



EOI01/06/2017

**EXPRESSION OF INTEREST TO
MANAGE IDC FUNDS IN SUPPORT OF
THE CONSTRUCTION INDUSTRY**

**SUBMISSIONS DUE DATE:
WEDNESDAY,
12 JULY 2017 AT 12:00 NOON**

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SECTION 1: GENERAL CONDITIONS

1. Proprietary Information

Industrial Development Corporation of SA Ltd (IDC) considers this Expressions of Interest (Eol) and all related information, either written or verbal, which is provided to the respondent, to be proprietary to IDC.

2. Enquiries

- 2.1 All communication and attempts to solicit information of any kind relative to this Eol should be channelled **in writing** to:

Name:	<u>Mr. Siyabonga Mahlangu</u>
Telephone Number:	<u>+27 11 269 3086</u>
Email address:	<u>Siyabongam@idc.co.za</u>

- 2.2 Enquiries in relation to this Eol will not be entertained after **16h00 on 05 July 2017**.

3. Submission Validity Period

Responses to this Eol received from Respondents will be valid for a period of 150 days counted from the submission due date.

4. Instructions on submissions

- 4.1 Submissions should be in duplicate (2 hard copies) and one electronic copy (on CD) in PDF format all bound in a sealed envelope endorsed, **Eol01/06/17: Expression of Interest to identify an entity or partner or client to manage IDC funds reserved for the construction industry**. The sealed envelope must be placed in the bid box at the Main Reception area of the IDC Building, 19 Fredman Drive Sandton by no later than 12:00 noon on Wednesday, 12 July 2017.
- 4.2 Submissions must be in the prescribed response format, herein reflected as **Response Format**.
- 4.3 The submission due date, Respondent name and the return address must also be endorsed on the envelope.
- 4.4 If a courier service company is being used for delivery of the submission, the Eol description must be endorsed on the delivery note/courier packaging and the courier must ensure that documents are placed / deposited into the bid box. **The IDC will not be held responsible for any delays where submissions are handed to the IDC Receptionist.**
- 4.5 No submission received by telegram, telex, email, facsimile or similar medium will be considered.
- 4.6 Where a submission is not in the bid box at the time of the submission due date, such a submission will be regarded as a late submission. **The IDC reserves the right at its sole discretion not to consider any late submissions.**

5. Preparation of Submissions

- 5.1** All the documentation submitted in response to this Eol must be in English.
- 5.2** The Respondent is responsible for all the costs that it shall incur related to the preparation and delivery of its submission.
- 5.3** Submissions by Respondents which are, or are comprised of companies must be signed by a person or persons duly authorised thereto by a resolution of the applicable Board of Directors, a copy of which Resolution, duly certified, must be included as part of the submission.
- 5.4** The Respondent should check the numbers of the pages of its submission to satisfy itself that none are missing or duplicated. No liability will be accepted by IDC in regard to anything arising from the fact that pages of a submission are missing or duplicated.

6. IDC's Rights

- 6.1** The IDC is entitled to amend any Eol conditions, submission validity period, Eol specifications, or extend the submission closing date, all before the advertised submission due date. All Respondents, to whom the Eol documents have been issued and where the IDC have record of such Respondents, may be advised in writing of such amendments in good time and any such changes will also be posted on the IDC's website under tender information. All prospective Respondents should therefore ensure that they visit the website regularly and before they submit their response to ensure that they are kept updated on any amendments in this regard.
- 6.2** The IDC reserves the right to request any other information it may deem relevant, agreements and other documents to verify information supplied in the submission. Respondents hereby gives consent to the IDC to conduct background checks, including FICA verification, on the Respondent and any of its directors / trustees / shareholders / members.
- 6.3** The IDC reserves the right to conduct a full scope Due Diligence with any number of respondents during which time additional information may be required.

7. Undertakings by the Respondent

- 7.1** The Respondent shall prepare for a possible presentation should IDC require such and the Respondent will be required to make such presentation within five (5) days from the date of notification by the IDC.
- 7.2** The Respondent accepts that all costs incurred in the preparation, presentation and demonstration of its submission shall be for its own account. All supporting documentation and manuals submitted will become the IDC property unless otherwise stated by the Respondent at the time of submission.
- 7.3** The Respondent undertakes to comply with all the provisions and conditions of this Eol.

8. Response Format (Returnable Schedules)

Respondents shall submit their responses in accordance with the response format specified below (each schedule must be clearly marked):

8.1 Cover Page: (the cover page must clearly indicate the Eol reference number, description and the Respondent's name)

8.2 Schedule 1:

8.2.1 Executive Summary (explaining how you understand the requirements of this Eol)

8.2.2 Annexure 1 of this Eol document (duly completed and signed)

8.3 Schedule 2:

8.3.1 Originally certified copies of Respondent's CIPC company registration documents listing all members with percentages, in case of a CC.

8.3.2 Copy of Board Resolution authorising the Company Representative, duly certified;

8.3.3 Originally certified copy of ID document for the Company Representative

8.3.4 Annexure 2 of this Eol document (duly completed and signed);

8.3.5 B-BBEE verification certificate.

8.3.6 Latest Audited Financial Statements

8.3.7 Copy of Joint Venture/ Consortium/ Subcontracting Agreement duly signed by all parties (if applicable)

Note: If a Respondent is a Consortium/ Joint Venture or Partnership then the documents listed above (8.3.1-8.3.6) must be submitted for each member of Consortium/ JV or Partnership.

8.4 Schedule 3:

8.4.1 Response to Section 2 of this document, in line with the format indicated in this Eol document.

8.4.2 Annexure 2 of this Eol document, duly completed and signed

8.5 One (1) CD with all Schedules listed above must also be included in the submission

9. Assessment of Submissions

Submissions will be assessed in accordance with the Functional requirements as specified in this Eol document.

SECTION 2: FUNCTIONAL REQUIREMENTS

SECTION 2: FUNCTIONAL REQUIREMENTS SPECIFICATION

1. Special instructions to Respondents

- 1.1 Respondents shall provide full and detailed information to the questions posed in this EoI document. Respondents **must** substantiate their response to all questions, including full details on how they will address specific requirements. All documents as indicated must be supplied as part of the EoI.

2. Background Information

IDC is considering allocating a minimum of R500 million (all inclusive) towards supporting the construction industry. The end-beneficiaries of the funds are companies with a CIDB grading of 7 or higher that operate within the following industrial infrastructure sectors of the construction industry:

- 1) Energy: e.g. conventional, renewable, co-gen, waste-to-energy, biofuels, natural gas, transmission & distribution, etc.
- 2) Logistics: e.g. rail, road, ports terminals and storage, airport terminals and storage, etc.
- 3) Telecoms: e.g. broadband infrastructure.
- 4) Water: e.g. reservoirs, dams, pipelines, H₂O treatment, bulk services, etc.

IDC is therefore targeting construction companies (end user) in the following class of work:

- a) Civil Engineering (CE)
- b) Mechanical Engineering (ME); and
- c) Electrical Engineering projects (EP) classification.

The IDC is calling all experienced and well-resourced entities to submit their expression of interest to manage IDC funds and ensure effective utilisation of the funds for the intended purpose. Furthermore, respondents should have sufficient in-house capabilities in both built environment and management of funds (no outsourcing of either function). In the case of partnerships or joint ventures or consortiums, such capabilities must be housed within the parties responding to this EoI.

The purpose of this EoI is to identify capable entities that will be subjected to a full scope Due Diligence process. This process will follow the IDC's normal credit approval process and will include the analysis of the businesses' financial statements and the total business environment. As a result, additional information over and above that provided in response to this EoI may be required as part of the Due Diligence process.

3. Funding Objective

At least 70% of the total funding should be allocated towards Black owned (>50% Black ownership) and managed construction companies.

The funding should be used primarily for the provision of working capital (materials – on and off site, plant and equipment hire, vat, works insurance premiums) and guarantees (performance and retention).

Funding support should be in line with IDC's developmental objectives.

The minimum value of investment per client should be R30 million and the maximum should be R50 million, with a maximum total exposure of R75 million including related parties.

4. Scope of Work

The Information submitted by Respondents should clearly demonstrate the entity's competencies to deliver on the following:

4.1 Competencies relating to management of funds

Respondents will be required to manage the allocated funds on behalf of the IDC, thereby tasked with the following responsibilities:

- a) Implementation of the funding strategy
- b) Establishing appropriate governance structures
- c) Ensuring that the funding objectives and goals are achieved
- d) Ensuring that investments made adhere to the investment charter
- e) Ensuring the funding is provided in accordance with regulations outlined by relevant authorities
- f) Ensuring that prospectuses and other documents are completed, filed and distributed as regulations require
- g) Marketing the funds
- h) Keeping abreast of industry/ sector developments
- i) Ensuring the funding provided remains relevant to the needs of the market by continuously reviewing the funding mandate vs. the needs of the market and recommending amendments where necessary
- j) Sourcing of deals, evaluating applications, preparation of investment memorandums to be presented to the investment committee motivating for the funding of the project and setting the key terms and monitor performance of investee companies
- k) Enhancing the value of investee companies by assisting them in crafting and implementing their growth strategies
- l) Provide financial management systems and processes (including but not limited to controlling disbursement of funds, forecasting cashflows, collections, handling of defaults, credit reviews, methods employed to write down or write off bad debts, steps taken to recover bad debts)
- m) Provide legal services with regards to drafting and management of legal agreements with investee companies
- n) Provide administrative services to support the funding activities
- o) Ensuring that the reporting requirements are met
- p) Playing an oversight role for any responsibilities that may be outsourced to third parties
- q) Ensuring that the overall operation runs smoothly and efficiently, from customer service to risk management

- r) Provide quarterly progress reports which will include details regarding the financial position (including status on the deployment of capital), portfolio developments and progress towards achievement of the funding objectives.

4.2 Built Environment Competencies

Entities shall have Built Environment (BE) professionals for each of the following disciplines in order to deliver on the expected outcomes of the project:

- a) Engineering
- b) Quantity Surveying
- c) Project & Construction Management
- d) Legal (construction law)
- e) Green building

4.2.1 Guiding Principles

The BE professionals shall be required to render full or partial services for greenfields and/or brownfields construction projects depending on the requirements of the project under consideration. In rendering these services, the BE professionals shall comply with the relevant codes of best practice and guidelines as published by the following statutory bodies:

- Engineering Council of South Africa (ECSA)
- South African Council for the Quantity Surveying Profession (SACQSP)
- South African Council for Project and Construction Management Professions (SACPCMP)

Furthermore, the BE professionals shall refer to the recommended current tariff of gazetted fees as a guide in determining the fee proposals.

Respondents' attention is drawn to the fact that their principal resource(s) shall be duly registered as "Professionals" in their respective disciplines in line with the above mentioned statutory bodies.

4.2.2 Capabilities of Built Environment professionals

The BE professionals will undertake the role of a technical advisor and look after the interests of the IDC, thereby:

- a) Reviewing and evaluating work done (construction appraisal) by Others and interpreting the client's requirements with regard to the construction project
- b) Independently determine and rationalise the construction project's:
 - i. Budget (a schedule of construction quantities to complete the project at applicable market rates)
 - ii. Envisaged procurement approach for sourcing of raw materials, equipment, labour and relevant professional consultants and/or sub- contractors
 - iii. Time to complete the project taking cognisance of the project's:
 - Procurement strategy with specific emphasis on material high value and long lead items
 - Major project activities and milestones, their duration,
 - Inter-dependencies including the interfaces of tasks, float and lead times of the various project agreements
- c) Taking cognisance of b) above, the professionals shall conduct a comparative analysis of the contractor's and their version in order to:

- i. Evaluate the project's inherent risks and determine the extent to which these risks are mitigated and make recommendations
- ii. Evaluate change management and control systems/methods
- iii. Determine and provide advice on the project's profitability and value engineering opportunities
- d) Assess the appropriateness of the project's construction agreements and the extent to which they affect the cash flow requirements, disbursement conditions, etc.
- e) Undertake construction project contract administration and monitoring during construction and project close out including reporting, i.e.:
 - i. Attend regular site, technical and progress meetings including any other meetings deemed necessary by the IDC.
 - ii. Monitor the implementation of the project execution plan on a periodic and proactive basis.
 - iii. Report timeously on any variances, deficiencies and any matters which may affect the successful completion of the project and profitability including making recommendations for remedial actions.
 - iv. Monitor and assist the contractor(s) where necessary with contractual claims on the contractual entitlements and improve profitability.
 - v. Monitoring of and reporting on the value of construction input materials on site including management and use of stock in relation to the project completion date.
 - vi. Monitoring and reporting on the management and utilisation rate of the factors of production in relation to the project completion date.
 - vii. Assist the contractor, where necessary, to prepare claims for interim and final payments from their client and monitor all payments, interests and recoveries due.
 - viii. Continually report on the project plan including flagging any potential delay causing events and how these will be absorbed or avoided.
- f) Provide reports and make recommendations with respect to monthly payment valuations with supporting documentation which is duly authorised by each of the responsible and appointed discipline/lead consultant
- g) Advise on any changes to the risk profile of the project(s) and indicate the impact on the financing for the project
- h) Review of all contractual agreements related to the technical scope of work

4.2.3 Deliverables of the Built Environment professionals

In accordance with the stated scope of work above, the BE professionals will be required to deliver the following outputs which shall not be limited to the following:

Phase 1: (Pre Investment)

Construction Appraisal Report which entails rationalising and commenting on the appropriateness of the Client's project execution plan relative to the industry norms and best practices on each of the following:

- a) Technical design philosophy/rationale reports for each of the applicable disciplines,
- b) A schedule of construction quantities/ bill of quantities at applicable market rates
- c) The works completion programme
- d) Procurement sourcing and contracting strategy and motivation thereto

- e) Predicted cash flows
- f) Project's profitability and value engineering opportunities
- g) Report on the project's contractual requirements and notable risks and how these will be mitigated. For example; high penalties, onerous guarantee requirement, adjusted clauses for adverse weather etc.

Phase 2: (Post Investment)

Monthly project status reports in respect of:

- i.) Project progress (time, procurement, utilisation rate, any other factors that may affect successful delivery of the projects etc.)
- ii.) Progress report highlighting expenditure vs budget, payment valuations, earned value, cost to complete and profitability
- iii.) Potential and actual deviations from the project execution plan
- iv.) Monitor the project's schedule of scope changes and their implications on the programme, costs, quality, etc.

5. Requirements

5.1 Mandatory Requirements

The Respondent must provide the required information in a well indexed and clearly cross-referenced format.

5.1.1 ENTITY'S EXPERIENCE IN MANAGING FUNDS
<p>Provide information on your relevant experience in managing funds. The referenced fund(s) must have focused on funding industrial infrastructure projects within the sectors as highlighted in paragraph 2 above over the last 5 years.</p> <p>Also provide information on funded projects undertaken by contractors with CIDB grading level 7 or higher. Please refer to Table (a) and Table (b) of Annexure 2 of this document for the format in which the required information must be provided. The tables must be completed for each of the references provided.</p>
Substantiate / Comments

5.1.2 ENTITY'S EXPERIENCE IN BUILT ENVIRONMENT

Provide information on your relevant experience working (providing services as outlined in paragraph 4.2 above) on different types of industrial infrastructure projects within the sectors as highlighted in paragraph 2 above. The referenced projects must have been undertaken on construction projects where contractors with CIDB grading level 7 or higher were involved.

Also provide relevant contactable reference(s) of similar work done relating to each of the indicated sectors in the past 5 (five) years. Please refer to **Table (c) of Annexure 2** of this document for the format in which the required information must be provided.

Information/ Substantiation:

5.1.3 PROFESSIONAL BODY REGISTRATION

The principal members of the Respondent must be registered and in good standing with the following statutory bodies as professionals:

- Engineering Council of South Africa (ECSA);
- South African Council for the Quantity Surveying Profession (SACQSP);
- South African Council for Project and Construction Management Professions (SACPCMP).

Please submit a certificate and a letter of good standing for each principal member.

Information/ Substantiation:

5.2 Other Requirements

The Respondent must provide the required information in a well indexed and clearly cross-referenced format.

5.2.1 EXPERIENCE AND SKILLS OF PROFESSIONAL STAFF INVOLVED IN THE MANAGEMENT OF FUND

Please provide detailed CVs of all professional staff involved in the management of funds, including copies of qualifications, their role, their track record in managing funds and private equity, type of employment (e.g. part-time or full-time) and conditions of employment, where applicable.

Information/ Substantiation:

5.2.2 EXPERIENCE AND SKILLS OF BUILT ENVIRONMENT PRINCIPAL MEMBERS

Please provide detailed CVs of principal members including copies of qualifications, their skills and experience relating to the scope of work and the specific sectors stated in this RFP document, type of employment (e.g. part-time or full-time) and conditions of employment, where applicable.

Information/ Substantiation:

5.2.3 BUILT ENVIRONMENT SYSTEMS AND PROCESSES

Please submit the following information:

- a) Detailed approach/methodology on how they appraise construction projects on phase 1 and 2 above.
- b) Details on the tools and systems in place to execute the deliverables

Information/ Substantiation:

5.2.4 SYSTEMS AND PROCESSES FOR MANAGEMENT OF FUNDS

Please submit detailed information on your systems and processes as it relates to the following:

- How you manage funds,
- Channels used to source deals,
- Evaluation of applications for funding including (including screening, due diligence and approval) and related turnaround times
- Monitoring performance of investee companies;
- Reporting to investors and other stakeholders
- Research capabilities
- Legal capabilities
- Admin and record keeping capabilities
- Available IT infrastructure to support the operations (including IT infrastructure as it relates to the management of construction contracts / project management and the cash flow management thereof). Information provided shall include details of available backup and disaster recovery systems and procedures.
- Financial management capabilities in place (including controlling disbursement of funds, forecasting cashflows, collections, handling of defaults, credit reviews, methods employed to write down or write off investments, steps taken to recover bad debts, etc.)

Ability to assess business support needs in each deal and facilitate the provision of such service and assist investee companies implement their growth strategies.

Information/ Substantiation:

5.2.5 ACTIVE PIPELINE

Please indicate whether you have an existing pipeline for at least 50% of IDC funds as stipulated under this EoI. The pipeline must meet the mandate and objectives as detailed in paragraph 2 and 3 above.

Please provide details of active deals that are currently in the pipeline. Please refer to Table (d) of Annexure 2 of this document for the format in which the required information must be provided.

Information/ Substantiation:

5.2.6 AVAILABLE FUNDS TO LEVERAGE IDC'S FUNDS

Indicate the amount of available funds, source of funds, processes to be followed to obtain requisite approval to utilise the funds, and a detailed approach/methodology on how these funds can be used to leverage or co-invest along IDC funds.

Information/ Substantiation:

SECTION 3: PRICE PROPOSAL

SECTION 3: Cost Information

1 The IDC is interested to obtain any cost information in how Respondents would cost for a service of this nature and has prepared an indicative cost information model for respondents to consider in this regard.

2 All additional costs information must be clearly specified and included in the EoI submission.

3 COSTING INFORMATION MODEL

3.1 Management of funds

The Respondent shall submit details of the pricing methodology employed and all fees and profit share that will be applicable.

3.2 Built Environment services

Respondents shall submit an indicative fee submission for undertaking professional services on **engineering projects** in accordance with the objectives of the project under consideration. The indicative fee submission is separated into two categories and the respondent is expected to submit fee information for each of the categories. The category of fees are as follows:

- Category 1 - Work stages
- Category 2 - Time based (rate per hour)

The BE professionals may be required to render full or partial services as may be required, i.e. appointment of one or a combination of each of the work stages as per the fee proposal below.

3.2.1 Category 1 (Work stages):

The fee proposal shall be in accordance with the structure below and apportioned in percentages according to each work stage and the commensurate discipline. The respondents may not opt to populate only certain fields of the fee structure below i.e. no discipline should be excluded.

The value for fee purposes shall be based on an indicative project value of R100 million with the value of work for the following:

- a) Mechanical Engineer – Value for fee purpose is R20 million
- b) Electrical Engineer – Value for fee purpose is R20 million
- c) Electronic Engineer – Value for fee purpose is R20 million
- d) Civil Engineer – Value for fee purpose is R20 million
- e) Structural Engineer – Value for fee purpose is R20 million
- f) Project/Construction manager – Value for fee purpose is R100 million
- g) Quantity Surveyor – Value for fee purpose is R50 million

Discipline		Work stage 1	Work stage 2	Work stage 3	Work stage 4	Work stage 5	Work stage 6
1	Mechanical Engineer						
2	Electrical Engineer						
3	Electronic Engineer						
4	Civil Engineer						
5	Structural Engineer						
6	Project/Construction manager						
7	Quantity Surveyor						

3.2.2 Category 2 (Time based):

In instances where it is impractical and/or impossible to determine the fee proposal on the basis of the recommended gazetted tariff of fees, consideration shall be made at the discretion of the IDC for the fees to be determined on the basis of the recommended hourly rates as per the respective council's guide (paragraph 4.1.1).

Discipline		3 – 5 years' experience	5 – 10 years' experience	10+ years' experience
1	Mechanical Engineer			
2	Electrical Engineer			
3	Electronic Engineer			
4	Civil Engineer			
5	Structural Engineer			
6	Project/Construction manager			
7	Quantity Surveyor			
8	Construction Legal expert			
9	Other (must specify)			

SECTION 4: ANNEXURES

Annexure 1 – Acceptance of Eol Conditions and Respondent’s Details

Expression of Interest No: _____

Name of Respondent: _____

Authorised signatory: _____

Name of Authorised Signatory _____

Position of Authorised Signatory _____

By signing above the Respondent hereby accept full responsibility for the proper execution and fulfilment of all obligations and conditions devolving on him/her under this Eol.

[Note to the Respondent: The Respondent must complete all relevant information set out below.]

STRUCTURE OF INTERESTED PARTY

Indicate the type of Structure by marking with an 'X':	
Individual Party	
Joint Venture/ Consortium / Partnership	
Other	

REQUIRED INFORMATION

If Individual Respondent:	
Name of Company	
Registration Number	
Vat registration Number	
Contact Person	
Telephone Number	
Cellphone Number	
Fax Number	
Email address	
Postal Address	
Physical Address	

If Joint Venture or Consortium or Partnership, indicate the following for each partner:	
Partner 1	
Name of Company	
Registration Number	

Vat registration Number	
Contact Person	
Telephone Number	
Cellphone Number	
Fax Number	
Email address	
Postal Address	
Physical Address	
Responsibility of Partner	
Partner 2	
Name of Company	
Registration Number	
Vat registration Number	
Contact Person	
Telephone Number	
Cellphone Number	
Fax Number	
Email address	
Postal Address	
Physical Address	
Responsibility of Partner	

Annexure 2 - Response Format for Section 2

Respondent's Experience and the proposed Project Team

Expression of Interest No: _____

Name of Respondent: _____

Authorised signatory: _____

[Note to the Respondent: The Respondent must complete the information set out below in response to the requirements stated in Section 2 of this EoI document.]

The Respondent must provide the following information:

Table (a) Details of experience in managing funds focused on funding industrial infrastructure projects within the sectors as highlighted in this EoI document (please refer to par 5.1.1 of Section 2 of this EoI document):

Fund Name			
Fund Structure (e.g. Trust, en-commdandite, etc)			
Target sector			
Fund mandate			
Fund size			
Min. and Max. deal size			
Fund term (split investment period and divestment period)			
Pricing methodology			
Return achieved (hurdle rate)			
Investors/ donors of funds	Name	Contact Details	

Note: Table (a) to be completed for each pool of funds managed to date.

Table (b) Details of relevant projects funded to date (please refer to par 5.2.1 of Section 2 of this Eol document):

Deal name/ reference	Amount invested	Total value of project	Sector	Nature of project	Application of funds (e.g. working capital, guarantees, etc)	Transaction type (e.g. start-up, expansion, turnaround, acquisition, etc.)	Returns achieved or investment status

Table (c) Details of relevant projects managed to date (please refer to par 5.2.2 of Section 2 of this Eol document):

Project name/ reference	Total value of project	Sector	Nature of project	Detailed scope of work done

