Trends in Public Procurement in Africa: Opportunities and Challenges of Capacity Building Interventions

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Why focus on public procurement?

• It is the principal means of organizing spending of public resources for delivery of goods and services

• Public procurement depends on a number of critical processes which need to function seamlessly for effective results
  – Demand assessment to identify needs for goods and services
  – Budgeting and prioritizing actions to allocate resources towards critical needs
  – Awarding, supervision, and management of contracts to get goods and services delivered
  – Regulating the quality of delivered goods and services and enforcing contracts

• Sub-Saharan African countries have consistently under performed other regions in most of these areas, despite their importance for development results

• Financial crisis in 2008-2009 is putting pressure on availability of resources (Aid, FDI, Remittances) and countries have to rely even more on domestic resources

• With limited domestic resources it is even more critical that they are spent efficiently and effectively

• A transparent and efficient procurement system will not only aid in generating savings that can be reinvested in development, but can affect the business environment and the credibility and confidence of the citizen in public services
Status of E-Procurement in Africa

- Africa has had challenges in implementing e-government with many projects being partial or total failures
- Failures have been attributed to three major factors:
  - state agencies have been slow in putting in place the needed capacities;
  - lack of ICT infrastructure and mass connectivity to the Internet have hampered much of the expected roll-out; and
  - antiquated administrative cultures have dominated the under-resourced and unaccountable bureaucracies
- Delays in implementation of e-government have led to a slow take-off on e-procurement
- Africa needs to address major weaknesses in the area of public procurement in addition to putting in place the critical capacities for successful e-procurement
- Successes in using ICT to solve other problems such as in banking, health, and education on the Continent bear well for the future of e-government and e-procurement
Status of e-Government in Africa

Presence of Central Government Internet Portals

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Presence of Government Websites for Consulates and Embassies

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Source: Own analysis with data from eRepublic.org
Weaknesses in procurement systems in Africa

- **Legal frameworks:** for public procurement lack clarity, are not comprehensive, and many are outdated
- **Transparency & disclosure:** no systematic disclosure of information on procurement award and performance, little transparency and streamlining of disclosure mechanisms
- **Accountability & anti-corruption:** non compliance in implementing procurement rules, few countries with anticorruption and conflict of interest provisions in place, and limited consultation of public before contract award
- **Separation of functions:** central procurement authorities involved in operational activities with no separation of function between initiating, authorizing, approving supervising and controlling
- **Standards of conduct:** Prevalent conflicts of interest by officials working in central procurement units and procurement carried out with little compliance with the required standards of conduct
- **Skills and capabilities:** lack of a cadre of skilled professionals in public procurement
Indicators of the environment for public procurement

- Quality of Public Administration
- Business Regulatory Environment
- Transparency, Accountability & Corruption in the Public Sector
Status of Key Drivers in Environment for Public Procurement in Africa: Average Regional Ratings

Source: IDA Resource Allocation Index
Average Regional Ratings Hide a lot of Variability Across Countries

Source: IDA Resource Allocation Index

Cote d’Ivoire, Ghana - Improve

Angola, Benin, Cameroon, Cape Verde, CAR, Chad, Comoros, DRC, Congo, Djibouti, Ethiopia, Gambia, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Sao Tome & Principe, Senegal, Sierra Leone, Sudan, Togo, Uganda, Zambia - Flat

Burkina Faso, Burundi, Eritrea, Guinea, Mauritania, Rwanda, Tanzania, Zimbabwe - Decline

Source: IDA Resource Allocation Index
Quality of Public Administration: Trends from 2005-2009

CAR, Kenya, Mozambique, Nigeria

Angola, Benin, Burundi, Cameroon, Cape Verde, Comoros, Congo, Cote d’Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mauritius, Niger, Rwanda, Sao Tome & Principe, Senegal, Sudan, Tanzania, Togo, Uganda, Zambia

Chad, DRC, Zimbabwe

Source: IDA Resource Allocation Index
Business Regulatory Environment: Trends from 2005-2009

**Improve**
Burkina Faso, Djibouti, Gambia, Senegal, Sierra Leone, Zambia

**Flat**
Angola, Burundi, CAR, Comoros, Congo, Cote d’Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Kenya Lesotho, Malawi, Mali, Mauritania, Mozambique, Nigeria, Rwanda, Sao Tome & Principe, Sudan, Togo, Uganda

**Decline**
Benin, Cameroon, Cape Verde, Chad, DRC, Guinea-Bissau, Madagascar, Niger, Zimbabwe

Source: IDA Resource Allocation Index
Challenges to be addressed

- Insufficient skilled professionals
- Lack of strategic treatment of procurement
- Few systematic approaches to procurement
- Corruption in public procurement
- Inadequacy of accountability and control mechanisms
- Changes in the institutional environment
- Commitment to change all dimensions
- Involvement of all stakeholders to create ownership for reforms
Reforms needed in Africa

• Legislative framework:
  – Compliance with applicable obligations from national and international standards
  – Regulations, documentation, and tools to support implementation

• Institutional framework and management capacity:
  – Mainstreaming and integration into the public financial management system
  – Creating a functional management or regulatory body
  – Strengthening the institutional development capacity

• Procurement operations and market practices
  – Enhancing the efficiency of procurement operations and practices
  – Functionality of the public procurement market and implanting necessary changes
  – Putting in place contract administration and dispute resolution provisions

• Integrity of the procurement system:
  – Establishing and enhancing control and audit system
  – Putting in place an efficient appeals mechanism
  – Increasing access to information,
  – Introducing ethics and anticorruption measures
Capacity building approaches in procurement

• Definition: OECD (2002) definition of capacity, which is “the process whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.”

• Any approach to capacity development for procurement reforms needs to take into account:
  – Political environment
  – Implementation capacity
Approaching Capacity Development in Varying Contexts

Political Environment

Reforms through selective pilots that are monitored and scaled-up when successful, working with champions who can get things done while building broad-based support

Planned comprehensive approaches with fixed targets and scheduled activities that are monitored and adjusted over time across a wide range of areas

Unfavorable

Favorable

Incremental change of existing practices, working with selected champions, building-in maximum adaptability and flexibility to support emerging centers of excellence and resolve

Working with a broad range of areas for reform but seeking incremental change while building M&E capacity, using guidelines rather than fixed targets

Approach

Implementation Capacity
Varying Contexts: Regulation Vs. Implementation

Regulatory Environment

Favorable
- Cape Verde
- Ghana
- Kenya
- Senegal

Unfavorable
- Burkina Faso
- Madagascar
- Malawi
- Rwanda
- Tanzania

Cameroon, Ethiopia, Gambia,
Lesotho, Mali, Mauritania,
Mozambique, Niger,
Nigeria, Sao Tome & Principe,
Zambia

Angola, Burundi, CAR
Chad, Comoros, DRC, Congo
Cote d’Ivoire, Eritrea, Guinea-Bissau
Sierra Leone, Sudan, Togo
Zimbabwe

Benin
Djibouti
Uganda
# Capacity to Enforce Contracts

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How well is the government handling fighting corruption?

Source: Afrobarometer (2005)
Transparency & Accountability Vs. Implementation Capacity

Transparency & Accountability, Corruption

Burkina Faso
Kenya
Malawi
Senegal
Tanzania

Cape Verde
Ghana
Madagascar
Rwanda

Angola, Cameroon, CAR
Djibouti, Ethiopia, Guinea-Bissau,
Mozambique, Niger,
Nigeria, Mauritania, Sierra Leone,
Uganda, Zambia

Burundi, Chad, Comoros,
DRC, Congo, Cote d’Ivoire,
Gambia, Guinea, Sudan,
Togo, Zimbabwe

Benin
Lesotho
Mali
Sao Tome & Principe
Dealing with Construction Permits

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Source: World Bank Doing Business Indicators
Case of Ghana

What works

• Overall environment for public procurement above average
• Robust Legislative and Regulatory framework, further improvement establishment of National Public Procurement Board and tender committees

What doesn’t

• Knowledge about new procurement framework by MDAs and private sector
• Limited specialized audits of procurement performance
• Inadequate public awareness of e of complaints and transparency unit

Recommendations

• Implant web-based procurement planning tool
• Build up sustainable procurement training programs within local training institutions
• Strengthen procurement expertise among audit institutions
• Strengthen private capacity to successfully compete for government contracts

ACBF’s Experience: Focus areas

• **Human capacity**: skills, behaviors, motivation attitudes

• **Organizational capacity**: information systems and logistical capacities, monitoring and supervisory capabilities

• **Institutional capacity**: integration of public procurement in other systems, strengthening oversight functions, and focusing on inclusion and dialogue mechanisms
Procurement by Grantees of ACBF by Category in 2008 (in US$)

US$ 413 million of procurement since 1991, mostly in services.
ACBF’s Experience: Human Capacity

• **What**: Skills building programs in areas such as drafting and updating procurement regulations; building awareness and sensitizing stakeholders against corruption; conducting competency-based and advanced training courses in use of procurement information system and understanding of good governance in public procurement

• **Who**: public procurement professionals, staff of national civil services, local government, oversight institutions, private sector, civil society

• **How**: Deep skills building as in the Ghana Institute of Management and Public Administration (GIMPA) project; on-the-job training as in the WAEMU project
ACBF’s Experience: Organizational Capacity

• **Transparency and Accountability:** information systems that publish information on public contracts, procedures, appeals and information on the conditions for lodging appeals

• **Efficiency and effectiveness:** online procurement with incremental investments in upgrading the Public Procurement Information Systems and building the capacity of users and managers of the public procurement information systems.

• **Monitoring and supervision:** strengthening monitoring and supervisory bodies to carry out oversight roles; inclusion of experts representing the various stakeholders (public sector, private sector, and civil society); regulatory compliance; tracking progress in implementing reforms; and ensuring functioning of non-judicial appeals mechanism for bidders

• **Logistical capabilities:** strengthening the logistical capacities of procurement institutions to handle diverse information systems, contract processing mechanisms, and information and publication roles and functions

• **Example:** financing purchase of equipment and installation of a technology platform as in the WAEMU project
ACBF’s Experience: Institutional Capacity

• **Coherence**: integration of public procurement into budget management by investing in computerized budget management system and training of the users and revision of public procurement procedures manual

• **Oversight**: strengthening oversight functions of Parliament, civil society watchdogs, and the professionalizing voices of the private sector and civil society

• **Example**: building capabilities for coherence in sub-regional policies as in WAEMU project; common platform for procurement and disbursement for all project directors of entities funded with ACBF grants
ACBF’s Own Procurement from 1998-2008 (in US$)
ACBF’s Own Procurement by Category in 2008 (in US$)

- Recruitment of Expertise
- Consultancy
- Procurement of Goods (Fixed Assets and Inventory)
- Travel
Case of Zimbabwe

What works
- Overall environment for public procurement enhanced by Regional Competition
- Robust regional sourcing techniques work well in the face of severe scarcity of goods, shortage of foreign exchange and hyperinflation

What doesn’t
- Need for rigor and scrutiny to avoid local hoarding and price gouging
- Rules of competition and excessive monitoring can lead to non-procurement

Recommendations
- Implant search tool to uncover regional opportunities for procurement
- Build up sustainable procurement training programs across a sub-region
- Strengthen procurement expertise among regional audit institutions
- Strengthen private capacity for regional procurement

Conclusions and way forward

• Public entities in Africa spend large sums on public procurement
• Budget constraints make it imperative to introduce efficient public procurement procedures and systems to ensure value for money
• There is a need for efficient, transparent, accountable and professionally managed public sector procurement systems which enjoy high level of business confidence and ensure consistent attainment of best value for money
• Whilst most African Countries have enacted legislation to better manage public procurement, there is still the need for genuine political commitment in enforcement and compliance
• Eradicating institutionalized corruption from public procurement takes time but requires swift behavioral change
• Public access to procurement information is important in promoting transparency and as a key tool for anti-corruption; e-government initiatives could be instrumental in that regard
• Procurement reforms in Africa need to encompass the use of technology in managing procurement processes