



**TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS AND
CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN
SCHEDULES 2 AND 3 TO THE PFMA**

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY INSTRUCTION 04 OF 2014/2015

**MANAGEMENT FEES TO BE CHARGED BY THE INDEPENDENT
DEVELOPMENT TRUST (IDT)**

1. PURPOSE

The purpose of this *Treasury Instruction* is to prescribe the market-related management fees that the Independent Development Trust (IDT) may charge departments, constitutional institutions and public entities listed in Schedule 2 and 3 to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999).

2. BACKGROUND

- 2.1 The Independent Development Trust (IDT) is a major public entity listed in Schedule 2 to the PFMA and provides programme implementation services to a broad range of government institutions, including municipalities.
- 2.2 The IDT charges a management fee for its services to enable it to continue its work as a financially viable implementation agent of government. Its clients have long been accustomed to paying below market related fees for its services; however, such a financial model is not sustainable in the long term.
- 2.3 After migrating to a model that charges market related fees, some of the IDT's clients have offered resistance to paying such; largely due to the misperception that the entity is annually funded from the fiscus and that it should therefore charge fees that are less than those prevalent in the market place.

3. FEES TO BE CHARGED BY THE IDT

- 3.1. To ensure its financial self-sustainability and long-term financial viability, the IDT must charge management fees that are market related.
- 3.2. The appropriate level of management fees to be charged for specific services will depend on the nature of services to be rendered.

- 3.3. The National Treasury agrees with the IDT that management fees to be charged by the entity should lie between 4.5 per cent and 10 per cent of the value of a project or programme. Annexure A to this *Treasury Instruction* contains the market related management fee rates that may be charged by the IDT.
- 3.4. The management fees referred to in paragraph 3.3 of this *Treasury Instruction* do not form part of the fees for built environment professional services that are prescribed in terms of the Council for the Built Environment Act, 2000 (Act No. 43 of 2000).

4. ADVANCE PAYMENTS

- 4.1. The IDT, as an implementing agent, is not a supplier in terms of the standard contract of engagement.
- 4.2. Any advance of programme funds to the IDT cannot be recognised as a payment at the time when the advance payment is made.
- 4.3. A payment shall only be recognised as such after:
 - (a) the IDT has completed its procurement processes;
 - (b) a service provider has been appointed; and
 - (c) the service provider has delivered the goods and/or services.
- 4.4. Paragraph 15.10.1.2(c) of the Treasury Regulations provides for departments and constitutional institutions to make advance payments, if contractually required by arrangements with the supplier. Paragraph 31.1.2(c) of the Treasury Regulations provides similarly for public entities.
- 4.5. The terms for all advance payments must be agreed upon and outlined in a written agreement between the accounting officer or accounting authority and the IDT.
- 4.6. Whilst Treasury Regulations 15.10.1.2(c) and 31.1.2(c) do not preclude departments, constitutional institutions and public entities from making advance payments, it is expected that accounting officers and accounting authorities exercise caution when making such advances, taking cognisance of, amongst others, the risks associated with such a transaction.

5. APPLICABILITY

This *Treasury Instruction* applies to all departments, constitutional institutions and public entities listed in Schedules 2 and 3 of the PFMA.

6. EFFECTIVE DATE

This *Treasury Instruction* takes effect from 01 August 2014.

7. DISSEMINATION OF INFORMATION CONTAINED IN THIS TREASURY INSTRUCTION

- 7.1 Accounting officers of national departments are requested to bring the contents of this *Treasury Instruction* to the attention of all:

- (d) accounting officers of constitutional institutions that receive transfers and subsidies from their votes; and
- (e) accounting authorities of public entities that report to the executive authority responsible for the accounting officer's department.

7.2 Head officials of provincial treasuries are requested to bring the contents of this *Treasury Instruction* to the attention of all accounting officers of departments and accounting authorities of public entities in their respective provinces.

8. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this *Treasury Instruction*.

9. AUTHORITY FOR THIS INSTRUCTION

This *Treasury Instruction* is issued in terms of sections 76(4)(g) of the PFMA.

10. CONTACT INFORMATION

Enquiries related to this *Treasury Instruction* may be directed to any of the following persons:

George Tembo

Director: Governance and Administration

Phone: 012 315 5514

E-Mail: george.tembo@treasury.gov.za

Gillian Wilson

Chief Director: Administrative Services

Phone: 012 315 5195

E-Mail: gillian.wilson@treasury.gov.za



**JAYCE M NAIR
ACTING ACCOUNTANT-GENERAL**

DATE: 17 July 2014

ANNEXURE A: IDT MARKET RELATED MANAGEMENT FEE RATES' SCHEDULE

Category	Description	Threshold	Applicable management fee range	Comments
MEGA PROJECTS	This refers to a category of infrastructure projects with an individual project value of R200m and above.	R200 million plus	4.5%	<ul style="list-style-type: none"> Rate is applicable for a full/complete mega project. In the event of project implementation in which a project is being unbundled into sub-projects with independent procurement processes, the management fee shall be based on the relevant project value category applicable to the sub-project value.
LARGE PROJECTS	This category refers to infrastructure projects with individual project values lying between R50,01m and R200m.	R50.001 million to R200 million	5.5%	<ul style="list-style-type: none"> Management fees for Social Development programmes are determined within the range of 8.5% to 10% having regard to the nature and size of projects involved. The base fee of 8.5% applies unless an agreement has been reached with the client for a different rate having regard to the size of the programme and nature of projects involved.
MEDIUM PROJECTS	This category refers to infrastructure projects with individual project values lying between R6,01m and R50m.	R6.001 million to R50 million	6.5%	<ul style="list-style-type: none"> The stipulated management fee rates apply to projects, and NOT programmes, except in the case
SMALL PROJECTS	This category refers to infrastructure projects with individual project values lying between R1,01m and R6m.	R1.001 million to R6 million	8.5%	
	This category refers to infrastructure projects with individual project values lying between R1 and R1m.	R1 to R1 million	10%	

Management fees to be charged by the Independent Development Trust (IDT)

MINUTE PROJECTS				of Social Development programmes where the rate will be based on the programme and NOT the project.
SOCIAL DEVELOPMENT - PROJECTS	This category refers to all types of projects that are not of infrastructure in nature. Generally, these projects entail socio-economic empowerment of communities and tend to have extensive interaction with community based structures. Implementation often requires extensive community engagements.	All values	8.5% to 10%	
GENERAL	<p>VAT The rates above are VAT exclusive.</p> <p>Disbursements Direct disbursements for project implementation will be recovered on a reimbursement principle based on actual costs incurred.</p>			