



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF EDUCATION

**EDUCATION INFRASTRUCTURE
PROCUREMENT AND CONTRACTING
STRATEGY IMPLEMENTATION FRAMEWORK**

PRODUCED WITH ASSISTANCE FROM THE SUPPORT
PROGRAMME FOR ACCELERATED INFRASTRUCTURE DELIVERY
(SPAID)

WITH FUNDING FROM THE BUSINESS TRUST

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1 INTRODUCTION AND BACKGROUND

1.1 Support from SPAID

The Support Programme for Accelerated Infrastructure Development (SPAID) is a partnership between the Business Trust and the Presidency. SPAID identified the need to pilot the development of a sector specific infrastructure procurement strategy as part of its Technical Assignments Programme and in support of its objective to find innovative means to accelerate and improve infrastructure delivery through the mobilisation of private sector resources and know-how. Given the priority status of Education, it was agreed with the SPAID Steering Committee that the first pilot should be in the education sector. The Limpopo Department of Education (LDoE) was then identified as a partner with which to develop and test an education sector infrastructure procurement strategy. The project was overseen by a steering committee with representation from Limpopo Treasury, National Treasury, the national Department of Education, and LDoE.

1.2 Assessment of LDoE infrastructure plan

The first phase of support involved carrying out an assessment of LDoE's infrastructure plan. This included documenting the methodology used by LDoE for identifying its needs and translating them into a prioritised five year infrastructure plan. The first phase report concluded that, although there were unavoidable shortcomings with regard to the currency of the backlog data used in the planning process, the methodology which Limpopo DoE used to produce its infrastructure plan was logical and relatively robust. It was underpinned by equity considerations and appeared to be directing expenditure towards the most urgent needs. It was also found to be in line with the Infrastructure Delivery Improvement Programme (IDIP) planning guidelines and broadly in line with the recently promulgated Government-wide Immovable Assets Management Act (GIAMA). The report on the first phase therefore concluded that implementation of the infrastructure plan would generally not result in procurement of 'the wrong things' and that the project should move to the next phase of developing a procurement strategy to enable the infrastructure to be procured in an optimal manner.

1.3 Formulation and application of a methodology for developing a procurement strategy

The second phase of the project involved the development of a generic methodology for identifying a suitable infrastructure procurement strategy. The third phase involved applying the generic methodology to produce an infrastructure procurement strategy for LDoE. This has been completed and is attached as Annexure 1. The fourth and final phase of the project was to develop an implementation framework for the procurement strategy, which is the subject of this document.

2 SUMMARY OF PROCUREMENT STRATEGY

As described in detail in Annexure 1, LDoE has identified the following five categories of infrastructure spend for the purposes of developing a procurement strategy:

- a) Greenfields Programme (high value new buildings), managed by Head Office
- b) Brownfields Upgrade and Repair Programme (medium value)
- c) Water and Sanitation Programme, consisting of a mix of small civil and building projects managed by DWAF
- d) Routine and Preventative Maintenance Programme, managed in consultation with SGB's
- e) New programme to allocate funds to Eskom to electrify schools.

On the basis of considering all the available delivery management and contracting and procurement options in LDoE's organisational and market context and in the context of its primary and secondary procurement objectives, LDoE decided on the procurement strategy summarised in Tables 1 and 2 below.

A plan for implementing this strategy is presented in Section 3.

Table 1 Summary of works procurement strategy per procurement category or programme

Procurement programme or category	Delivery management strategy		Contracting strategy			Procurement arrangements			
	Delivery management strategy	Packaging of projects	Contracting strategy	Form of contract	Pricing strategy	Quality strategy	Procurement procedure	Targeted procurement procedure	Tender evaluation procedure
1. Greenfields high value new buildings	Programme	Individual package for each project (64 packages over five years)	Develop & construct	NEC	Lump sum activity schedule	Prequalification & eligibility	Qualified competitive selection	Preferencing & incentives & contractual obligations	Financial offer & quality & preferences
	PPP for two schools in Lephalale	2 schools in one package	Follow National Treasury PPP procedures						
2. Brownfields medium value upgrade and repair	Framework agreements	Five framework agreement contracts to be issued every three years (one contract per District)	Develop & construct	NEC	Target cost	Prequalification & eligibility	Qualified competitive selection	Preferencing & incentives & contractual obligations	Financial offer & quality & preferences
	DPW implementing agent for up to R100m per annum, using framework agreements								
3. Water and sanitation	DWAF implementing agent using framework agreements	Five framework agreement contracts to be issued every three years (one contract per District)							
4. Routine and preventative maintenance	Framework agreements	Five framework agreement contracts to be issued every three years (one contract per District)	Term maintenance contract	NEC3 term service contract	Target cost	Eligibility	Open competitive selection	Preferencing & incentives & contractual obligations	Financial offer & quality & preferences
5. Electrification	Eskom implementing agent	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom	To be decided by Eskom

Table 2: Summary of procurement strategy for professional service providers

Delivery management strategy	PSP	Construction procurement category	Packaging	Form of contract	Pricing strategy	Quality strategy	Procurement procedure	Targeted procurement procedure	Tender evaluation procedure
Non-framework agreements	Project manager (including supervision and OHS)	Category 1	One project manager per project	NEC 3PSP	Priced contracts with activity schedule	Prequalification & eligibility	Qualified competitive selection	Preferencing	Financial offer & quality & preferences
	Project manager (including supervision, OHS and cost consulting)	Category 4	One project manager for whole province						
Framework agreements	EIA	Categories 1, 2, and 3	One contract per district, management to decide on number of PSPs per contract	NEC3 PSP framework agreement	Priced contracts with rates	Prequalification & eligibility	Qualified competitive selection	Preferencing	Financial offer & quality & preferences
	Geotech	Categories 1, 2, and 3							
	Cost consultant	Categories 1, 2, and 3							
	Project manager (including supervision and OHS)	Categories 2 and 3							

3 IMPLEMENTATION FRAMEWORK

3.1 Processes to obtain approval in principle of the strategy

A comprehensive memorandum will be prepared for presentation to, and approval by, the CFO and HoD. The memorandum will highlight the following:

- the major areas of the strategy and its implications for internal and external stakeholders;
- the reasons for implementing the new strategy; and
- how it is going to be implemented.

Once the above approvals have been obtained, the provincial Treasury will also be informed about the new strategy.

3.2 Consultation processes

After obtaining approval in principle, the next key step is to consult with all those that are or will be involved with LDoE in its infrastructure delivery programme. The aim of these consultations will be to share and clarify the strategy and to allay fears about the changes being introduced.

This consultation will include:

- a) An internal departmental workshop for affected staff members, particularly those in Supply Chain Management
- b) A mini-conference with industry – professional service providers and contractors – including industry associations, with the participation of the CIDB
- c) A similar mini-conference or work shop with prospective Implementing Agents such as Public Works and Water Affairs.

3.3 Capacity building processes

3.3.1 Obtain short-term external expertise

LDoE requires expert support to assemble sets of standard procurement and contracting documents for the various procurement categories. The purpose of this support will be to:

- a) Obtain experienced external expertise to provide guidance
- b) Assist the department through the whole procurement process for each of the new types of procurement and contracting approaches
- c) Draw on the external expertise to develop standard templates
- d) Draw on the external expertise for explaining the new procurement and contracting methodologies to internal and external stakeholders during the consultation processes
- e) Coach and support contractors and PSPs as and when required
- f) Transfer knowledge to officials of the department.

3.3.2 Training of staff

At the same time as the short-term expertise is being provided, the Department should start arranging for relevant infrastructure management and SCM officials from both LDoE and from the Implementing Agents to receive training on:

- a) The different forms of NEC contract;
- b) Drawing up and managing framework agreements;
- c) Pricing and quality strategies, procurement procedures, targeted procurement procedures and tender evaluation procedures; and
- d) PPPs (through National Treasury).

For items a) to c) above, the Department will request the assistance of the CIDB.

3.3.3 Training of PSPs and contractors

In consultation with the CIDB, LDoE will request the relevant professional associations and the Construction SETA to assist with putting in place appropriate courses on the same issues for PSPs and contractors at CIDB grade of 5 or 6 and above. In time, completion of these courses will become a prerequisite for appointment of PSPs and for contractors (at grade 5 or 6 and above) for design and construct contracts.

3.4 Alignment of LDoE policies and strategies

Some LDoE policies and strategies, particularly those related to SCM, will need to be adjusted to suit this procurement strategy, in accordance with CIDB requirements.

3.5 Procurement /contacting processes and programme

In this section the procurement processes and procurement programme to be followed per category of spend are described. These processes will start as soon as approval for the procurement strategy has been obtained as described above.

An overall flowchart illustrating the high-level procurement processes is provided in Figure 1. The detailed procurement processes for the works and for professional service providers are described in the following sections.

3.5.1 Procurement of the works

Category 1: Greenfields high value new buildings

Lephalale PPPs

Once the HoD's approval for this procurement strategy has been obtained, LDoE will formally register a PPP with National Treasury and follow the PPP procedures for the identified PPP projects – Matshwara Dinaledi School and another in the Lephalale area still to be named.

Develop and construct programme

Like the PPP's this programme will also start with pilot projects in Lephalale. Table 3 below contains the activity schedule in this regard.

Category 2: Brownfields Upgrade and Repair Programme (medium value) and Category 3: Water and Sanitation Programme, consisting of a mix of small civil and building projects managed by DWAF

This category will involve putting in place framework agreements using the NEC develop and construct contract, with one contract per district. Similarly to the develop and construct programme in Category 1 above, LDoE will start with a pilot project to put in place a framework agreement for one district, and thereafter put in place the framework agreements for the other four districts, following the same process. Tables 4a and 4b below contain the activity schedule / procurement programme in this regard.

Category 4: Routine and Preventative Maintenance Programme, managed in consultation with SGB's

This category will also involve putting in place framework agreements, but with the NEC3 term service contract, with one contract per district. Similarly to the other categories above, LDoE will start with a pilot project to put in place a framework agreement for one district, and thereafter put in place the framework agreements for the other four districts, following the same process. Table 5a and 5b below contains the activity schedule in this regard.

Category 5: New programme to allocate funds to Eskom to electrify schools

This will be managed by Eskom in terms of its processes.

3.5.2 Procurement of PSPs

As explained in detail in the LDoE procurement strategy, one project manager will be appointed per project for Category 1 and a single project manager will be appointed for the province-wide maintenance programme. In addition, LDoE will put in place one framework agreement per district for each of the following types of PSP:

- Environment Impact Assessment (EIA) for Categories 1, 2 and 3
- Geotechnical investigations for Categories 1, 2 and 3
- Cost consultants for Categories 1, 2 and 3
- Project managers for Categories 2 and 3.

The activity schedules for the appointment of the PSPs through framework agreements are provided in Tables 6a and 6b and the schedule for appointing PSPs outside of framework agreements is provided in Table 7.

Figure 1 High-level flow-chart of procurement processes

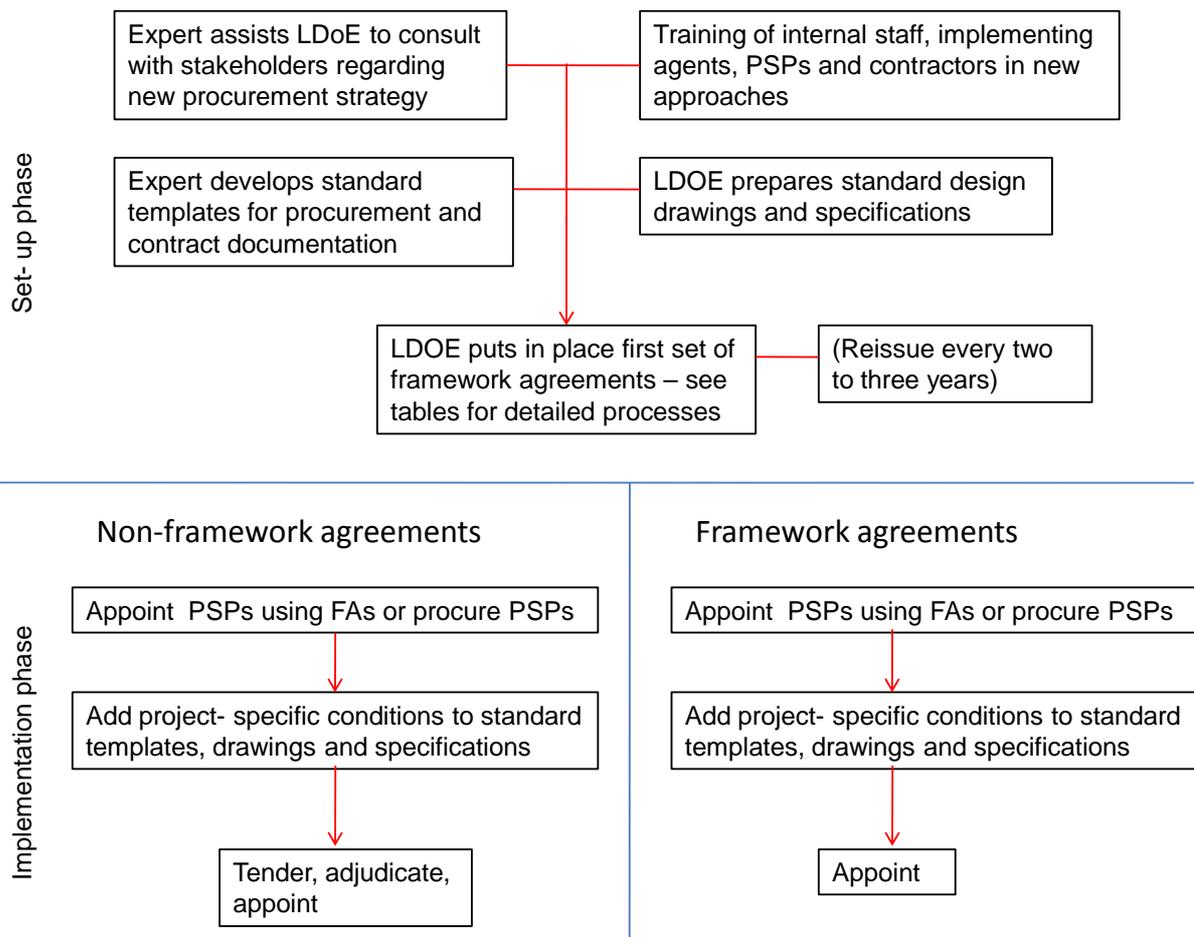


Table 3 Procurement processes and programme for Greenfields high value new buildings

C. Procuring individual contractors for procurement category 1: Greenfields high value new buildings

No	ACTIVITIES	PLANNING STAGE			PROCUREMENT STAGE			CONSTRUCTION STAGE	RESPONSIBLE
1	Programme management								LDoE
2	Appoint the EIA PSP using framework contract								Programme manager (LDoE)
3	EIA PSP performs work								PSP
4	Appoint Geotech PSP using framework agreement								Programme manager
5	Geotech PSP performs work								PSP
6	Add project-specific conditions to standard documentation								Project Manager, for approval
7	Appoint cost consultant PSP using framework agreement								Programme manager
8	Procure project manager (including supervisor & H&S) through competitive process								Programme manager
9	Cost consultant prepares the pre tender cost estimate								PSP
10	Tender								Programme manager
11	Project manager and cost consultant adjudicate tenders and advise client								PSPs
12	Contractor performs work (including using brief to develop detailed design)								Contractor
13	Cost consultant performs work								PSP
14	Project manager performs work (including supervision & H&S)								PSP

Summary of procurement strategy:

Form of contract:	NEC Option A develop and construct contract
Pricing strategy:	Lump sum activity schedule
Quality strategy:	Prequalification and eligibility
Procurement procedure:	Qualified competitive selection
Targeted procurement procedure:	Preferences and incentives and contractual obligations
Tender evaluation procedure:	Financial offer, quality and preferences

Notes:

The period of the planning stage is reduced by approximately 3 months as a result of being able to appoint the PSPs from framework agreements.
 The use of framework agreements for the PSPs also reduces the number of procurement processes which the department has to manage.

Table 4a Procurement processes and programme for framework agreements for Categories 2 and 3: brownfields medium-value upgrade and repair and water and sanitation

No	ACTIVITIES	PLANNING			PROCUREMENT			CONSTRUCTION	RESPONSIBLE
1	Programme management								LDoE
2	Add specific conditions to standard templates and designs								Programme manager
3	Appoint cost consultant PSP using framework agreement								Programme manager
4	Cost consultant prepares pre tender cost estimate								PSP
5	Tender								Programme manager
6	Cost consultant adjudicate tenders and advises client, client adjudicates and awards tender								PSP and Programme manager

Summary of procurement strategy:

Form of contract:	NEC Framework agreement
Pricing strategy:	Target cost
Quality strategy:	Pequalification and eligibility
Procurement procedure:	Qualified competitive selection
Targeted procurement procedure:	Preferences and incentives and contractual obligations
Tender evaluation procedure:	Financial offer, quality and preferences

Table 4b Procurement processes and programme for appointment from Framework Agreements for Categories 2 and 3: for brownfields medium-value upgrade and repair and water and sanitation

No	ACTIVITIES	PLANNING			PROCUREMENT	CONSTRUCTION	RESPONSIBLE
1	Programme management						LDoE
2	If necessary, appoint the EIA PSP using framework contract						Programme manager
3	EIA PSP performs work						PSP
4	Appoint Geotechnical investigation PSP using framework agreement						Programme manager
5	Geotech PSP performs work						PSP
6	Add project-specific conditions to standard templates and designs						Project manager for approval by Programme manager
7	Appoint cost consultant PSP using framework agreement						Programme manager
8	Appoint project manager using framework agreement						Programme manager
12	Appoint contractor using framework agreement						Programme manager
13	Contractor performs work (including using brief to develop detailed design)						Contractors
14	Cost consultant performs work						PSP
15	Project manager performs work (including supervision & H&S)						PSP

Notes:

The procurement stage only has one step because the contractors are appointed off a pre-existing framework agreement.

This reduces the normal procurement period from approximately 3 months to a few days.

Similarly, the period of the planning stage is reduced by approximately 3 months as a result of being able to appoint the PSPs from framework agreements.

The use of framework agreements also reduces the number of procurement processes which the department has to manage.

Table 5a Procurement processes and programme for putting in place framework agreements for maintenance

No	ACTIVITIES	PLANNING STAGE			PROCUREMENT STAGE			CONSTRUCTION STAGE	RESPONSIBLE
1	Programme management	■	■	■	■	■	■		LDoE
2	Add specific conditions to standard contracts and specifications for the project			■					Project manager for approval by Programme manager
3	Procure one provincial project manager (including cost consultant, supervisor & H&S)	■	■						Programme manager
4	Project manager prepares pre tender cost estimates				■				PSP
5	Tender					■			Programme manager
6	Project manager adjudicates tenders and advise client						■		PSP

Summary of procurement strategy:

Form of contract:

NEC3 term service contract

Pricing strategy:

Target cost

Quality strategy:

Eligibility

Procurement procedure:

Open competitive selection

Targeted procurement procedure:

Preferences and incentives and contractual obligations

Tender evaluation procedure:

Financial offer, quality and preferences

Table 5b Procurement processes and programme for appointing contractors from framework agreements for maintenance

No	ACTIVITIES	PROCUREMENT STAGE	CONSTRUCTION STAGE	RESPONSIBLE
1	Programme management			LDoE
2	Appoint contractors using framework agreement			Programme manager on advice of project manager
3	Contractors perform work (including using brief to develop detailed design)			Contractors
4	Project manager performs work (including supervision & H&S and cost consulting)			PSP

Notes:

The procurement stage only has one step because the contractors are appointed off a pre-existing framework agreement.

This reduces the normal procurement period from approximately 3 months to a few days.

The use of framework agreements also reduces the number of procurement processes which the department has to manage.

Table 6a Procurement processes and programme for framework agreements for PSPs

No	ACTIVITIES	PLANNING STAGE	PROCUREMENT STAGE	CONSTRUCTION STAGE	RESPONSIBLE
1	Programme management				LDoE
2	Add specific conditions to standard contracts				Programme manager
3	Tender				Programme manager
4	Programme manager evaluates and awards				Programme manager

Summary of procurement strategy:

Packaging:	One contract per district, management to decide on no of providers per contract
Form of contract:	NEC3 PSP framework agreement
Pricing strategy:	Priced contracts with rates
Quality strategy:	Pequalification and eligibility
Procurement procedure:	Qualified competitive selection
Targeted procurement procedure:	Preferences
Tender evaluation procedure:	Financial offer, quality and preferences

Table 6b Procurement processes and programme for appointing PSPs from framework agreements

No	ACTIVITIES	PLANNING STAGE	PROCUREMENT STAGE	IMPLEMENTATION STAGE	RESPONSIBLE
1	Programme management				LDoE
2	Add specific conditions to standard contracts				Programme manager
5	Appoint PSPs using framework agreements				Programme manager
6	PSP carries out work				PSP

Notes:

The procurement stage only has one step because the contractors are appointed off a pre-existing framework agreement.

This reduces the normal procurement period from approximately 3 months to a few days.

The use of framework agreements also reduces the number of procurement processes which the department has to manage.

Table 7 Procurement processes and programme for procuring PSPs (non-framework agreements)

No	ACTIVITIES	PLANNING STAGE	PROCUREMENT STAGE			CONSTRUCTION STAGE	RESPONSIBLE
1	Programme management						LDoE
2	Add project-specific conditions to standard contracts						Programme manager
3	Tender						Programme manager
4	Programme manager evaluates and awards						Programme manager
5	PSP carries out work						PSP

Summary of procurement strategy:

Form of contract:	NEC3 PSP
Pricing strategy:	Priced contracts with activity schedule
Quality strategy:	Pequalification and eligibility
Procurement procedure:	Qualified competitive selection
Targeted procurement procedure:	Preferences
Tender evaluation procedure:	Financial offer, quality and preferences

4 Budget

LDoE will cover the cost of the functions of the programme manager from its own budget. However, it is seeking funding from the Business Trust for the expert support functions described in section 3. It will also seek funding for the training which is required.

Annexure 1: LDoE Education Infrastructure Procurement Strategy