBEE Act.

The IDT fully supports and complies with BBBEE legislation and has been at the forefront of promoting BBBEE for many years. In 2017, the entity completed an empowerment strategy. Anchored on the goals of “procure to empower” and “transform the industry”, the strategy seeks to promote the participation of previously disadvantaged individuals in the construction industry. This is reflected in some of its performance targets which focus on expenditure on BBBEE companies, the implementation of the Contractor Development Programme, among others. Of greater significance is the fact that the IDT subscribes to the implementation of the PPPFA and adherence to its provisions on subcontracting of at least 30% to previously disadvantaged groups on projects worth R30 million and above.

9.2.5 The status of the institution regarding women, youth and people with disabilities.

The entity supports the promotion of women, youth and people with disabilities, and its corporate plan has set specific targets on the promotion of the participation of women, youth and people with disabilities in the built-environment industry. The entity has entered into collaborative efforts and partnerships with the Advisory Councils on the Empowerment of people with disabilities, youth and

women. The collaboration agreements seek to deepen the representation and participation of these designated groups in the construction sector. This will promote and facilitate their active empowerment in the delivery of social infrastructure.

9.3 Key issue from the Environment Analysis

The table hereunder provide a synopsis of key issues from the internal and external environment that form the basis for strategy options. The strength and weaknesses of the internal environment will be addressed in the strategy through key intervention aimed at building commercial mind-set among the entity’s personnel and ensure that the entity is led and managed along sound commercial principles. The strategic plan will present three key focus areas to address these challenges: Services render by the entity; the entity’s capability to deliver on its brand promise; and the entity’s revenue to safe guard its financial sustainability

The impact of the entity is depended on access to sizable portfolio of business (value of programme portfolio). The external environment opportunities and threat are summarised in the hereunder as well as intervention aligned with the strategic objective of the entity for the duration of the MTSF period.

Table 6: Key issue from the Environment Analysis

| | | Key Issues | | Interventions | |
|-----------------------------|----------------------|--|--|----------------------|--|
| Internal Environment | Strength | <ul style="list-style-type: none"> Organisational agility and decision making response time on operational matters A mixture a bread of personnel with infrastructure and social development outlook (orientation) able to service the interest of communities the entity works with – commitment the development agenda of the country Geographic location in all provinces which facilitate accessibility of the entity's services | <ul style="list-style-type: none"> Build the entity's capability to deliver on its promise (fit for purpose capability – in respect of people, technology, and business process aligned to deliver on clients' perception of excellent service) Refocus and streamline client service offering Drive a client centric operation culture in line with the proposed brand promise and operation value of the entity | | |
| | Weaknesses | <ul style="list-style-type: none"> Declining delivery capacity following uncertainty about the protracted transformation of the entity (start-stop-start-hold approach to implementation of the turnaround and transformation project) Corporate governance challenges associated with the entity's transformation agenda Obsolete Technology Infrastructure and enabling technology for effective and efficient services delivery Financial unsustainability threatening the going concern status of the entity | <ul style="list-style-type: none"> Build the entity's capability to deliver on its promise (fit for purpose capability – in respect of people, technology, and business process aligned to deliver on clients' perception of excellent service) Resolve corporate governance and leadership gaps (Executive Authority decision on the status and future direction of the entity) | | |
| External Environment | Opportunities | <ul style="list-style-type: none"> Under expenditure on infrastructure budget (leading to reduction in infrastructure grants and infrastructure allocation) Inadequate capacity and skills to plan and implement infrastructure projects on time and within budget leading to erosion of infrastructure budgets Plans to accelerate infrastructure delivery in health and education sectors Government reform in the delivery of infrastructure (to provide infrastructure faster, manage/control cost, share risk with private sector and integration of climate change response for resilient infrastructure facilities) | <ul style="list-style-type: none"> Refocus and streamline client service offering Redesign the entity to operate fully on commercial principles – a commercially oriented organisation design Grow the entity current and new revenue stream Consider delivery innovation in respect, infrastructure status assessment and project planning and packaging | | |

| | | |
|---|---|---|
| <p style="text-align: center;">Threats</p> | <p style="text-align: center;">Key Issues</p> <ul style="list-style-type: none"> • Declining trend in infrastructure spending as a percentage of GDP (2% average real growth decline) • Negative perception about the IDT as a brand following consecutive years of audit disclaimer • Competition with other implementing agents over a diminishing supply of infrastructure projects. | <p style="text-align: center;">Interventions</p> <ul style="list-style-type: none"> • Refocus and streamline client service offering • Drive a client centric operation culture in line with the proposed brand promise and operation value of the entity • Establish cooperative working relationship with other state owned agencies operating within the infrastructure delivery value chain for value for maximisation and timeous delivery of infrastructure (cost and budget overruns reductions and delivery on time) • Resolve corporate governance and leadership gaps that besieged the entity over the year – entity transformation programme (Require executive Authority decision on the status and future direction of the entity) |
| | | |

PART C: MEASURING OUR PERFORMANCE

10. Institutional Programme Performance Information

The Independent Development Trust contributes to efforts towards the achievements of the National Development Plan and the Medium Term Strategic Framework of Government with specific reference to the Department of Public Works and Infrastructure's outcome areas. Through the implementation of programme within its business portfolio, the IDT makes contribution in respect of inclusive economic growth; a capable, ethical state; Increased access to better economic opportunities by marginalised groups through public employment schemes; and a dignified customer experience.

In developing its outcomes for the five-year period, the IDT intended to transform into a commercially driven organisation. It seeks to become an agile organisation that respond to client needs ahead of competitors and excel in the delivery of its brand promise. The IDT has defined strategic outcomes the entity will contribute towards their achievement over the medium - to long-term. These outcomes are aligned to the NDP outcomes and the MTSF priorities. These outcomes are:

- Increased Access to Quality Social Infrastructure
- Decent employment through public employment programmes
- Transformed Built Environment
- A compliant and fit for purpose Entity

Figure 1 below shows the relationship and alignment between the IDT outcomes areas with DPWI outcomes and MTSF priorities.

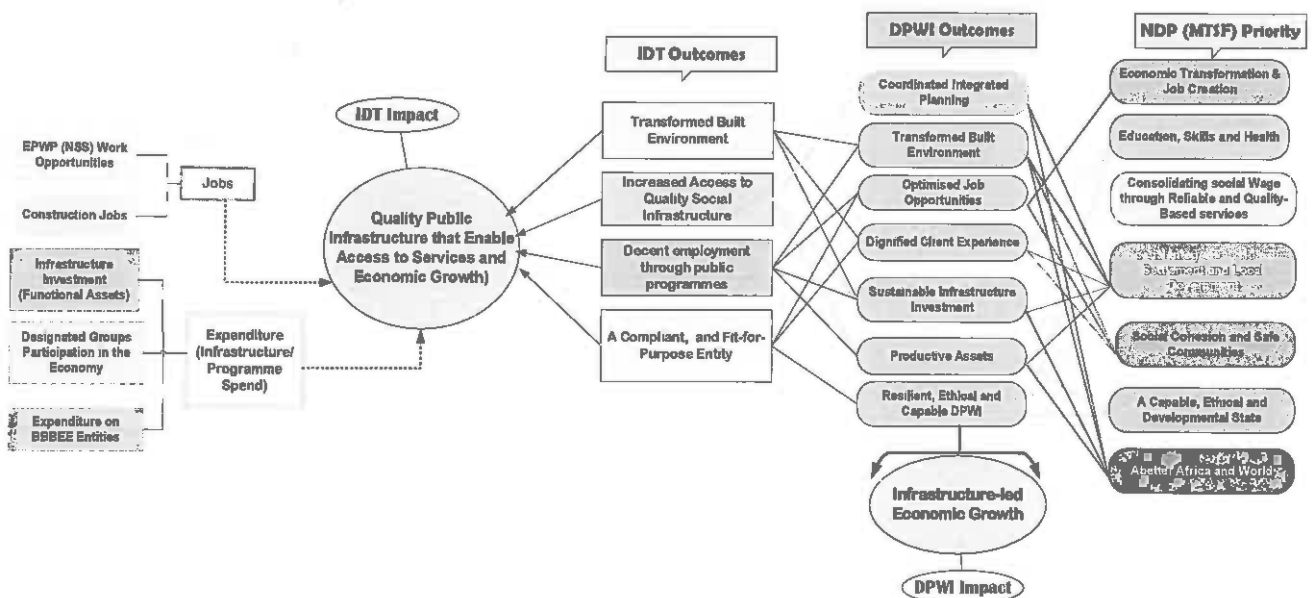


Figure 1: Impact, Outcomes and MTSF priorities alignment

In developing its outcomes for the period, the IDT seeks to contribute towards inclusive economic growth and transformation of the built environment aligned with the priority outcomes of the Department of Public Works and Infrastructure as well as the seven national priorities of the 6th administration.

Through its diversified business portfolio and service offering, the organisation will contribute to the following outcomes:

- Increased access to quality social infrastructure
- Decent employment
- A transformed built environment

Details of indicators and targets under these outcome areas are presented under Programme 1: *Infrastructure Programme management Services*

A compliant and fit-for-purpose entity measures the entity's internal structuring and business processes, financial viability, delivery capacity and technology. The indicators and targets for this outcome are presented under Programme 2: *Administration*

10.1 Programme 1: Infrastructure Programme Management Services

The purpose of this programme is to ensure provision of efficient, effective and integrated public social infrastructure delivery management services to satisfy client requirements and impact positively on government development agenda. It ensures that the entity delivers on its core mandate and contributes to the reduction of infrastructure backlogs through construction and maintenance of public infrastructure, creating work opportunities through public employment schemes and transforming the build environment.

10.1.1 Outcomes #1: Increased access to quality social infrastructure

Delivery of quality social infrastructure is directly related to the services the IDT offers to clients. It is in this context that the entity will in the interim period continue to maintain and manage projects under construction to ensure the delivery of quality social infrastructure on time, within budget and scope. Table 7 presents outputs, indicators and MTEF targets under this outcome whilst table 8 present output indicators and annual targets.

Table 7: Outcomes, Outputs, Performance Indicators and Targets

| Outcome | Outputs | Outputs Indicators | Annual Targets | | | | | | | | |
|--|--|---|----------------------------|-------------|-----------------------|---------|-------------|---------|---------|--|--|
| | | | Audited Actual Performance | | Estimated Performance | | MTEF Period | | | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | | |
| 1. Increased access to quality social infrastructure | 1.1 40% of projects completed on time | 1.1.1 % projects completed on time | N/A | Actual: 40% | 61% | 20% | 40% | 42% | 45% | | |
| | 1.2 70% of projects completed within budget | 1.2.1 % projects completed within budget | N/A | Actual: 89% | 77% | 60% | 70% | 72% | 75% | | |
| | 1.3 17 New or replaced facilities | 1.3.1 Number of new or replacement facilities that comply with infrastructure norms completed | N/A | 23 | 10 | 12 | 34 | 17 | 14 | | |
| | 1.4 35 Non-greenfield social infrastructure facilities | 1.4.1 Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed | N/A | 139 | 60 | 27 | 45 | 37 | 24 | | |

Table 8: Output Indicators - Annual and Quarterly Targets

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|--|---------------|-----|-----|-----|-----|
| 1.1.1 | Percentage of projects completed on time | 40% | 40% | 40% | 40% | 40% |
| 1.2.1 | Percentage of projects completed within budget | 70% | 70% | 70% | 70% | 70% |

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|---|---------------|----|----|----|----|
| 1.3.1 | Number of new or replacement facilities that comply with infrastructure norms completed | 34 | 7 | 12 | 23 | 34 |
| 1.4.1 | Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed | 45 | - | 7 | 21 | 45 |

10.1.2 Planned Performance over the MTEF Period

Based on programme portfolio confirmed with client departments, the IDT will over the MTEF period complete 65 new infrastructure facilities and 117 non-greenfield facilities (RRMUs). Delivery of these facilities enables increased access social infrastructure essential for access to basic services such as education, health, and others in a dignified manner.

The following are key enablers towards achieving the targets set over the MTEF period:

- Allocation of programme portfolio budget by client departments;
- Implementation of the envisaged delivery capacity improvement critical for the entity to fulfil its mandate.
- Quality and capacity of the delivery partners within the infrastructure delivery value chain.

10.1.3 Outcomes #2: A transformed built environment

This outcome contributes towards poverty alleviation and inclusive economic growth through implementation of targeted contracting and skills development within built environment. The IDT will leverage the value of its programme portfolio to influence transformation within the built environment. The entity strategic intent aligned to this outcome is to **increase ownership and participation by designated groups within the built environment**. The following are key interventions:

- Implement target procurement in line with applicable regulation in the implementation of infrastructure projects;
- Implement Contractor Development Programme (CDP)
- Implement planned infrastructure project within allocated budget and time

Table 9: Outcomes, Outputs, Performance Indicators and Targets (MTEF)

| Outcome | Outputs | Outputs Indicators | Annual Targets | | | | | | |
|------------------------------------|--|---|----------------------------|---------|---------|---------|-----------------------|-------------|---------|
| | | | Audited Actual Performance | | | | Estimated Performance | MTEF Period | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 2. A transformed built environment | 2.1 80% BBBEE expenditure | 2.1.1 Percentage of weighted B-BBEE Spend (Based on total programme spend) | N/A | 40% | 76% | 70% | 80% | 82% | 85% |
| | 2.2 52 contractors from designated groups participating in the Contractor Development Programme(CDP) | 2.2.1 Number of contractors from designated groups participating in the Contractor Development Programme(CDP) | 0 | 0 | 52 | 52 | 52 | 52 | 60 |
| | 2.3 45% women contractor participating in CDP | 2.3.1 Percentage of contractors from designated groups participating in Contractor Development Programme | 0% | 0% | 40% | 52% | 52% | 52% | 55% |

Table 10 hereunder present outputs, output indicators and targets (annual and quarterly targets) for the outcomes: **A transformed built environment.**

Table 10: Output Indicators - Annual and Quarterly Targets

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|--|---------------|-----|-----|-----|-----|
| 2.1.1 | Percentage of weighted B-BBEE Spend (Based on total programme spend) | 80% | 80% | 80% | 80% | 80% |

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|---|---------------|-----|-----|-----|-----|
| 2.2.1 | Number of contractors from designated groups participating in the Contractor Development Programme(CDP) | 52 | 52 | 52 | 52 | 52 |
| 2.3.1 | Percentage of contractors from designated groups participating in Contractor Development Programme | 45% | 45% | 45% | 45% | 45% |

10.1.3.1 Planned Performance over the MTEF Period

The value of the IDT programme portfolio is critical in achieving targets under this outcome. The uncertainty about the entity's future presents debilitating constraints on the ability to grow programme portfolio. The relaxation of the moratorium place by the Executive Authority on the implementation of project under stages 1 to 4 (initiation, planning, design and procurement) which place considerable challenges with regards to allocation of projects to BBBEE level 2 entities, women; youth and other designated groups owned entities is critical for the entity to contribute towards transformation of the built environment. With higher value of programme portfolio, the proportion of expenditure on BBBEE and contracts awarded to women, youth, people with disability and other designated groups could be increased resulting in increased impact on economic outcomes for the designated groups.

The entity plans to maintain proportion of programme expenditure on BBBEE compliant entities at eighty (80) percent of the total programme expenditure for the period. Without new programme allocation, the entity's plan to implement the Contractor Development Programme through allocation of projects to existing panel of contractors will be stymied. The following remain key enablers for targets under this outcome to be achieved:

- Allocation of programme portfolio by client departments;
- Implementation of the envisaged delivery capacity improvement central to the five-year strategic objectives of this strategic plan.
- Quality and capacity of the delivery partners with the infrastructure delivery value chain;
- Target designated groups compliance with procurement prescripts.

10.1.4 Outcomes #3: Decent employment through public (infrastructure) programmes

The IDT contributes to the creation of employment opportunities creation through the implementation of its infrastructure portfolio programmes. It also manages the implementation of Expanded Public Works Programme – Non-State Sector – through which further work opportunities are created. During the MTEF period, the entity intends to ***maintain participation by designated groups within the Expanded Public Works Programme***

Table 11 presents the outputs, performance indicators (output) and targets for the MTEF period under this outcome and table 12 presents output indicators as well as annual and quarterly targets.

Table 11: Outcomes, Outputs, Performance Indicators and Targets (MTEF)

| Outcome | Outputs | Outputs Indicators | Annual Targets | | | | | | | |
|--|---|--|----------------------------|---------|-----------------------|-------------|---------|---------|---------|---------|
| | | | Audited Actual Performance | | Estimated Performance | MTEF Period | | | | |
| | | | 2017/18 | 2018/19 | | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 3. Decent employment through inclusive economic growth | 3.1 3 4 572 construction work opportunity | 3.1.1 Number of construction work opportunities created (IDT Portfolio) | 7 102 | 5 920 | 3 830 | 2 780 | 4 572 | 2 940 | 2 995 | |
| | 3.2 53 181 EPWP Work opportunities | 3.2.1 Number of work opportunity created through EPWP (EPWP-NSS excluding IDT programme portfolio) | 57 112 | 63 119 | 71 374 | 35 937 | 53 181 | 70 908 | 27 075 | |

Table 12: Indicators, Annual and Quarterly Targets

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|--|---------------|--------|--------|-------|--------|
| 3.1.1 | Number of construction work opportunities created (IDT Portfolio) | 4 572 | 592 | 1 148 | 3 215 | 4 572 |
| 3.2.1 | Number of work opportunity created through EPWP (EPWP-NSS excluding IDT programme portfolio) | 53 181 | 10 385 | 21 170 | 34 57 | 53 181 |

10.2 Programme 2: Administration

The purpose of this programme is to ensure that the Independent Development Trust is a financially viable, complaint, results based, efficient and focused organisation. The programme indicators and targets address the entity's delivery capacity, corporate governance and financial suitability. Indicators and targets under this programme are aligned with the expectation of clients as well as enabling the entity to contribute towards building a capable state and transformation of the build environment by expanding and strengthening its delivery capacity.

10.2.1 Outcomes #4: A compliant and fit for purpose entity

The success of the IDT is dependent on its ability to transform itself and operate with a commercially oriented mind-set. This outlook assumes that the shareholder adopts a position that an entity such as the IDT remains relevant in the context of the state machinery for service delivery; the IDT should and can be financially sustainable, continue play a significant role in infrastructure delivery for the state, this done on time and within budget to reduce negative impact on the fiscus resulting from client department not spending allocated infrastructure budget as planned.

Financial sustainability of state owned entities is critical in achieving a capable, ethical and developmental state. This plan is centred on the idea that the IDT can be financially sustainable given the portfolio of social infrastructure government needs to deliver during the MTSF period. Fort the past five years the entity has decreased its reliance on grant funding by increasing coverage of operation cost form own income from 25% to over 80% coverage during the 2018/19 financial year, albeit in the context of declining business portfolio. During the 2020/21 financial year, the entity depended on grants from the shareholder following significant decline in operations as a result the national state of disaster as well and the cloud of uncertainty about the entity's future. Under current scenario, a portfolio value of above R5 billion is sufficient to ensure the entity achieves a financial break-even. Implementation of interventions under *a compliant and fit for purpose entity* can accelerate progression towards financial sustainability. The following are amongst the interventions to achieve ***a financially sustainable entity***.

- Grow revenue streams (procurement service cost)/asset register assessment and maintenance
- Adapt SCM processes to align with customer revenue streams
- Introduce performance based, time/cost & project value based management fees
- Monitor and adjust cost to sustain long term viability
- Develop alternative funding models
- Expanded customer service offering
- Continuous market research into emerging trends in the built environment industry

The tables that follows under this section presents outcomes, outputs, performance indicators and targets as well as output indicators and related quarterly and annual targets

Table 13: Outcomes, Outputs, Performance Indicators and Targets (MTEF)

| Outcome | Outputs | Outputs Indicators | Annual Targets | | | | | | | |
|---|---|--|----------------------------|----------|--|--|---|---|---|---|
| | | | Audited Actual Performance | | Estimated Performance | MTEF Period | | | | |
| | | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | |
| 4 A compliant and fit for purpose entity | 4.1 0% Operating Surplus (Break-even) | 4.1.1 Value of programme spend | R4.750bn | R3.775bn | R2.525bn | R2.122bn | R2.634bn | R2.481bn | R2.673bn | |
| | | 4.1.2 Management fee collection ratio | 67,6% | N/A | 87% annual management fee collection ratio | 80% annual management fee collection ratio | 85% annual management fee collection ratio | 90% annual management fee collection ratio | 90% annual management fee collection ratio | |
| | 4.2 Compliance with legislative requirements and King IV | 4.2.1 Percentage of compliant programme invoices paid within 30 days of receipt | N/A | N/A | 82% | 35% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days |
| | | 4.2.2 Percentage of compliant overheads invoices paid within 30 days of receipt | N/A | N/A | 84% | 65% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | |

Table 14: Indicators, Annual and Quarterly Targets

| # | Output indicators | Annual target | Q1 | Q2 | Q3 | Q4 |
|-------|---|---|---|---|---|---|
| 4.1.1 | Value of programme spend | R2.634bn | R 356.805m | R 819.782bn | R 1.465bn | R2.122bn |
| 4.1.2 | Management fee collection ratio | 85 % annual management fee collection ratio | 85 % annual management fee collection ratio | 85 % annual management fee collection ratio | 85 % annual management fee collection ratio | 85 % annual management fee collection ratio |
| 4.2.1 | Percentage of compliant programme invoices paid within 30 days of receipt | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days | 100% compliant programme invoices paid within 30 days |
| 4.2.2 | Percentage of compliant overheads invoices paid within 30 days of receipt | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days | 100% compliant overheads invoices paid within 30 days |

11. Planned Performance over the medium Term Period

The IDT is part of the state service delivery machinery and its targets are informed by, and contribute to the realisation of some of the key delivery targets set by government in the National Development Plan. Of particular relevance to the entity is the reduction of infrastructure backlogs, building resilient infrastructure, creating work opportunities through public employment schemes and transforming the build environment. **Table 3** provides linkages between IDT targets and its contribution to specific government -wide outcomes and goals. Similarly, the entity has set targets that are informed by its turnaround plan, which in turn dovetails with government goals.

Programme 1: Infrastructure Programme Management Services

- **Increased Access to social infrastructure:** This outcome is linked one of the three pillars of the IDT turnaround plan *Increased market share through programme portfolio diversification*, and is linked to a number of targets that contribute to the realisation of two outcomes among others, namely; *Decent employment through inclusive economic growth and Increased access to quality social infrastructure*.
 - The rationale for choosing the targets under this sub outcome is to ensure that the IDT not only continues to delivery infrastructure but it also widens the nature and scope of its services in order to contribute to the state's capacity to reduce the infrastructure backlog. Areas of interest include among others the maintenance of buildings and the construction of Early childhood development facilities. This will not only create decent employment for more South Africans but it will also ensure that end users of such infrastructure are treated with dignity. Decent employment empowers the citizenry, increasing levels of public expenditure, which in turn contributes to the realisation of the goal of inclusive economic growth. Similarly, an ability to deliver infrastructure on time, at cost and to the right quality demonstrates the entity's ability to be agile and capable of responding to customer needs ahead of any competitor, and this in turn makes the IDT the implementing agent of choice with client departments.
 - It is widely acknowledged that market forces along cannot reduce the high rate of unemployment. The EPWP provides temporary employment and training to its beneficiaries through skills programmes, learner-ship and artisan development. The skills and training provided is to enhance the beneficiaries' chances of being employable on other projects after exiting the EPWP.
 - Client capacity to complete projects on time and within budget through improved delivery capacity is critical. The IDT will deliver its services to its clients on time, within budget and the right quality. By meeting client expectations, the entity contributes to building a capable, ethical state and a dignified customer experience. This requires the entity to improves its delivery

capacity, expanding the build environment skills base. Inherent in the delivery of infrastructure is the assumption that this also expands the skills-base and contributes to the goal of transforming the build environment industry.

- **A transformed built environment:** the entity implements the Contractor Development Programme, which is a key component of attempts to transform the built environment industry and make it more inclusive by increasing the ownership and participation of historically disadvantaged individuals in the construction industry. A transformed built environment industry not only contributes to social cohesion but it creates a strong foundation for an inclusive economy. To this can be added increased expenditure on BBEEE companies, which also not only adds to the transformation of the built environment but also stimulates the goal of infrastructure-led economic growth.

Programme 2: Administration

- **Improved revenue management:** this is a significant part of building an efficient, agile organisation which is geared towards augmenting the state capacity to manage resources efficiently. Key components of this are to improve billing systems, collection of fees and processing payments for contractors within the 30-day payment turnaround time. This builds an effective and efficient administration which in turn makes the IDT a key contributor to the building of a capable, ethical state.
- **Compliant Governance:** good governance is a critical success factor in building public confidence. Proper internal controls, and the implementation of risk mitigation strategies builds public confidence and also contributes to the goal of building a capable, ethical, developmental state.
- **A transformed, fit for purpose entity:** one of the critical success factors for the implementation of the IDT turnaround is its ability to garner and manage the knowledge, tools, talent, people, resources, systems, and capital at its disposal to translate the turnaround strategy into the desired results. The recruitment of professionals with technical expertise will not only address the shortage of built environment experts in the country but it will also contribute to the transformation of the built environment. Similarly, the increase in the number of females in professional and top management, as well as people with disabilities and a transformational leadership will transform the IDT into an organisation fit from purpose which is capable of delivering on its brand promise. This in turn will contribute to the building of a capable, ethical developmental state.
- **A financially sustainable entity:** financial sustainability is one of the most important focus areas for the transformation of the IDT into a financially stable entity known for its efficiency and effectiveness. Part of this effort will be to grow the portfolio, generate an operating surplus and

ensure that the entity charges and receives management fees that are competitive. Similarly, the payment of compliant invoices within the required 30-day period speaks to efficiency, which in turn contributes to the realisation of the goal of financial sustainability and growing revenue. This dovetails with the wider government goal of building a capable state.

12. Programme Resource Consideration

| DETAILS | BUDGET 2020/21 R'000 | ENE 2021/22 R'000 | ENE 2022/23 R'000 | ENE 2023/24 R'000 | Notes |
|---|----------------------------|-------------------------|-------------------------|-------------------------|---------|
| Programmes | 5 081 216 | 2 797 904 | 5 319 795 | 6 313 100 | |
| Expenditure: Confirmed Programmes | 3 903 282 | 1 947 633 | 1 705 130 | - | Note 1 |
| Required Additional Programmes - EPWP NSS | 373 979 | 850 271 | 1 247 065 | | Note 2 |
| Required Additional Critical mass projects to break even | 803 955 | | 2 367 600 | 6 313 100 | Note 1 |
| Staffing requirements | 220 | 220 | 220 | 220 | |
| Staff Numbers | 220 | 220 | 220 | 220 | Note 2 |
| Average Gross Management Fee Rate | 5% | 5% | 5% | 5% | |
| Revenue | 393 161 | 323 590 | 300 627 | 315 655 | |
| Revenue: Confirmed Programmes | 195 164 | 97 382 | 85 257 | - | Note 3 |
| Revenue: EPWP NSS | 29 298 | 64 082 | 96 990 | | |
| Revenue: New / Prospective Business | 40 198 | 0 | 118 380 | 315 655 | Note 3 |
| Grants | 128 501 | | | | Note 4 |
| Grant required for funding shortfall | 0 | 162 126 | 0 | - | |
| Operational Expenditure | 271 835 | 283 590 | 300 624 | 315 655 | |
| Employment costs | 163 026 | 172 089 | 183 177 | 192 336 | Note 6 |
| Staff Training | 3 341 | 3 508 | 3 683 | 3 868 | Note 7 |
| Restructuring costs | 1 500 | 1 575 | 1 654 | 1 736 | Note 8 |
| Non-Employment: | | | | | |
| Travel - Projects | 7 105 | 7 460 | 7 833 | 8 225 | Note 9 |
| Travel - Administration | 0 | 0 | 0 | - | Note 9 |
| Litigation fees | 12 400 | 13 020 | 13 671 | 14 355 | Note 10 |
| Consultants fees | 4 280 | 4 494 | 4 719 | 4 955 | Note 11 |
| External Audit Fees | 8 925 | 9 371 | 9 840 | 10 332 | Note 13 |
| IT Cost (Maintenance and support costs) | 1 713 | 1 799 | 1 889 | 1 983 | Note 14 |
| Communication | 1 861 | 1 954 | 2 052 | 2 154 | Note 15 |
| Facilities | 10 113 | 10 619 | 11 150 | 11 707 | Note 16 |
| Leases: Office rental including rent parking | 15 414 | 13 764 | 15 942 | 16 739 | Note 17 |
| Partnerships and Initiatives - Contractor Development Programme | 2 050 | 2 153 | 2 260 | 2 373 | Note 18 |
| Other Operating expenses | 13 793 | 16 797 | 15 469 | 16 243 | Note 19 |
| Strategy Costs | | | | | |
| Organisational redesign /realignment | 0 | 0 | 0 | - | Note 28 |
| Business Development Costs (Travel and Build IDT Profile) | 0 | 0 | 0 | - | Note 29 |
| New Revenue Streams | 0 | 0 | 0 | - | Note 30 |

| | | | | | |
|--|----------------|---------------|---------------|---------------|---------|
| IT Strategy (Procurement and Project Management IT Capability) | 0 | 0 | 0 | - | Note 31 |
| Centralised Cost | 26 314 | 24 987 | 27 286 | 28 650 | |
| Telephone | 2 678 | 2 812 | 2 952 | 3 100 | Note 20 |
| Rent photocopiers | 4 052 | 4 255 | 4 467 | 4 691 | Note 21 |
| Insurance | 1 000 | 1 050 | 1 103 | 1 158 | Note 22 |
| Software Licences and Subscriptions | 5 697 | 5 982 | 6 281 | 6 595 | Note 23 |
| Network Data | 5 387 | 3 014 | 4 214 | 4 424 | Note 24 |
| Depreciation - Non Cash item | 7 500 | 7 875 | 8 269 | 8 682 | Note 12 |
| Net Operating Surplus / (deficit) for the year | 121 326 | 40 000 | 3 | 0 | |
| Surplus / deficit carry forward from previous year | | | 40 000 | 40 002 | |
| Closing Net Surplus | 121 326 | 40 000 | 40 002 | 40 002 | Note 27 |

Key Notes:

1. The output of strategy is not factored into subsequent years. The budget is conservative and reflects restrained revenue increases.
2. The IDT requires confirmed business not less than the expected expenditure for the subsequent year
3. The surplus budgeted for the 2020/21 financial year is fully dependent on the grant allocation of R160 million. It should be noted that this surplus will be carried forward into the subsequent years to fund the operating deficit. It is critical that additional new business be generated to fund the budgeted deficit. The additional required programme expenditure is R254 million to break even for the 2021/22 financial year

4. Unfunded CAPEX (Below Line)

| | | | | | |
|--|--------|-------|-----|-------|---------|
| Capex | 16 000 | 2 000 | 500 | 1 000 | |
| Head Office - Maintenance and Green Building | 10 000 | | | | Note 25 |
| Finance ERP System | 5 000 | | | | |
| IT and other equipment | 1 000 | 2 000 | 500 | 1 000 | Note 25 |

Notes:

1. Programme expenditure is based on estimated contracted work to be carried out on behalf client departments. New prospective business includes 4 special schools at an estimated cost of R250m per school in the Limpopo province. The DPWI allocation is a critical allocation of programme work to IDT that will contribute in stabilising the organisation in terms of financial sustainability in the ENE reporting cycle.
2. Budgeted staff number are indicative of the OD structure being implemented over the ENE budget cycle. The occupancy rate, based on a full OD structure of 295 employees, is 80%, 80% and 85% respectively for the 3-year budget cycle.
3. Management fee revenue is based on an average of 5% of programme work carried out.
4. This amount has been identified from dormant programme bank accounts and require parliamentary processes to be completed before the funds are lawfully availed to the organisation. This process is expected to be completed in the 2020/21 financial year. No further grants are expected in the outer years.
5. Other income comprises of interest income.

Notes:

6. Employee costs are based on the occupancy rate indicated in note 2. Employee costs are adjusted by 5% inflation rate over the ENE period. Inclusive of ten graduates at the cost of R250k per person per year. These graduates will be allocated to the core business of project management in the organisation.
7. Staff training is based on 2% of employee costs over the ENE budget cycle.
8. Restructure costs have not been factored into the budget estimates due to the OD process being put on hold as well as the uncertainty concerning operating, financing and HR business models.
9. Total travel costs are based on an average of R950k per month using actuals for the current financial year. Project related travel accounts for 70% of budget, business development travel accounts for 20% of travel and administration accounts for 10% of travel.
10. The organisation has a high litigation list emanating mostly from the programme work carried out on behalf of client departments. There is currently no indication that these cases will reduce against the IDT. Litigation costs have been limited to R8.4m for the year. This item has been deliberately kept at a low level. Some legal tasks should be driven internally to minimise costs. The bulk of litigation belongs to programmes and as such the Client should bear joint liability. This liability should be included in the contracting process.
11. Consultant costs have been limited to R2.0m per year. These costs are based on strategy implementation and clean audit objective.
12. This is a non-cash item. Depreciation is based on the organisation's assets over its useful life.
13. The external audit fee takes in account the Auditor General's view of IDT as a high risk client and as such a high level of substantive testing procedures will be utilised.
14. IT costs comprises mainly of IT support and maintenance costs. This amount has been adjusted by 5% inflation rate in the outer years.
15. Communications include branding, publication and event coordination activities.
16. Facility costs include cleaning, electricity, facility maintenance and repairs, national office property management fees and security. Facility costs associated with North West, Mpumalanga and Western Cape have been excluded as these offices will be accommodated in DPWI buildings.
17. Lease costs pertain to office and parking rental. This amount has been adjusted by 10% in the outer years. Lease costs associated with North West, Mpumalanga and Western Cape have been excluded as these offices will be accommodated in DPWI buildings.
18. Partnership and initiative cost is based on the contractor development programme adjusted by 5% over the ENE budget cycle.
19. Other overhead expenses include bank charges, catering, recruitment fees, resources costs (internal audit), forensic audit fees, stationery and printing costs, storage and trustees' remuneration. Refer annexure 1.
20. Telephone costs are based on R900 per employee per month. The IDT telephone policy needs to be implemented and cost recovery on excessive calls are to be tightly managed.
21. Photocopier rentals are contractually determined and agreed with IDT and the service provider.
22. Insurance includes asset cover for buildings, office contents, electronic equipment, motor vehicles, employment practice infringements, Board and committee cover, commercial crimes, third party claims and Sasria related cover. The organisation currently does not have directors cover. It is expected that due to the organisation's high risk profile, the cost of cover will be at a premium.
23. Software licences and subscription include all IT related software required for the organisation to carry out its function. The following licences are utilised by the organisation: Microsoft EAS, Kaspersky, Symantec, Mimecast, Websense, SSL Certificate, AD Audit Plus, Teamviewer, Quantum iScalar Tape Library, Microsoft Dynamics Great Plains and Sage.
24. Network data is the IT costs pertaining to the IT infrastructure required to support the organisation. Data costs are split according to the following items: VPN Supreme (voice and data), hosting, LAN management and firewall services. The annual costs as per these items are as R2.1m, R2.0m, R1.2m and R69k respectively from 2020/21.
25. Capex expenditure is limited to the acquisition and replacement of old computer equipment which has passed its useful life. It is expected that a high volume of computers will be acquired in the 2020/21 financial year. The outer years also reflect acquisitions of computer equipment but at a lower level. Any additional interventions that require capex work will have to be funded from additional revenue streams. These item are not included in the ENE budget cycle. Head Office Building capex

Notes:

is not included in the budget estimates. The critical items will include remedial work to the building structure as well as safety compliance on electrical installations in the building.

26. Based on the 3-year budget above, there are cash surpluses before non-cash items generated in 2020/21 (R96.2m) and 2022/23 (R79.6m). 2021/22 financial year reflects a deficit of R6.7m. It is critical that the programme expenditure targeted is achieved as this has a direct bearing on billing and collection of management fees.
27. The closing net surplus (R88.7m) from 2020/21 will be used to fund the deficit (-R14.7m) in 2021/22 year. The 2022/23 year will return a surplus (R71.1m).
28. The reorganisation initiative is expected to result in a fit for purpose organisation. This initiative is expected to result in an organisation that is commercially viable.
29. Business development costs are mainly related to travel and initiatives related to building the profile of the organisation. This will result in an increase in programme portfolios from Clients.
30. IDT will explore new service offerings to clients which include monitoring and assessment of projects, recovery of disbursements on projects and pre-assessment of projects.
31. IT capabilities include procurement and project management system development. IDT to consider use of cloud based solutions for user requirements as well as inexpensive IT system tools

13. Key Risks

Table 15: Key Risks and Mitigation

| Outcome | Key Risks | Mitigation |
|--|---|--|
| Increased access to quality social infrastructure | Litigation | <ul style="list-style-type: none"> • Adherence to turn-around times (internal process-10 days to capture. Verify and submit payment request to Head Office) • Adhere to contract clauses, standard operating procedures, policies and laws • Enforcement of the agreement with Service Providers) apply penalty clause). • Legal Services & PMSU to conduct workshops to Improve Contract Management and programme implementation. |
| | Declining business portfolio. | Implement stakeholder engagement strategy and profiling on the IDT |
| A transformed built environment | Lack of B-BBEE level 1&2, women, youth and people with disabilities owned companies that are well capacitated and meet procurement requirements | Collaborate with CIDB to access contractor database and DPWI to implement Contractor Development Programme. Advertise in construction and project management publication |
| Decent employment through inclusive economic growth | Non-compliance with governance regulatory frameworks | Refining project and programme management to ensure compliance and accountability |
| | Inefficient Operating Systems | Acquisition of integrated project management system |
| A commercially oriented, compliant, and fit for | Non-compliance with governance regulatory frameworks | <ul style="list-style-type: none"> • Continual communication by the Board to the shareholder on IDT's governance challenges, including financial non-sustainability. • Outgoing engagement between Senior Management and the Board on IDT's financial sustainability. • Proposed repositioning of the IDT as commercially driven entity awaiting Shareholder's approval. |

| Outcome | Key Risks | Mitigation |
|----------------|--|--|
| purpose entity | <ul style="list-style-type: none"> • Non-compliance with applicable legislative and regulatory framework • Non-compliance with IDT Deed of Trust | <ul style="list-style-type: none"> • Potential winding down of the Trust with concomitant results. • Potential business rescue, or under administration proceedings for the IDT. |
| | <p>Failure to attract and retain critical skills</p> <ul style="list-style-type: none"> • Job insecurity due to short term contracts (non-permanent appointments) • Loss of critical, skilled and competent staff • Prolonged restructuring process resulting in an unstable organisation • Negative reputation as prospective employer of choice | <ul style="list-style-type: none"> • Restructuring Project • Critical positions to be filled. • Staff migration into the new structure • Integrated Talent Management strategy including Succession Planning, • Acquisition and retention strategy. • Training interventions • Effective Performance Management System. |
| | <p>Lack of capacity and capability to deliver projects on time and within budget (improved delivery capacity)</p> <ul style="list-style-type: none"> • Over-runs on programme/project implementation delivery and budgets • Quality of programmes/project not aligned to industry norms and standards | <ul style="list-style-type: none"> • Attraction and retaining of appropriate technical personnel • Training and development of current personnel • Procure and implement PMIS • Ensure compliance with IDMS and FIDPM |
| | <p>Inability to transition from a Development Trust to a new commercially driven organisation</p> | <p>Obtain buy-in and support from political principals Appoint experts to drive commercialisation process</p> |
| | <ul style="list-style-type: none"> • Reduced portfolio (by departments), consequently programme expenditure and management fees • Ineffective cost management • Delayed payments by clients | <ul style="list-style-type: none"> • Business development and stakeholder engagement • Monthly report to the EXCO on IDT's liquidity. • Project Mitigation Plans • Improve billing and collection system, through monthly monitoring and reporting of debts. • Overhead cost containment on a project to project basis. • Track project budget (capex and overheads) to ensure cost/return effectiveness • Recapitalise project management with supporting staff to augment project capability. (45% core and 55% supporting staff. • Use previous data on projects to work a cost v benefit analysis to contain costs. • Explore and use efficiencies on projects, i.e. digital and technology to lower costs. • Implementation and close monitoring of Internal Audit Plan. • Obtain legal advice on entering into Business Rescue. |
| | <p>Inadequate processes, procedures and policies</p> <ul style="list-style-type: none"> • Non responsive SCM policies and processes | <ul style="list-style-type: none"> • Update all company policies and procedures and publish on IDT portal. • Improve SCM through introduction of a procurement committee to evaluate and approve all future supply chain contracts. |

| Outcome | Key Risks | Mitigation |
|---------|-----------|--|
| | | <ul style="list-style-type: none"> • Potential acquisition of an integrated / customised project management system. • Develop a 5 year ITC Strategic Framework. • Development a new project pricing model and processes. • Align new project pricing model with finance APP and budget. • Improving billing and collections system. • Strengthening of governance, financial management and supply chain procedures. • Reviewing relevant policies and procedures to ensure adherence and control. • Improve oversight monitoring and reports. |

14. Infrastructure Projects

The list of infrastructure projects hereunder reflect commitment made by different client department whose projects the IDT is a designated implementing agent. The table reflect selected project valued at R10 million and above.

Table 16: Infrastructure Project

| # | Region | Programme | Client | Description | Outputs | Start Date | Completion Date | Total Budget (R) | 2020/2021 Expenditure R |
|---|--------------|---------------------------------------|-----------|---|--|------------------|-----------------|------------------|-------------------------|
| 1 | Eastern Cape | Provincial Education | DOE | Refurbishment, Construction and upgrades of Schools | Upgraded and replacement schools | 2008/2009 | 2022/2023 | 1 873 353 830 | 299 660 000 |
| 2 | | National Education Water & Sanitation | DBE | Provision of water and sanitation to schools | Water and sanitations | 03 December 2012 | 31 March 2021 | 236 359 337 | 48 156 336 |
| 3 | | National Education | DBE | Refurbishment, Construction and upgrades of Schools | Upgraded and replacement schools | 21 June 2013 | 31 March 2022 | 414 021 658 | 48 104 072 |
| 4 | | Correctional Service | DCS | Integrated Security Systems | Integrated Security Systems in Prison kitchens | 16 August 2011 | 31 March 2023 | 305 370 337 | 34 883 004 |
| 5 | Free State | National Education NDPWI | DPWI/ IDT | Refurbishment, Construction and upgrades of Schools | Upgraded and replacement schools | 03 November 2014 | 31 March 2022 | 546 317 674 | 15 744 930 |
| 6 | | NDPWI Infrastructure | DPWI | Bloemspuit Airforce base | Refurbished facilities | 06 June 2016 | TBC | 9 000 000 | 120 000 000 |
| 7 | | NDPWI Infrastructure | DPWI | School of Health | Refurbished facilities | 06 June 2016 | TBC | 40 317 714 | 40 317 714 |
| 8 | | NDPWI Infrastructure | DPWI | Kagisanong Police Station (New) | New Infrastructure | 06 June 2016 | TBC | 120 000 000 | 34 771 605 |
| | Gaut eng | NDPWI Infrastructure | DPWI | Kagisanong Police Station (DECANTING) | Temporary office accommodation | 06 June 2016 | TBC | 15 000 000 | 15 000 000 |
| 9 | | Infrastructure Projects | DPWI | Waterkloof Air Force Base: Dolomite Risk Management | Dolomite Risk management | Multiple Years | Multiple Years | 185 128 759 | 60 096 199 |

| | | Infrastructure Projects | DPWI | Johannesburg Prison: Replacement of Boilers | Johannesburg Prison Boiler replacement, | Multiple Years | Multiple Years | 126 773 203 | 32 290 288 |
|----|--|---|-------|---|---|----------------|----------------|-------------|-------------|
| 10 | | Upgrades & Additions | DOE | Upgrades & Additions of learning facilities for existing schools | Classrooms | 01 April 2008 | 31 March 2021 | 142 382 000 | 215 063 000 |
| 11 | | DSD Maintenance & Drought Relief Programme | DSD | Drilling of Boreholes, Installation of Water Tanks and Construction of Septic Tanks in DSD Facilities | Functional and accessible boreholes and water tanks | 01 May 2009 | 31 March 2022 | 20 853 780 | 201 500 000 |
| 12 | | Supply of Chemical Toilets | DOE | Supply and servicing of chemical toilets | Temporary sanitation | 01 April 2014 | 31 March 2021 | 124 988 000 | 86 300 000 |
| 13 | | DSD Capital Projects | DSD | Construction of ECDs, Welfare Centres, Service Offices | ECDs, service Offices, Welfare Centres | 01 May 2009 | 31 March 2022 | 61 679 000 | 85 283 000 |
| 14 | | Repairs & Renovations | DOE | Repairs & Renovation of existing facilities | Refurbished schools | 01 April 2014 | 31 March 2021 | 29 864 000 | 59 403 999 |
| 15 | | New / Replacement Schools | DOE | Construction of new schools | School | 01 April 2008 | 31 March 2021 | 130 007 000 | 56 698 000 |
| 16 | | Desludging | DOE | Removal and disposal of sludge | Functional ablutions | 01 April 2012 | 31 March 2021 | 41 746 000 | 48 283 000 |
| 17 | | Water & Sanitation | DOE | Provision of water and ablution facilities | Water & Sanitation | 01 April 2008 | 31 March 2021 | 105 502 000 | 37 398 000 |
| 18 | | LP Emergency Programme School | LDOE | RIVONI SCHOOL FOR THE BLIND | | 28 March 2019 | 31 March 2022 | 81 000 000 | 25 000 000 |
| | | Limpo Public Work King/ Queenship Programme | LDPWI | Balobedu Kingship Offices & Palace 2017/18 King/ Queenship | Offices and Royal Palace | 01 April 2016 | 31 March 2021 | 45 000 000 | 16 000 000 |
| | | Construction of New Courts Programme | DOJ | Limpo High Court | Functional & Accessible High Court | 01 April 2018 | to completion | 20 042 298 | 15 000 000 |
| | | Kwa-Zulu Natal | | | | | | | |
| | | Limpopo | | | | | | | |

| | | | | | | | | |
|--|---|-------|-------------------------------------|--------------------------------|---------------|---------------|------------|------------|
| | Limpopo Public Work King/ Queenship Programme | LDPWI | Vhavenda Kingship Offices & Palace | Offices and Royal Palace | 01 April 2016 | 31 March 2021 | 45 000 000 | 15 000 000 |
| | New office Accommodation 2 | LDSD | Belabela Office Accommodation | Offices | 01 April 2016 | 31 March 2021 | 31 300 000 | 12 000 000 |
| | New office Accommodation 2 | LDSD | Dzumeri Office Accommodation | Offices | 01 April 2016 | 31 March 2021 | 31 300 000 | 12 000 000 |
| | New office Accommodation 2 | LDSD | Groblersdal Office Accommodation | Offices | 01 April 2016 | 31 March 2021 | 31 300 000 | 12 000 000 |
| | New office Accommodation 2 | LDSD | Mecklenburg Office Accommodation | Offices | 01 April 2016 | 31 March 2021 | 31 300 000 | 12 000 000 |
| | New office Accommodation 2 | LDSD | Tshilwathusiku Office Accommodation | Offices | 01 April 2016 | 31 March 2021 | 31 300 000 | 12 000 000 |
| | LP Emergency Programme School | LDOE | MAHUMANI | Functional & accessible school | 28 March 2019 | 31 March 2022 | 26 850 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | MANG-LE-MANG | Functional & accessible school | 28 March 2019 | 31 March 2022 | 19 600 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | MATHEDE | Functional & accessible school | 28 March 2019 | 31 March 2022 | 20 100 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | MONYONG | Functional & accessible school | 28 March 2019 | 31 March 2022 | 22 850 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | MPELEGENG | Functional & accessible school | 28 March 2019 | 31 March 2022 | 17 600 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | NDZALAMA | Functional & accessible school | 28 March 2019 | 31 March 2022 | 26 850 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | NKGOPOLENG BAKONE | Functional & accessible school | 28 March 2019 | 31 March 2022 | 27 600 000 | 11 500 000 |
| | LP Emergency Programme School | LDOE | Nkomo Goxani Primary | Functional & accessible school | 28 March 2019 | 31 March 2022 | 26 850 000 | 11 500 000 |

| | | | | | | | | | |
|--------------|--------------|----------------------|-----|---|---|---------------|---------------|----------------------|----------------------|
| 25 | North West | Tourism | DOT | Construction of new facility | Construction of facilities at Department of Tourism | 01 April 2015 | 31 March 2022 | 109 000 000 | 56 200 000 |
| 26 | | Provincial Education | DOE | Department of education infrastructure programmes | New Schools, upgrades and additions, refurbishments and Rehabilitations | 01 April 2015 | 31 March 2023 | 1 122 136 359 | 41 646 159 |
| 27 | Western Cape | DCS06WCAN | DCS | Brandvlei Refurbishment | Refurbishment of old prison | 01 May 2019 | 31 March 2023 | 403 257 573 | 34 000 000 |
| 28 | | DCS01WCAN | DCS | Integrated Security System (ISS) | Upgrade security/access controls to prisons | 01 May 2019 | 30 June 2024 | 123 409 807 | 32 909 282 |
| TOTAL | | | | | | | | 7 465 906 032 | 2 346 639 803 |

Part D: TECHNICAL INDICATOR DESCRIPTIONS (TIDs)

Programme 1: Infrastructure Programme Management Services

1. Outcome # 1: Increased access to quality social infrastructure

| Indicator title(#1.1.1) | 1.1.1 Percentage of projects completed on time |
|------------------------------------|---|
| Definition | The indicator describes percentage of projects completed on approved timeframe out of total completed projects in a financial year. Approved project time frame refers to time frame approved by the principal agent per the latest project plan, inclusive of the variation order (VO) and extension of time (EoT) |
| Source of data | Practical completion certificate (designates project completion). VO/EoT register (approved time extension and Variation Orders) |
| Method of calculation / Assessment | Total number of projects completed on time / total number of projects completed in a financial year X100. |
| Means of verification | Practical completion certificates. VO/EoT Register |
| Assumptions | Conclusive identification of an approved project plan (e.g. no disputed and /or unauthorised approval of variation orders by principal agent). |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Cumulative (Year to date). |
| Reporting cycle | Quarterly and annually. |
| Desired performance | At least 70% of projects are completed on time in a given year. |
| Indicator Responsibility | National office: GM: Portfolio Management. Regional office: Pfm/RGM. |

| Indicator title (1.2.1) | 1.2.1 Percentage of projects completed within budget |
|------------------------------------|--|
| Definition | The indicator describes percentage of projects completed within budget out of total completed projects in a financial year based on the approved project budget. Approved project budget include variation order (VO). |
| Source of data | Final completion certificate designates project completion inclusive of cost report. Final Account Project VO register. |
| Method of calculation / Assessment | Total number of projects completed within budget /total number of projects reached final account in a financial year X100. |
| Means of verification | Final Completion Certificate Final Account Forecast budget and expenditure report and Cost Report at PC stage Project VO Register |

| | |
|---------------------------------|--|
| Indicator title (1.2.1) | 1.2.1 Percentage of projects completed within budget |
| Assumptions | Conclusive identification of an approved project plan (e.g. no disputed and /or unauthorised approval of variation orders by principal agent). |
| Unit of measure | Percentage. |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Cumulative (Year to date). |
| Reporting cycle | Quarterly and annually. |
| Desired performance | At least 70% of projects are completed on within budget in a given year. |
| Indicator Responsibility | National office: GM: Portfolio Management. Regional office: Pfm/RGM. |

| | |
|---------------------------------|--|
| Indicator title (1.3.1) | 1.3.1 Number of new or replacement infrastructure facilities that comply with infrastructure norms completed |
| Definition | <p>Total number of new, replacement or restored facilities for which a practical completion certificate or related instrument certifying completion has been issued as per the applicable contract</p> <p>New infrastructure asset: A unit/suite of physical structures erected for a particular purpose on a greenfield site.</p> <p>Replacement: A unit/suite of physical structures that has been substantially rebuilt or substituted with new structure/s.</p> <p>Completed: A physical structure(s) which has been newly built or replaced, and for which a practical completion certificate has been issued as per the applicable contract.</p> <p>Infrastructure norms: Infrastructure standards applicable in the design of infrastructure approved by client – practical completion certificate is regarded as certification that the completed facilities was constructed according to the approved designed standard and scope approved by client.</p> |
| Source of data | <ul style="list-style-type: none"> • Assessment Report or • List of Projects or • Implementation Plan |
| Source documentation originator | PIM or PM |
| Method of calculation | Simple count of the number of projects completed based on practical completion certificates received |
| Means of verification | Practical completion certificate. Scope of work completed (technical progress report). |
| Assumptions | Project structured in phases thereby resulting in multiple practical completion certificates are counted as project completed at the respective phase. This shall not constitute over reporting or double counting when subsequent phases comes online. |

| | |
|---------------------------------|---|
| Indicator title (1.3.1) | 1.3.1 Number of new or replacement infrastructure facilities that comply with infrastructure norms completed |
| | Incidences of exceptional circumstance where for an example a client decrease or increase the number of facilities to be completed based on available funding or terminate the agreement will have no impact on the final number of facilities completed. |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | Dependent on the location of the facility completed within the municipal area. |
| Calculation type | Cumulative (Year-To-Date) |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Target achieved or target over-achieved. Higher figures indicate good progress towards IDT's contribution towards eradication of backlogs and improvements in service delivery. |
| Indicator Responsibility | National office: GM: Portfolio Management. Regional office: Pfm/RGM. |

| | |
|------------------------------------|---|
| Indicator title (1.4.1) | 1.4.1 Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed) |
| Definition | <p>Non-greenfield facilities include all social infrastructure facilities completed other than new or replacements facilities. These includes renovations, rehabilitations, maintenance and upgrades (including additions) {(RRMUs)}. The indicator describes a unit/suite of physical structure(s) or a facility that has been restored to an original condition through repairs or remodelling and existing within its original site</p> <ul style="list-style-type: none"> • Renovations, Rehabilitations, Maintenance and Upgrades (including additions, e.g. an ECDC facility in existing school): A unit/suite of physical structure(s) that has been restored to an original condition through repairs or remodelling and existing within its original site • Completed: A physical structure(s) which has been newly built or replaced, and for which a practical completion certificate has been issued as per the applicable contract. • Infrastructure norms: Infrastructure standards applicable in the design of infrastructure approved by client – practical completion certificate is regarded as certification that the completed facilities was constructed according to the approved designed standard and scope approved by client. |
| Source of data | <ul style="list-style-type: none"> • Assessment Report or • List of Projects or • Implementation Plan |
| Method of calculation / Assessment | Simple count of the number of projects completed based on practical completion certificates received |

| | |
|---------------------------------|---|
| Indicator title (1.4.1) | 1.4.1 Number of non-greenfield social infrastructure facilities that comply with infrastructure norms completed) |
| Means of verification | Practical completion certificate. Scope of work completed (technical progress report). |
| Assumptions | Project structured in phases thereby resulting in multiple practical completion certificates are counted as project completed at the respective phase. This shall not constitute over reporting or double counting when subsequent phases comes online. Incidences of exceptional circumstance where for an example a client decrease or increase the number of facilities to be completed based on available funding or terminate the agreement will have no impact on the final number of facilities completed. |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | Dependent on the location of the facility completed within the municipal area. |
| Calculation type | Cumulative (Year-To-Date) |
| Reporting cycle | Quarterly and annually. |
| New indicator | No. |
| Desired performance | Target achieved or target over-achieved. Higher figures indicate good progress towards IDT's contribution towards eradication of backlogs and improvements in service delivery.5bn or more (value of programme spend). |
| Indicator Responsibility | National office: GM: Portfolio Management. Regional office: PfM/RGM. |

2 Outcome # 2: A transformed built environment

| | |
|--------------------------------|---|
| Indicator title (2.1.1) | 2.1.1 Percentage of weighted B-BBEE Spend (based on total programme spend) |
| Definition | This indicator describes the percentage of weighted B-BBEE spend out of the total programme spend for a given period. NB: Weighted B-BBEE calculation is based on the service provider's valid B-BBEE certification level. |
| Source of data | Report on B-BBEE expenditure compiled by the Performance Information Manager based on information drawn from the payment system and the Vendor Management System and/or Central Supplier Database. |
| Method of calculation | Vendor expenditure x % level of B-BBEE= Weighted B-BBEE expenditure. Sum of weighted B-BBEE/value of programme spend x 100 % of weighted B-BBEE spend. |
| Means of verification | Expenditure report. Valid BBEE Certificate. Central Supplier Database. |

| | |
|---------------------------------|---|
| Assumptions | Expired B-BBEE certificates are replaced Total compliance with relevant prescripts |
| Disaggregation of beneficiaries | Black owned or managed companies |
| Spatial Transformation | N/A |
| Calculation type | Non-Cumulative |
| Reporting cycle | Quarterly and annually. |
| Desired performance | 70% of total programme spend is on B-BBEE. |
| Indicator Responsibility | National office: General Manager - Supply Chain management Regional office: Regional Finance Manager and PIMO. |

| | |
|--------------------------------------|---|
| Indicator title (2.2.1) | 2.2.1 Number of contractors from designated groups participating in Contractor Development Programme(CDP) |
| Definition | <p>This indicator describes the desired number of participants drawn from the designated contractors recruited into the Contractor Development Programme (CDP).</p> <p>Contractors are selected through defined criteria as participants in the IDT CDP and client-initiated emerging contractor empowerment programmes. An entity with 50%+ equity ownership of specific designated group is considered fully owned that designated designed group.</p> <p>Designated group means, black people, women, people with disabilities and small enterprises, as defined in section 1 of the National Small Enterprise Act (Act 102 of 1996). It includes Women, Youth (as defined in the National Youth Commission Act 19 of 1996), People with disability, Military Veterans, etc. as defined in the Codes of Good Practice in the Broad -Based Black Economic Empowerment</p> |
| Source of data | <p>Signed selection letter/agreement for participation or signed evaluation report by RGM, GM, Executive or signed agreement/appointment letter by participant (in the case of a client participant) and/or service provider training reports bearing at the least the training type, company name, trainee name, ID number, gender, training period, facilitator signature and attendance register.</p> <p>Service provider mentorship reports bearing at the least the mentorship area, company name, mentee name, identity number, gender, mentorship period and/or</p> <p>Performance Information Management System Description and CDP Manual.</p> |
| Method of calculation/ Assessment | Simple count of the number of designated groups participating in the CDP. |
| Means of verification | <p>A contract with CDP participants</p> <p>Service provider training reports and attendance register (where training was provided or</p> <p>Service provider mentorship reports (where mentoring was provided).</p> |
| Assumptions | <p>Availability of structured training including funding; suitable CDP participant; and mentors (including fund for mentors' payment)</p> <p>The IDT has work and ability to monitor contractor performance (time)</p> |

| | |
|--|--|
| Indicator title (2.2.1) | 2.2.1 Number of contractors from designated groups participating in Contractor Development Programme(CDP) |
| | Service provider reports and/or attendance registers reflect accurate/complete information such as ID numbers |
| Disaggregation of beneficiaries | Women, Youth, People with disability and Military Veterans |
| Spatial Transformation | N/A |
| Calculation type | Non-cumulative. |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Target achieved or target over-achieved: at least 60 designated groups falling between CIDB Grades 3GB and 5GB who participate in the CDP. |
| Indicator Responsibility | National Office: Development Planning Specialist. Regional Office: RGM/PM. |

| | |
|--|---|
| Indicator title (2.3.1) | 2.3.1 Percentage of contractors from designated groups participating in Contractor Development Programme |
| Short description | This indicator describes the proportion of contractors from designated groups participating in the CDP as at a given period out of the total number of CDP participants. An entity with 50%+ equity ownership of specific designated group is considered fully owned that designated designed group. Designated groups refers to Momen and Youth |
| Source/collection of data | Signed selection letter/agreement for participation or signed evaluation report by RGM, GM, Executive or signed agreement/appointment letter by participant (in the case of a client participant) and/or service provider training reports bearing at the least the training type, company name, trainee name, ID number, gender, training period, facilitator signature and attendance register. Service provider mentorship reports bearing at the least the mentorship area, company name, mentee name, identity number, gender, mentorship period and/or Dashboard report |
| Method of calculation (formula) | Number of (specific) designated group participating in the CDP/number of CDP participants x 100. = % of designated contractors participating in the CDP |
| Means of verification | CDP functional area reports. |
| Assumptions | Availability of structured training including funding; suitable CDP participant; and mentors (including fund for mentors' payment) The IDT has work and ability to monitor contractor performance (time) |
| Disaggregation of beneficiaries | Women, Youth, People with disability and Military Veterans |
| Spatial Transformation | N/A |

| | |
|--------------------------------|--|
| Indicator title (2.3.1) | 2.3.1 Percentage of contractors from designated groups participating in Contractor Development Programme |
| Calculation type | Non-cumulative. |
| Reporting cycle | Quarterly and annually. |
| New indicator | No. |
| Desired performance | Target achieved or target over-achieved with at least 40 % of CDP participants drawn from women contractors in CIDB Grades 1 to 5. |
| Indicator Responsibility | National office: GM: Portfolio Management. Regional Office: PfM/RGM |

3 Outcome # 3: Decent employment through inclusive economic growth

| | |
|---------------------------------|--|
| Indicator title (3.1.1) | 3.1.1 Number of construction work opportunities created (through IDT Portfolio) |
| Definition | This indicator describes the total number of people engaged for work in an IDT-managed projects (excluding projects under EPWP-NSS) for a minimum of a day. Where a participant leaves and returns during the same financial year in a single project/initiative, this is counted as one work opportunity. Therefore, work opportunities created should always equate to the number of participants in a project in a given financial year. |
| Source/collection of data | Report on IDT job opportunities created generated by regional PIMOs based on project information processed by PIMs and PIAs and other supplementary information sources including the IDT Beneficiary Reconciliation Form (BRF) and the Beneficiary Information Management system (BIMS). The generated information is processed in the dashboard system. |
| Method of calculation (formula) | Simple count. Total number of beneficiaries as per the IDT Beneficiary Reconciliation Form arrived as follows: Beneficiary should have a valid 13-digit SA ID number. The register should be signed by the IDT and client representatives. To be counted, a beneficiary should sign an attendance register. Foreigners without a valid 13-digit SA ID number are not counted. Beneficiary should have a number of days worked indicated on their form. |
| Assumptions | Beneficiary Reconciliation Forms; properly signed by either representative or beneficiaries is a true reflection of work opportunity created. |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Target achieved or target over-achieved with at least 4 764 work opportunities created. |
| Indicator Responsibility | National Office: GM: Portfolio Management Regional Office: PfM/RGM. |

| | |
|---|--|
| Indicator title (3.2.1) | 3.2.1 Number of EPWP work opportunities created through EPWP (EPWP-NSS IDT excluding IDT portfolio). |
| Definition | This indicator describes the total number of people engaged for work in an IDT-managed project (including projects under EPWP-NSS) for a minimum of a day. Where a participant leaves and returns during the same financial year in a single project/initiative, this is counted as one work opportunity. Therefore, work opportunities created should always equate to the number of participants in a project in a given financial year. |
| Source of data | Report on job opportunities created through IDT managed projects generated by regional PIMOs based on project information processed by PIMs and PIAs and other supplementary information sources including the IDT Beneficiary Reconciliation Form (BRF) and the Beneficiary Information Management system (BIMS). The generated information is processed in the dashboard system. |
| Method of calculation / Assessment | Simple count. Total number of beneficiaries as per the IDT Beneficiary Reconciliation Form arrived as follows: Beneficiary should have a valid 13-digit SA ID number. The register should be signed by the IDT and client representatives. To be counted, a beneficiary should sign an attendance register. Foreigners without a valid 13-digit SA ID number are not counted. Beneficiary should have a number of days worked indicated on their form. |
| Means of verification | Signed Beneficiary Reconciliation Form |
| Assumptions | Beneficiary Reconciliation Forms; properly signed by either representative or beneficiaries is a true reflection of work opportunity created. |
| Disaggregation of beneficiaries | Women, Youth, People with disability and Military Veterans |
| Spatial Transformation | N/A |
| Calculation type | Cumulative (Year-To-date). |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Target achieved or target over-achieved with at least 60 800 work opportunities created. |
| Indicator Responsibility | National Office: GM: Portfolio Management |

Programme 2: Administration: A financially viable, effective, efficient and sustainable organisation

4 Outcome #4: A Compliant and Fit-for-Purpose Entity

| Indicator title (4.1.1) | 4.1.1 Value of programme spend |
|------------------------------------|--|
| Definition | The indicator describes the total value of expenditure on all the IDT's programmes as at a given period. Value includes expenditure on both social infrastructure and social development programmes. |
| Source/collection of data | Great Plains Programme Expenditure Report and general ledger for programmes accruals – primary source. Finance unit report (financial review) Retrieve programme expenditure report from the Great Plains |
| Method of calculation / Assessment | Total value of programme expenditure as per Great Plains Expenditure Report for programmes plus programme accrual as determined by the Financial Services Unit. |
| Means of verification | Great Plains Expenditure Report. Finance unit report (financial review & programme funds reconciliation) |
| Assumptions | New programmes and projects are automatically updated on Great Plain Accruals, payment certificates and cut-off period are correctly accounted for All expenditure is reported in the appropriate period (accrual accounting) |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Cumulative (Year to date). |
| Reporting cycle | Quarterly and annually. |
| Desired performance | R5bn or more (value of programme spend). |
| Indicator Responsibility | National office: Programme Manager: Information Systems. Regional office: Regional AFM/RGM. |

| Indicator title (4.1.2) | 4.1.2 Annual management fee collection ratio |
|------------------------------------|---|
| Short description/definition | This indicator describes the desired management fee collection ratio for the financial year in order to improve financial sustainability of the entity. |
| Purpose/importance | To improve the revenue inflow and the IDT's sustainability. |
| Source of data | Financial Review report/management fee billing report generated from the management fee billing system and / or the Great Plains system. |
| Source documentation originator | Manager: Financial Accounting. |
| Method of calculation / Assessment | Total management fees collected as at the end of period/ total management fee billed as at the time of reporting x 100. |

| | |
|---------------------------------|---|
| Indicator title (4.1.2) | 4.1.2 Annual management fee collection ratio |
| Means of verification | Calculated ratio from financial records (including FSU financial review report) - Debtors Collection Report |
| Assumptions | None |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Non-Cumulative. |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Target achieved or over achieved within sixty-day cycle |
| Indicator Responsibility | National office: PMSU Executive and the CFO. Regional office: RGMs |

| | |
|------------------------------------|--|
| Indicator title (4.2.1) | 4.2.1 Percentage of compliant programme invoices paid within 30 days of receipt. |
| Definition | This indicator describes percentage of compliant project invoices paid within 30-days (payment turnaround time) from date of receipt. |
| Purpose/importance | To ensure that suppliers are paid on time and to avoid penalties or interest which will results in fruitless and wasteful expenditure. |
| Source of data | Financial review report from FSU. |
| Method of calculation / Assessment | Count the number of compliant invoices paid within 30 days in a given period and express this as a percentage of the total number of compliant invoices paid during the same period. Number of compliant invoices paid within 30 days of receipt / total number of compliant invoices paid for the same period x 100. |
| Means of verification | Calculated ratio from financial records (including FSU financial review report) - Invoice Register; Monthly Accrual Report; invoice captured report (Great Plains System). |
| Assumptions | All received complaint invoice are captured on invoice register Invoice payment turnaround period is continuously tracked |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Non-Cumulative. |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Pay 100% of compliant invoices within 30 days of receipt. |
| Indicator Responsibility | General Manager: Finance/RGMs/ AFMs/SM: Project Accounting. |

| | |
|--------------------------------|---|
| Indicator title (4.2.2) | 4.2.2 Percentage of compliant overhead invoices paid within 30 days of receipt. |
| Short description/definition | This indicator describes percentage of compliant overheads invoices paid within 30-days (payment turnaround time) from date of receipt. |

| | |
|------------------------------------|--|
| Source of data | Financial review report from FSU. |
| Method of calculation / Assessment | Count the number of compliant invoices paid within 30 days in a given period and express this as a percentage of the total number of compliant invoices paid during the same period. Number of compliant invoices paid within 30 days of receipt / total number of compliant invoices paid for the same period x 100. |
| Means of verification | Calculated ratio from financial records (including FSU financial review report) - Invoice Register; Monthly Accrual Report; invoice captured report (Great Plains System). |
| Assumptions | All received complaint invoice are captured on invoice register Invoice payment turnaround period is continuously tracked |
| Disaggregation of beneficiaries | N/A |
| Spatial Transformation | N/A |
| Calculation type | Non-Cumulative. |
| Reporting cycle | Quarterly and annually. |
| Desired performance | Pay 100% of compliant invoices within 30 days of receipt. |
| Indicator Responsibility | General Manager: Finance/RGMs/ AFMs/SM: Project Accounting. |

ANNEXURE 1: SHAREHOLDER'S COMPACT



public works
& infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA



SHAREHOLDER'S COMPACT

for the period

1 April 2020 to 31 March 2021

Entered into by and between the

INDEPENDENT DEVELOPMENT TRUST

and

THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

Represented by the

MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

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SHAREHOLDER'S COMPACT

1. INTERPRETATION

The headings of the clauses in this agreement are for the purpose of reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this agreement nor any clause hereof. In this Agreement, unless otherwise indicated or contrary to the context, the words and phrases set out below shall have the meanings ascribed to them herein.

- 1.1. **"Accounting Authority"** means the Board of Trustees of the Independent Development Trust, appointed from time to time
- 1.2. **"Chairperson"** means the Chairperson of the Accounting Authority appointed from time to time.
- 1.3. **"Chief Executive Officer"** means the Chief Executive Officer of the Independent Development Trust.
- 1.4. **"Corporate Plans"** means the Business Plan, Strategic Plan, Annual Performance Plan or a combination of these, to be developed and submitted to the Shareholder in terms of clause 8 hereof.
- 1.5. **"Department"** refers to the national Department of Public Works and Infrastructure.
- 1.6. **"Executive Authority"** means the Minister of Public Works and Infrastructure or any other member of Cabinet who is designated by the Cabinet as the Independent Development Trust's Executive Authority.
- 1.7. **"IDT"** means the Independent Development Trust; Registration Number 669/91; a duly registered Trust in terms of the Trust Property Control Act, 1988 (Act No.57 of 1988) and well as a Schedule 2 Public Entity in terms of the Public Finance Management Act 1 of 1999; as amended.
- 1.8. **"King Report"** means the King Report on Corporate Governance.
- 1.9. **"Minister"** means the Honourable Minister of Public Works and Infrastructure in his/her capacity as the Executive Authority of the Independent Development Trust.
- 1.10. **"NDPWI"** means the national Department of Public Works and Infrastructure.
- 1.11. **"PFMA"** means the Public Finance Management Act 1 of 1999, as amended.
- 1.12. **"Parties"** means the Shareholder and the Independent Development Trust.
- 1.13. **"Protocol"** means the Protocol on Corporate Governance in the Public Sector, as amended.
- 1.14. **"Shareholder's Compact"** means this Agreement including annexures where applicable.
- 1.15. **"Shareholder"** means the Government of the Republic of South Africa, represented by the Minister.

2. INTRODUCTION

- 2.1. This Shareholder's Compact represents the agreement between the Shareholder represented by Executive Authority and the Independent Development Trust represented by the Accounting Authority. It is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved.
- 2.2. The Shareholder and the Independent Development Trust ("IDT") Accounting Authority subscribe to good governance principles as outlined in the King Report, the purpose of which is to promote the highest standard of corporate governance in South Africa. The agreement is also regulated in terms of Regulation 29.2 of the Treasury Regulations.
- 2.3. Government has approved a "Protocol on Corporate Governance in the Public Sector", to be read in conjunction with the King Report, applicable to all Public Entities listed in Schedule 2, 3B and 3D of the PFMA. The protocol is intended to provide guidance to Public Entities, relating to, *inter alia*, good governance in the public sector, effective accountability on financial and non-financial matters, and the pursuit of socio-politico-economic objectives of Government.
- 2.4. The Shareholder's Compact is in keeping with the provisions of the PFMA, and the Regulations promulgated in terms thereof.
- 2.5. The Shareholder's Compact represents an element of the governance framework and agreement between the Shareholder and the IDT Accounting Authority.
- 2.6. The parties, in endeavouring to advance good corporate governance of the parties, strengthen NDPWI oversight over the IDT, and foster conducive relations between the parties, hereby agree on the terms and conditions set out below.

3. OVERVIEW OF GOVERNANCE ISSUES

- 3.1. The Government's relationship to its SOE's is similar to the relationship between a holding company and its subsidiaries, features of which include:
 - 3.1.1. A strong interest in the financial performance of the SOE;
 - 3.1.2. Reporting and accountability arrangements that facilitate an appropriate oversight by the Shareholder; and
 - 3.1.3. Remedial action by the Shareholder where the SOE's strategic direction deviates from that preferred by the Shareholder.
- 3.2. The relevant Executive Authorities, as contemplated in the PFMA, and the Minister of Finance represent the Government's ownership interest in the SOEs.

4. GUIDING PRINCIPLES

- 4.1. The guiding principles of the Protocol are as follows:
 - 4.1.1. Executive Authority should exercise policy control over the SOE's consistent with their accountability to Parliament and the public;
 - 4.1.2. Executive Authority should set clear objectives for SOE's;
 - 4.1.3. Any Social Service Obligations that a SOE is to undertake should generally be specified through a Shareholder compact;

- 4.1.4. The directors of a SOE should ensure the development of business strategies, policies and procedures and monitor management in the implementation thereof.
- 4.2. The directors of a SOE should ensure that:
 - 4.2.1. The SOE's activities are conducted so as to minimise any divergence of interests between the SOE and the Shareholder;
 - 4.2.2. SOE's activities are managed in the best interests of the SOE's, Shareholder and other stakeholders;
 - 4.2.3. SOE's *** and their officers maintain the highest standards of integrity, accountability and responsibility.

5. PERIOD

The Shareholders' Compact is effective from 1 April 2021 until 31 March 2022.

6. INDEPENDENT DEVELOPMENT TRUST'S MANDATE AND ITS RELATIONSHIP WITH THE EXECUTIVE AUTHORITY

- 6.1. The Shareholder has mandated the IDT to be the national Department of Public Work and Infrastructure's agency responsible for government's programme and project management for social infrastructure, underpinned by community mobilisation and empowerment.
- 6.2. It is acknowledged by the parties that in the execution of the stated mandate, the IDT will endeavour to influence, support and add value to the national development agenda.
- 6.3. The IDT will execute its mandate by deploying its resources towards augmenting the state's capacity to effectively implement social infrastructure programmes delivery, with intent to positively contribute to socio-economic development and poverty eradication.
- 6.4. The Accounting Authority shall on matters relating to the execution of the IDT mandate, pursue the same having regard to the guidance of the Executive Authority, and the Department's priorities, outcomes and strategic thrust and stipulated frameworks.
- 6.5. To foster conducive relations between the Department and the IDT, enable effective governance and oversight over the IDT, and facilitate complementarity of IDT to national DPWI, the parties shall endeavour to formulate and enter into ancillary operational instruments, namely:
 - 6.5.1. The NDPWI-IDT Business Development and Projects Allocation Protocol: The instruments shall provide a guiding framework for IDT business development in relation to the national government sphere and other spheres of government. Furthermore, the Protocol shall outline arrangements relating to the allocation of projects by the national DPWI to the IDT.
 - 6.5.2. The NDPWI Service Standards and Practices Framework (DPWI SSPF) for IDT Social Infrastructure Programme Management: The instrument shall stipulate at a programme and project level, the procedure requirements and expectations of the DPWI for infrastructure development management by the IDT.
- 6.6. To facilitate the Executive Authority's effective oversight over the IDT's remuneration practices, the Accounting Authority shall present for ratification by the Executive Authority on a three-year interval basis or when changes are proposed, the **IDT Remuneration Strategy and Framework**. In addition, the Accounting Authority shall report to the

Executive Authority and other stakeholders the annual update on the implementation of the framework in line with the relevant legislative prescripts.

- 6.7. The Accounting Authority shall submit the proposed / existing board remuneration framework to the Executive Authority for ratification on a three-year interval basis and / or when changes to the framework are proposed. In addition, the Accounting Authority shall report to the Executive Authority and other stakeholders the annual update on the implementation of the framework in line with the relevant legislative prescripts.
- 6.8. The IDT shall align its corporate and projects branding to the corporate brand of the Department. Interventions in this regard may include the insertion of the statement "An entity of the national Department of Public Works and Infrastructure" on the IDT letterhead and other relevant corporate material. Furthermore, this may also include the insertion and/or use of the Government logo and the Department's corporate emblem on identified IDT corporate material and gear.
- 6.9. The Accounting Authority represented by the Board Chairperson, shall hold quarterly meetings at the minimal, with the Executive Authority or the Deputy Minister with the purpose of nurturing relations and maintaining regular contact to ensure that the Executive Authority is fully informed on the IDT activities at all relevant stages. These meetings shall also be aligned to the Department's governance processes of reporting for its entities.
- 6.10. The parties shall at all times conduct their relationship in a manner intended at promoting the objectives of the parties in relation to the mandate of the IDT.

7. UNDERTAKINGS BY THE ACCOUNTING AUTHORITY OF THE INDEPENDENT DEVELOPMENT TRUST

- 7.1. The Accounting Authority undertakes to act in accordance with the Executive Authority approved strategic plan (SP), corporate and annual performance plans (APP). Where it cannot do so, it will seek approval of the Executive Authority.
- 7.2. Recognising that the IDT is in transition, the Accounting Authority undertakes to:
 - 7.2.1. Provide the Executive Authority with strategic and technical support in the process of formulating the IDT's long-term Sustainability Business Case.
 - 7.2.2. Provide the Department with the relevant information pertaining to the operations of the IDT, in order to facilitate and enhance Executive Authority oversight over the work of the IDT, its intended reconfiguration and any other decision making relating to the entity.
- 7.3. In addition to the above, the Accounting Authority undertakes not to:
 - 7.3.1. Enter into any transactions other than in the ordinary, regular and normal course of business;
 - 7.3.2. Purchase or dispose of any asset other than in the ordinary, regular and normal course of business;
 - 7.3.3. Be liable, whether contingently or otherwise and whether as surety, co-principal debtor, guarantor, for the liabilities of any third party other than in the ordinary, regular and normal course of business;
 - 7.3.4. Make decisions falling outside the ambit of its Deed of Trust and the scope of the mandate and authority granted in terms of this Shareholder's Compact without the approval of the Shareholder.

8. ROLE OF THE ACCOUNTING AUTHORITY

- 8.1. The Board of the IDT has absolute responsibility for the performance of the IDT and is fully accountable to the Shareholder for such performance. As a result, the Board should give strategic direction to the IDT, and in concurrence with the Executive Authority appoint the Chief Executive Officer and ensure that an effective succession plan for all key executives is in place and adhered to.
- 8.2. The Board shall retain full and effective control over the IDT and monitor management closely in implementing Board plans and strategies.
- 8.3. The Board should ensure that the IDT is fully aware of and complies with applicable laws, regulations, government policies and codes of business practice and communicates with the Shareholder and relevant stakeholders openly and promptly with substance prevailing over form. As a result, it is imperative that the Board should have an agreed procedure in terms of which it may, if necessary, solicit independent professional advice at the expense of the IDT.
- 8.4. All Board members should ensure that they have unrestricted access to accurate, relevant and timely information of the IDT and act on a fully informed basis, in good faith, with diligence, skill and care and in the best interest of the IDT, whilst taking account of the interests of the Shareholder and other stakeholders, including employees, creditors, customers, suppliers and communities. To this end, the Board must monitor closely the process of disclosure, communication and exercise objective judgment on the affairs of the IDT, independent of management. In so doing, each individual member of the Board must maintain confidentiality protocols on all confidential matters of the IDT.
- 8.5. The Board should formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans of the IDT and regularly identify key risk areas and key performance indicators, based on both financial and non-financial aspects such as the socio-political expectations of the Shareholder.
- 8.6. Without derogating from its fiduciary duties, the Board should ensure that the Shareholder's performance objectives are achieved and that same can be measured in terms of the performance of the IDT. In addition, the Board should ensure that the IDT prepares annual budgets against which, inter alia, its financial and non-financial performance can be monitored.
- 8.7. The Board should monitor and manage potential conflicts of interest of management, Board members and the Shareholder. The Board as a whole and each individual member must not accept any payment of commission relating to IDT business, any form of bribery, gift or profit for himself.
- 8.8. The Board should develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis.
- 8.9. The Board should convene an annual strategy session to ensure that each item of the business is reviewed to continue maximising Shareholder value.
- 8.10. The Board should ensure that financial statements which fairly presents the affairs of the IDT are prepared for each financial year. In addition, they must maintain adequate accounting records, ensure that suitable accounting policies, consistently applied and

supported by reasonable and prudent judgments and estimates, have been used in the preparation of the financial statements, and they must also ensure that relevant accounting standards have been applied.

- 8.11. The Board should appraise its performance on an annual or such basis as the Board may determine. The Board should also, on a regular basis, review and evaluate its required mix of skills and experience and other qualities in order to assess the effectiveness of the entire Board, its committees and the contribution of each individual member during the entire term of office.
- 8.12. The Board should facilitate a confidential Board member appraisal and establish an appropriate mechanism for reporting the results of the assessment to the Shareholder.
- 8.13. The Board should ensure that there are appropriate and effective induction, education and training programmes offered to new and existing Board members.
- 8.14. The Board should always maintain the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to corporate governance principles and the performance of the IDT.

9. UNDERTAKINGS BY THE SHAREHOLDER

- 9.1. The Executive Authority undertakes to seek regular contact and consultation opportunities with the Accounting Authority.
- 9.2. The Executive Authority further undertakes to provide strategic leadership to the Accounting Authority which includes:
 - 9.2.1. Informing the Accounting Authority of relevant decisions by the Shareholder pertaining to the strategic and operating environment of the Department and the country in general which might have an impact on the IDT operations.
 - 9.2.2. The development and conclusion of the Shareholder Compact, as well as the related ancillary operational instruments.
 - 9.2.3. Supporting the long-term sustainability review process of the IDT, in line with relevant legislation, National Treasury Guidelines and any other relevant prescripts. This may include a refining the mandate, governance arrangement and funding model.
 - 9.2.4. Provision of the necessary support and assistance for the IDT's transition to a substantially self-funding Organisation, including availing of financial resources in the intermediate period, where required.
 - 9.2.5. Spearheading the funding of the developmental services component of the social infrastructure programme delivery management on a standing basis through an appropriate annual budget allocation to facilitate community mobilisation and empowerment. This relates to emerging contractor development, community skilling, job creation, local enterprise and supplier development and support.
 - 9.2.6. Facilitate through inter-governmental structures the timely transfer of programme funds and management fees to the IDT by client departments.
 - 9.2.7. Where deemed necessary, facilitate the formulation and enactment of an IDT Deed of Trust or development of its legislation.
- 9.3. Furthermore, the Executive Authority undertakes not to

- 9.3.1. Introduce new or additional requirements during the validity of this compact other than through a process of consultation with the IDT. Reasonable notice and the resources shall be provided before the introduction of any new requirements.
- 9.3.2. Not to impede or in any way restrict the discretion of the Board regarding matters falling within its authority;
- 9.3.3. Not to cause undue delays in the proper constitution of the Board including any undue delays in appointing members to any vacancies in the Board of the IDT;
- 9.3.4. Not to cause the IDT or its Chief Executive Officer and Executive Management to act in contravention of the Deed of Trust or this Compact, to contravene any law or to breach any of its duties and obligations.

10. CORPORATE GOALS, OBJECTIVES AND KEY PERFORMANCE INDICATORS

- 10.1. The IDT must execute its mandate in accordance with its governance and compliance frameworks, applicable legislation and Strategy.
- 10.2. The Strategic Objectives, Key Performance Indicators and Targets must be captured in the Strategy, Corporate and Annual Performance Plans.
- 10.3. The members of the Accounting Authority shall individually and collectively:
 - 10.3.1. Exercise their skills, expertise and fiduciary duties to pursue the goals and objectives in the Deed of Trust and Corporate Plan and ensure that such targets are met.
 - 10.3.2. Commit themselves to the achievement of the vision, mission, objectives and strategic intent of the IDT and to act in its best interests, within its powers and to avoid any conflict of interests and to make a full disclosure of any possible or actual conflicts of interest.
 - 10.3.3. Accept its responsibility to direct and guide the business in a proper manner in keeping with the PFMA subject to any exemptions granted in terms of the PFMA.
 - 10.3.4. Recognize the importance of speedy decision-making and use its best endeavours to prevent undue delays in critical decisions.

11. REPORTING

- 11.1. The Accounting Authority will furnish the Executive Authority with quarterly performance reports as per PFMA requirements including major activities of the IDT and on such other activities as the parties may agree from time to time. Quarterly review meetings to account for those reports will be convened by the Executive Authority or her delegate and should be honoured by the Accounting Authority.
- 11.2. All such reports shall be furnished to the Executive Authority or to such designated officials in the Department as determined by the Accounting Officer of the Department from time to time.
- 11.3. The Shareholder and the Accounting Authority shall be entitled to any further information required for the exercise of their mandates as Shareholder and Accounting Authority, and may from time to time request that the IDT furnishes information regarding its:
 - 11.3.1. Strategic priorities;
 - 11.3.2. Strategic Plan, Long-term Sustainability Plan, Investment Plan, Risk Management Plan and Fraud Prevention Plan;

- 11.3.3. Remuneration Strategy and Framework;
 - 11.3.4. Register of Conflict of Interests;
 - 11.3.5. Corporate governance policies, practices and processes;
 - 11.3.6. Financial performance; and
 - 11.3.7. Any other information necessary for the Department and Executive Authority oversight over the IDT.
- 11.4. Quarterly performance reports shall include information on the major risk areas and mitigation plans thereof.
- 11.5. The Department and/or Executive Authority may request reports on specific subjects from time to time.
- 11.6. The Chairperson of the IDT Board shall be the point of contact in dealing with the Shareholder and the Executive Authority, unless the Chairperson delegates in writing to another official of the IDT.

12. NOTICES

- 12.1. Any notices given in terms of this agreement shall be in writing and addressed to the other party's chosen *domicilium citandi*, and shall, unless the contrary be proved:
- 12.1.1. When delivered by hand, be deemed to have been duly received by the addressee on the date of delivery;
 - 12.1.2. If posted, be conveyed by pre-paid registered post and be deemed to have been received by the addressee on the eighth day following the date of such pre-paid posting;
 - 12.1.3. If transmitted by e-mail, be deemed to have been received by the addressee one day after such dispatch.
- 12.2. Notwithstanding anything to the contrary contained in this agreement, a written notice or communication actually received by a responsible official of one of the parties, including by way of e-mail shall be adequate written notice or communication to such party.
- 12.3. For the purpose of this clause, it is recorded that the parties chose the following as their respective *domicilium citandi*:

SHAREHOLDER:

MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE
FOR THE ATTENTION OF: THE DIRECTOR-GENERAL
CNR. BOSMAN AND MADIBA STREETS
CGO BUILDING
PRETORIA

INDEPENDENT DEVELOPMENT TRUST:

THE BOARD CHAIRPERSON
FOR THE ATTENTION OF: THE CHIEF EXECUTIVE OFFICER
GLENWOOD OFFICE PARK
CNR. OBERON & SPRITE STREET
FAERIE GLEN, PRETORIA

13. WHOLE AGREEMENT

This Shareholder Compact constitutes the whole agreement between the parties as to the subject matter thereof and no instructions, agreements, representations or warranties between the parties other than those set out herein are binding on the parties.

14. VARIATION

No addition to or variation, consensual cancellation or novation of this agreement, and waiver of any right arising from this agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by both parties or their duly authorized representatives.

15. NON COMPLIANCE

15.1. In the event that any of the parties do not comply with the terms and conditions of this Shareholder Compact, the other party shall in writing request that party to comply with the terms and conditions hereof within 14 (fourteen) days of the date of receipt of the letter, (or in the event that compliance is required on an urgent basis, any shorter period that is reasonable), and in the event of that party failing to comply as requested, the other party shall be entitled to either:

15.1.1. Immediately apply to a Court of competent jurisdiction to get an order directing the other party to comply with the terms and conditions hereof if the matter is urgent; or

15.1.2. Refer the matter to arbitration in terms of the provisions of clause 16.

16. DISPUTES

16.1. In the event a dispute, disagreement or claim arises between the Parties in relation to, or otherwise in connection with the implementation, execution, interpretation, rectification, termination or cancellation of this Agreement, or otherwise arising out of any of the provisions of this Agreement, the parties shall try to resolve the dispute by negotiation. This entails that one party invites the other party in writing to meet and attempt to resolve the dispute.

16.2. Should the parties fail to resolve their dispute, the dispute should be resolved in terms of chapter 4 of the Intergovernmental Relation Framework Act, 13 of 2005, which deals with settlement of Intergovernmental Disputes.

17. INCONSISTENCY WITH LEGISLATION

17.1. To the extent that the provisions of the Shareholder's Compact are in conflict with:

17.1.1. The provisions of the PFMA, the provisions of PFMA shall apply;

17.1.2. Any other applicable law or the provisions of the Trust Deed, the provisions of the applicable law or the Trust Deed as the case may be, shall apply subject to the overriding provisions of the PFMA;

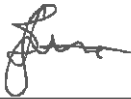
17.2. Where the PFMA and any other applicable law afford protection to the Board of the IDT, individually and collectively, arising out of the execution by them of their duties and functions, such protections is by reference incorporated into this Shareholder's Compact.

18. CHANGE CONTROL

- 18.1. The Shareholder's Compact may be reviewed and amended as and when need arises.
- 18.2. Should either party wish to make any amendment or alteration to the Shareholder's Compact, that party shall prepare a Change Order and present the same to the other party, specifying the following:
 - 18.2.1. The date of the change order;
 - 18.2.2. The description of the proposed amendment or alteration;
 - 18.2.3. If applicable, previous unspecified ad-hoc work already undertaken;
 - 18.2.4. The reason for making the proposed amendment or alteration;
 - 18.2.5. When the party requires the change to be implemented;
 - 18.2.6. The resources implications of the change order;
 - 18.2.7. The impact of the change order on the balance of the parties' obligations under this Agreement.
- 18.3. The other party shall be given an opportunity to consider such change order and to respond accordingly.
- 18.4. No change order shall be of any force and effect until it is signed by duly authorised representatives of each of the parties.

19. ATTESTATION

AGREED TO AND SIGNED



(CHAIRPERSON: IDT BOARD OF TRUSTEES)

AS WITNESS




SIGNED AT Hartebeespoortdam ON THIS 16 DAY OF March 2021

AGREED TO AND SIGNED



(MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE)

AS WITNESS



SIGNED AT CAPE TOWN ON THIS 15 DAY OF MARCH 2021