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|  | **ENHANCEMENT OF PROCUREMENT CAPACITY OF LOCAL GOVERNMENT AUTHORITIES**  **PROJECT IDENTIFICATION NOTE**  **FOR**  **BELGIAN SUPPORT**  **Public Procurement Regulatory Authority**  **P.O. Box 49,**  **Dar es Salaam.**  **February 2011** |

**BELGIAN DIRECT BILATERAL COOPERATION**

**NEW PROJECT**

**PROJECT TITLE:**

**ENHANCEMENT OF PROCUREMENT CAPACITY OF LOCAL GOVERNMENT AUTHORITIES**

1. **PROJECT DESCRIPTION**
   1. **Background of PPRA and its Functions**

Procurement reforms in Tanzania started way back in 1990’s and has brought important changes that make expenditure of public funds for acquisition of works, goods and services to be managed in rational manner. The reforms culminated to the enactment of the Public Procurement Act No. 21 of 2004 (PPA, Cap 410), which established an oversight body, the Public Procurement Regulatory Authority (PPRA) and decentralized procurement to the public bodies including Local Government Authorities (LGAs). All these efforts were aimed at putting in place, amongst others, the most effective measures to achieve the desired procurement outcomes and consequently better service delivery to the citizen of Tanzania.

PPRA was established under Section 5 of PPA CAP. 410 as an autonomous body within the Ministry of Finance. Its objectives are:-

1. To ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices;
2. To harmonize the procurement policies, systems and practices of the central government, local governments and statutory bodies;.
3. To set standards for the public procurement systems in the United Republic of Tanzania,
4. To monitor compliance of PEs; and
5. To build procurement capacity in the United Republic of Tanzania in collaboration with relevant professional bodies.

The functions of PPRA are stated under Section 7 of the Act as follows:

1. advise central Government, local governments and statutory bodies on all procurement polices, principles and practices;
2. monitor and report on the performance of the public procurement systems in the United Republic of Tanzania and advise on desirable changes;
3. set training standards, competence levels, certification requirements and professional development paths for procurement experts in consultation with relevant professional bodies and any other competent authorities;
4. prepare, update and issue authorized versions of the standardized tendering documents, procedural forms and any other attendant documents to PEs;
5. in collaboration with relevant professional bodies, ensure that any deviation from the use of the standardized tendering documents, procedural forms and any other attendant documents is effected only after prior written approval of the Authority;
6. issue guidelines under Section 89 of the Act;
7. organize and maintain a system for the publication of data on public procurement opportunities, awards and any other information of public interest as may be determined by the Authority;
8. conduct periodic inspections of the records and proceedings of the PEs to ensure full and correct application of this Act;
9. monitor the award and implementation of public contracts with a view to ensuring that:

(i) such contracts are awarded impartially and on merit;

(ii) the circumstances in which each contract is awarded or as the case may be, terminated, do not involve impropriety or irregularity;

(iii) without prejudice to the functions of any public body in relation to any contract, the implementation of each such contract conforms to the terms thereof.;

(j) institute:

(i) procurement audits during the tender preparatory process;

(ii) contract audits in the course of the execution of an awarded tender; and

(iii) performance audit after the completion of the contract in respect of any procurement as may be required;

(k) determine, develop, introduce, maintain and update related system - wide data -bases and technology;

(l) develop policies and maintain an operational plan on capacity building, both for institutional and human resource development;

(m) agree on a list, which shall be reviewed annually of works, services and supplies in common use by more than one procuring entity which may be subject to common procurement;

(n) establish and maintain institutional linkages with entities with professional and related interest in public procurement;

(o) facilitate the resolution of procurement complaints;

(p) administer and enforce compliance with all the provisions of this Act, regulations and guidelines issued under this Act;

(q) undertake research and surveys nationally and internationally on procurement matters; and

(r) undertake any activity that may be necessary for the execution of its functions,

The Act gives PPRA powers of carrying out investigations for alleged mis-procurement; calling for any documents or information regarding any procurement; and recommending disciplinary actions for those in breach of the Act. PPRA has mandate to ensure that public entities are adhering to PPA 2004 and its Regulations of 2005. PPA Cap 410 provides equal opportunity to all prospective suppliers, contractors, consultants and service providers in bidding for public contracts. It ensures fairness of treatment to all parties in order to obtain the value for money in the procurement process.

* 1. **Gaps in LGAs Procurement Capacity**

PPRA has assessed the conduct of procurement management activities in several LGAs in the country as part of normal procurement audit or follow-up of implementation of previous audit recommendations. Reports of such assessments have been published on the PPRA website and in the Tanzania Procurement Journal. Information on overall performance of procuring entities including LGAs also appear on the Annual Performance Evaluation reports issued by PPRA and published as well on the website. On the basis of all such reports, one may summarise the potential gaps in LGAs procurement capacity as follows:

Many LGAs have established their respective tender boards in accordance with the requirements of the PPA 2004 and the Local Government Authorities Tender Boards (Establishment and Proceedings) Regulations of 2007 (GN 177 of 2007). The capacity of the tender boards to adjudicate and make appropriate decisions on complex tenders is still limited due to lack of requisite skills and experience. As more funds flow into the LGAs, this challenge needs to be addressed immediately.

A Procurement Management Unit (PMU) is the necessary feature in the required structure of all procuring entities. Both PPA 2004, Regulations made under it and the GN 177 of 2007 requires LGAs to have fully functioning PMUs. Establishment and staffing of PMUs is a serious challenge across the central and local levels of the Government but more so in LGAs. Some have constituted PMUs as committees drawing people from various departments thus making accountability problematic, while a good number of LGAs have not provided the necessary working conditions such as appropriate office space and tools for PMUs to be reasonably functional. In many LGAs, staff working in PMUs and User Departments lacks the necessary knowledge and skills for managing procurement in general and contracts in particular.

There is little awareness of the limits of powers and responsibilities in respect of public procurement thus making interference of functions and powers within the council. PPA 2004 and Regulations are clear on the role of the Councillors (politicians), Executive Directors (City, Municipal, District or Town), LGA Tender Boards, PMUs and User Departments, but are not well understood or practiced and this has always affected the effectiveness and efficiency of the bidding process and management of contract execution.

* 1. **Planned Intervention by PPRA**

Procurement skills with respect to needs analysis and planning, preparation of bidding documents, record keeping and communication, as well as administration of contracts are areas that LGAs are lagging behind when compared to central Government agencies. Various systems and tools that have been developed by PPRA and which the LGAs are obliged to use need to be disseminated through training and hands-on support. Such tools include Standard Bidding Documents (SBDs) and procedural forms, system for checking and monitoring procurement activities, Procurement Management Information System and the system for Procurement of Common Use Items and Services. Many LGAs have not been able to benefit from the vast body of information and other resources PPRA established and this could be considered as a serious gap. It would have been more effective for PPRA to carry out training and hands-on support in the LGA locations but limited resources on both the LGAs and PPRA limit the application of such approach.

The idea of establishing the zonal centres was an attempt to bring PPRA services closer to the LGAs and was demanded by many stakeholders in the country. However, in the short term, PPRA will use a combination of individual consultants and Civil Society Organisations (CSOs) to complement its staff in carrying out the capacity building interventions. The consultants and CSOs to be used will undergo intensive training on the systems and tools to be disseminated to the LGAs.

* 1. **Belgian Support**

Initially, the Belgian development interventions covered five areas of concentration, namely; primary health care, education, agriculture and food security (environment?), basic infrastructure and good governance. The Belgian Government committed itself to more use of Tanzanian country systems, procurement being one of them. The sectors for which interventions are to be made, involve significant expenditure through procurement activities.

Following the proposal in 2008 by the Government of Tanzania for Development Partners to operate on the basis of Division of Labour, the Belgian Government’s interventions are now limited to two sectors, namely; the Local Government Reform and the Natural Resources Management. The first sector has two components, one of which Decentralisation of the Public Procurement Regulatory Authority (PPRA) services for Local Government Authorities (LGAs) is a component.

Under the Belgian support, procurement processes and outcomes in the LGAs will be enhanced by building the capacity of their respective institutional structures responsible for operational and decision aspects of public procurement. Futhermore, the private sector, which is the key player on the supply side of a procurement equation needs to be strengthened in order to deliver to the expectations of the LGAs as the main clients.

In its effort to reach out the LGAs, PPRA has planned to establish zonal offices in Arusha, Dar es Salaam, Mwanza and Iringa, initially to be used as training and data entry centres to allow LGAs and private sector entities access to a larger network pertaining to procurement issues. PPRA has approached the Government to provide funds for establishment of the offices, and the African Development Bank Loan covers the cost of equipment for the zonal offices. To deliver the services intended for the LGAs, namely capacity building activities, resources will be required for rolling out the systems and dissemination of tools to the staff of the LGAs. Technical assistance will be required for coordination of the activities within the LGAs in consultation with PMO-RALG to enable PPRA deliver the intended services,

* 1. **Benefits of Belgian Support to LGAs**

The proposed project will benefit the LGAs in several ways. Most of them (LGAs) will be able to:

1. Understand well the requirements of the PPA, CAP 410, its Regulations and procedures;
2. Establish appropriate structures necessary for effective management of public procurement;
3. Learn and utilize various systems and tools developed and disseminated by PPRA, thus improve efficiency in procurement operations and documentation, hence achieve better outcomes;
4. Increase the level of compliance and performance in view of the key indicators used for assessing them.
5. **RESPONSIBLE GOVERNMENT INSTITUTION**

PPRA will play a key role during the preparation, implementation, monitoring and evaluation of the project. It will prepare a work plan and operational manual for the project, conduct the capacity needs assessment of the LGAs, prepare the necessary materials and tools for training and hand-on support, and implement the planned interventions. Evaluation of the results of various interventions will be done in subsequently on an annual basis.

The Prime Minister’s Office – Regional Administration and Local Government will have the responsibility of coordinating the LGAs and overseeing their involvement in the project. Regional administration will be key to facilitate linkages between PPRA zonal offices and LGAs. PPRA will liase with PMO-RALG, for a possibility of using offices under the Regional or District Administration to ease PPRA’s outreach initiatives as well as LGAs access to the PPRA services they need. Since the mandate of PPRA is limited to public procurement only, the main customers of the its services at local level will be the Accounting Officers, Tender Boards, PMUs and Internal Audit Units of the LGAs.

1. **OVERALL OBJECTIVE**

To contribute to growth and implementation effectiveness which is the focus of the next MKUKUTA, PPRA intends to increase its efforts to support LGAs by bringing its services closer through the establishment of zonal offices. Under the Decentralisation by Devolution (DOD) , which is the guiding policy and important aspect of the Local Government Reform Program, LGAs are expected to attract more resources. The Local Government Development Grant (LGDG) is a capital investment grant system for which most of the funds provided are expended through procurement processes.

The main objective of the proposed project is therefore to ensure that procurement management at LGA level is strengthened in order to improve service delivery to the public (citizens) in a more efficient and cost effective manner. The strategy to be used is to equip staff involved in public procurement operations and decisions at local (LGA) level with the requisite knowledge and skills, essential systems and tools, as well as monitoring and evaluating their performance.

Summary of the Overall Objective : Service delivery to the public is improved in a more equitable, gender sensitive, efficient and cost effective manner

**Specific Objective**

In order to achieve the goal stated above, procurement capacity of LGAs and private sector entities participating in public procurement needs to be enhanced. Various procurement systems and tools that have been developed or are in the process of being developed for use by procuring entities and potential bidders need to be rolled out to local level. The project could play a significant role in supporting such efforts. LGAs performance in respect of compliance with the PPA CAP 410 remained low (50 percent) as of 2009/10 reviews. On this basis the specific objective of the project is to improve ***the average level of compliance with the PPA and Regulations to reach 80 percent by 2015***

Summary of the Specific Objective : The average level of compliance in LGAs with the PPA and Regulations is improved to reach 80 percent by 2015.

In order to achieve the specific objective the proposed project shall focus on the following result areas:

1. 50 percent of LGAs fully aware and capable of using the systems and tools developed by PPRA by 2012;
2. 80 percent of LGAs use or fully access PPRA services by 2013;
3. 20 Civil Society Organisations (CSOs) identified and enhanced to monitor, report and inform the public on procurement processes and outcomes by 2014;
4. Public procurement curricula for all levels and training materials developed and made available by 2012;
5. **TARGET GROUP**

The target group for the proposed project are the LGA staff. Interventions targeted at improving PPRA’s outreach capacity which is currently limited will be greatly enhanced. Improvement of access to PPRA’s services by procuring entities and businesses will contribute to achieving value for money because of improved capacity in LGAs and monitoring function of PPRA.

LGA staff involved in public procurement will benefit from the systems and tools available in their proximity (zonal centres) and the expertise to be provided at that level. The impact will be better procurement performance and compliance with the law.

The private sector is an important partner in the procurement equation. The success of the procurement system depends, not only on the operatives in the public sector, but also on the effectiveness and responsiveness to the whole procurement process which the participating firms must be conversant with. There are many financial and time losses by procuring entities which arise from poor responsiveness and inefficiencies arising from lack of knowledge in Public Procurement Act, Regulations and procedures as well as information resources made available by PPRA through various outlets such as the website, Journal etc.

Unlike the public sector, participants from the private sector will be expected to meet some of the costs associated with building their capacity.

1. **LINKING WITH MACRO-ECONOMIC POLICIES**

**Link to MKUKUTA**

The National Strategy for Growth and Reduction of Poverty (NSGRP), also known as MKUKUTA, places more emphasis on growth as a means to reduce poverty. It adopts an outcome based rather than a priority sector oriented approach, focusing on three broad clusters: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social well-being, and (iii) governance and accountability. Procurement reform progress therefore contributes to achieving goals set out in each of the clusters.

**Link to Millenium Development Goals**

The United Nations Millennium Development Goals (UN-MDGs) are the most broadly supported, comprehensive and specific development goals the world has ever agreed upon. Tanzania was one of the 191 United Nations member states that pledged to meet the eight (8) MDGs by 2015. In response to the first MDG (on eradication of extreme poverty and hunger), Tanzania restated the MDGs and came out with its own nine (9) TZ-MDGs, the first of which correspond with eradication of extreme poverty.

**Medium Term Strategic Plan**

PPRA has a medium term strategic plan that was designed to address the following critical issues:

1. Linking of public procurement management to national economic growth and poverty reduction (MKUKUTA) objectives;
2. Linking of public procurement management to national anti –corruption drive;
3. Increasing PEs’ compliance with the PPA 2004, Regulations and tools developed by PPRA;
4. Increasing PEs’ and Bidders’ proactive demand for and responsiveness to the PPRA services;
5. Harmonization and rationalization of the national public procurement, legal and regulatory regime;
6. Harmonization and rationalization of and advocacy for the procurement complaints handling system;
7. Professionalization of the procurement function;
8. Deepening citizenry appreciation of the value for money in public procurement;
9. Improving PPRA’s operational and outreach capacity;
10. Ensuring PPRA’s financial capacity and sustainability; and
11. Fostering PPRA networking and partnering

Improving PPRA’s operational and outreach capacity is one of the critical issues under the MTSP which the proposed project may contribute to adress. The plan envisaged a gradual expansion of the PPRA national outreach structure, starting with staff stationed at the headquarters but assigned to oversee specified zones. In the second step, PPRA would physically establish zonal offices and use the trained staff to man them accordingly. In the third step, it would establish regional offices of its own or jointly shared with other government agencies which have regional offices. Already arrangements are underway to identify and utilize facilities owned by the Government Procurement Services Agency in the proposed zonal centres. The new organisation structure of PPRA has been approved by the Government, hence financing of the zonal centres in the long run will be accommodated in the recurrent budget. The staff recruitment plan has already been prepared.

1. **LINK WITH OTHER DONORS**

**PFMRP Basket Fund**

PPRA receives a limited amount of financial resources under the Public Financial Management Reform Program (PFMRP) Component 5: Procurement.

**African Development Bank**

Following a Grant Agreement between the United Republic of Tanzania and the African Development Bank, PPRA has been receiving funds since December 2006 under the Institutional Support Project for Good Governance to finance foreign and local cost of goods, services (Training, Studies, Technical Assistance, Workshops) and Miscellaneous items (Recurrent cost items) towards implementation of Component 1 of the project, that is, Strengthening the Procurement Component of the Mainland’s Public Finance Management Reform Programme (PFMRP).

The Government of the United Republic of Tanzania has recently signed a Loan Agreement with the African Development Bank for phase II of the Institutional Support Project for Good Governance. The loan will contribute to strengthening financial governance and budget credibility, and promote transparency, accountability and integrity in the management of public resources. The key institutions to benefit from the UA 5.2 million project are the Ministry of Fuinance and Economic Affairs, PPRA, National Audit Office and the Prevention and Combating of Corruption Bureau.

The AfDB approved the ISP 11 which will support the development of model training program, training of trainers to 20 providers annually and Rolling out of PMIS in 240 government entities. These are general activities and are for all PEs including the LGAs. Activities which are directly related to LGAs are:

1. implementation of system for checking and monitoring of all LGAs, and
2. Office equipment for 4 zonal offices ie.
   * Furniture
   * IT and office equipments
   * Four 4WD Vehicles
3. **MAXIMUM FUNDING OF THE BELGIAN CONTRIBUTION AND ESTIMATED TIME OF IMPLEMEMTATION**

The total cost of the project is estimated to be **€ 5** million, which covers the following:

1. Payment for technical assistants for coordination of LGA needs assessment and logistical support to LGAs staff attending training at zonal centres;
2. Supporting rolling out of various developed procurement systems, guidelines, and procedural forms to LGAs including availing computer and related equipment for selected LGAs
3. Development of curricula and preparation of training materials for use by LGAs;
4. Carry out training on the basis of developed curricula.
5. Preparation of Procurement Operational Manual (for LGAs) for internal control;
6. Supporting public awareness (radio and TV) programs on public procurement;
7. Monitoring procurement activities of LGAs as a followup of the effectiveness of the capacity building interventions provided.
8. Facilitating study tours to countries with similar programs and best practices and Supporting short courses to enhance PPRA’s oversight role.

The proposed duration of the project is of 4 years.

1. **SUSTAINABILITY AFTER THE PROJECT**

LGAs will be required to plan for continuation of some activities under the project in order to ensure sustainability upon its end. In order to achieve this, efforts will be made to ensure:

1. There is full participation of PMO-RALG and LGAs from the beginning of the project;
2. Decentralisation by Devolution on the part of LGAs, particularly allocation of sufficient resources for procurement management activities;
3. A well thought exit plan indicating the LGAs takeover of funding responsibility and gradual shift of PPRA capacity building involvement to focal persons in the LGAs; Availability of Procurement Operational Manual will enhance internal controls and improve overall performance;
4. Existence of zonal offices to be established from other sources of funds, will ensure sustainability of various interventions because monitoring of procurement activities is a core activity under PPRA’s mandate.
5. **Monitoring and Evaluation**

There are 133 LGAs in the current database. Our plan is to cover 50 percent of the LGAs under the project. The capability assessment will be conducted in 67 LGAs to establish a baseline, followed by assessment of capacity needs and subsequent capacity building interventions. Two years later the same LGAs will be assessed using the same indicators to determine how their performance has improved.