

The Role of National Treasury

The National Treasury has the power to overrule Provincial Education Departments' (PEDs) spending of conditional grants if it observes a pattern of misuse. This is an oversight function extended to it through National Parliament. However, National Treasury tries very hard to avoid using this power and will rather explore possible ways to help/support a department before overruling their spending.

For years, the responsibility of building schools has not fallen on the DBE or to PEDs alone, due to a lack of technical and project management capacity within the state. Instead, the government allocates construction projects to organisations which are called implementing agents. Implementing agents give both managerial and project implementation support to the Department of Basic Education (DBE) and PEDs. In the latest DBE Annual Report, when discussing the deviations from planned infrastructure delivery targets of the ASIDI programme, one of the reasons given for significant deviations from project targets was the poor performance of implementing agents. The report states: "The DBE had to terminate some contracts with IAs or reduced the scope of work due to poor performance" (DBE Annual Report, 310). According to National Treasury's SCM Review Update 2016, "A large part of the ASIDI programme is implemented through implementing agents... at exorbitantly high agency fees. This means that double consultancy fees are often paid to the implementing agency and the consulting professionals. This adds to cost" (SCM Review, pg 3).

Implementing agents are often under-capacitated themselves to manage infrastructure projects.

The ideal situation is for 1 programme manager, in charge of an implementing agent's government projects, to manage 10 project managers, who work directly with the construction of schools. Each of the latter oversees the building of 10 school projects. There should also be a programme manager on the PED side to oversee each programme manager at an implementing agent. At one implementing agent in the Eastern Cape, Coega Development Corporation, programme managers are only hired on an ad hoc basis for emergency projects. Project managers are averaging 40 – 45

schools, instead of the ideal ten projects each. Project managers are crucial because they oversee the procurement of contractors and lead consultants. We do not know who these programme managers are for each implementing agent, because this information is not publically available. This contravenes implementing agents' Service Delivery Agreement with the DBE which outlines that there should be one project manager per ten projects.

In 2015, a new system was introduced which relates to infrastructure delivery, housed under National Treasury: the National Treasury Standard for Infrastructure Procurement and Delivery Management (SIPDM). The SIPDM establishes control frameworks for the planning, design, and execution of infrastructure projects and infrastructure procurement by creating project "gates" and standards for procurement which apply to all government departments. However, a challenge remains of ensuring that implementing agents and PEDs alike adhere to this system by enforcing delegated officials to sign off on each control gate before proceeding to the next project stage.

Recommendations

While National Treasury already exercises its oversight function over the spending of conditional grants, and intervenes in Provinces that are under-resourced or under-capacitated (such as the Eastern Cape), it can make this intervention more functional by enacting the following:

Assisting the PED to properly spend, and not waste, the funds allocated to hire qualified professionals in the PED infrastructure unit through the Human Resources Capacitation Pilot - specifically within the supply chain management (SCM) functions of the PED

Training PED infrastructure units in how to properly use the SIPDM, which would facilitate proper and detailed infrastructure planning

National Treasury should review regulations on management fees which can be charged by consultants, professional service providers, and implementing agents

National Treasury establishes guidelines which Heads of Departments (HODs) of PEDs must use before allocating projects to implementing agents through the PED's Infrastructure Procurement Management Plan. These guidelines should include the current capacity of the implementing agents to manage infrastructure projects, including the number of project managers, programme managers, and built-environment professionals on staff.



The Role of Provincial Treasuries

Provincial treasuries also have an oversight role in monitoring a province's use of implementing agents, which exist to bolster the PEDs' and DBE's capacity to manage infrastructure projects. Provincial treasuries receive Infrastructure Reporting Model (IRM) reports which detail the progress of implementing agents and of projects on a monthly basis. Provincial Treasury reviews these project-level reports as well as an implementing agents' Infrastructure Procurement Implementation Plans (IPIP) to check whether contractual milestones have been reached and for efficient cash flows. In the Eastern Cape, Provincial Treasury engages implementing agents directly when projects are stagnated. Treasury also conducts workshops, preparing departments and implementing agents for Infrastructure Procurement Management Plan (IPMP) and Infrastructure Procurement Implementation Plan (IPIP) interface trainings. However, given the extremely low rate of delivery of implementing agents, Equal Education feels that these workshops are inadequate to ensure implementing agent capacitation and performance improvement.

In spite of a massive infrastructure backlog, the Eastern Cape Department of Education (ECDoE) and the DBE have built schools in the Eastern Cape at an achingly slow place. In the 2015-16 financial year, a mere 11 schools were built. The next year in 2016-17, only six were built¹. Since 2009, only 196 schools have been built in the Eastern Cape in total. That is only a fraction of the backlog which remains today. There are 800 schools made of inappropriate materials in the province alone.

Recommendations

Provincial treasuries must publish the IRM reports in order to make public information on underperforming implementing agents

Provincial treasuries should provide training to implementing agents as well as PEDs on the importance of adding delinquent contractors to National Treasury's Database of Restricted Suppliers

Provincial treasuries should issue a report with recommendations on how to expedite PEDs payment of invoices to implementing agents and contractors.

¹ Department of Basic Education. Internal Question Paper. Written Response to National Assembly Question 673.17 March 2017. Posted 23 May 2017.

