



UNITED REPUBLIC OF TANZANIA

**ANNUAL PERFORMANCE EVALUATION REPORT FOR FINANCIAL YEAR
2016/17**

POPULAR VERSION

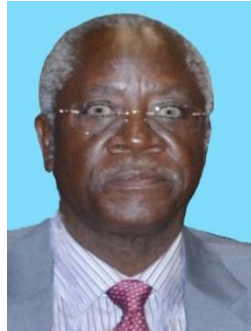
September 2017

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MESSAGE FROM BOARD CHAIRMAN



PPRA has been preparing its Annual Performance Evaluation Report since Financial Year 2006/07. The aim of this report is to inform the public on the state of public procurement and how the Authority exercised its mandate in the year under review.

However, in order to promote good governance, from the year 2016, PPRA started to publish a popular version of this report, in Kiswahili, following views from some stakeholders that the language used in the annual report was too technical to be understood.

This booklet is a translation of that popular version and it aims to facilitate understanding of those who are not conversant with Kiswahili language. I hope it will inspire our readers towards following up on implementation of projects, taking into consideration the fact that a significant part of government expenditure is on procurement of goods, works and services such as levy collection and garbage disposal.

Therefore, understanding and participation of all stakeholders in this important area are critical in supporting efforts towards curtailing loss of public funds that can occur due to non-compliance with the procurement law.

A handwritten signature in black ink, consisting of several vertical strokes and a horizontal line at the end, followed by two dots.

Amb. Dr. Matern Y. C. Lumbanga
BOARD CHAIRMAN

MESSAGE FROM CEO



This booklet is about the state of PPRA performance for Financial Year 2016/17. Among others, it includes results of procurement audits and investigations as well as the Authority's capacity building initiatives.

I would like to take this opportunity to thank the Government for financing publication of this booklet and to express my appreciation to the Editorial Board of the *Tanzania Procurement Journal* for their effort in this exercise.

Lastly, I wish to recognize the contribution of PPRA Board of Directors, management and staff for making this booklet a success.

A handwritten signature in blue ink, which appears to read 'L. Shirima'. The signature is stylized and written in a cursive-like font.

Dr. Laurent M. Shirima
CHIEF EXECUTIVE OFFICER

CHAPTER ONE

1.0 INTRODUCTION

It is an obligation of the Government to prepare the annual budget from which the Government spends money. On the other hand, according to the public procurement law, public institutions have to prepare annual procurement plans based on their budgets.

The law stipulates procurement principles that have to be complied with by public institutions to ensure best value for money for national development. These principles are transparency, competition, integrity, equity and fairness.

In order to ensure that the procurement law and principles are complied with and value for money is attained in projects and other services such as construction of roads, classrooms as well as delivery of medicines, PPRA conducts both procurement and value for money audits.

This booklet contains details of what transpired in Financial Year 2016/17 in relation to PPRA's obligation to manage procurement information and conducting training to stakeholders. Furthermore, the booklet shows the requirement for institutions' submission of procurement reports to PPRA and the outcome of the procurement audit conducted by PPRA during the Financial Year 2016/17.

The first chapter gives a summary of objectives and obligations of PPRA and highlights implementation of the Authority's corporate plan.

The second chapter highlights PPRA's overall results in carrying out its functions while the third chapter focuses on the performance of public institutions for Financial Year 2016/17.

The fourth and last chapter is on challenges encountered by PPRA in exercising its mandate as well as strategies for addressing them.

1.1 Objectives of PPRA

PPRA is established under the public procurement law, charged with regulatory functions and vested with oversight powers and responsibilities on public procurement in the country. Its functions include monitoring compliance and investigating non-compliance with the procurement law by public institutions.

1.2 Mission and vision of PPRA

Mission

To regulate the public procurement system and promote best practices in order to attain best value for money and other desired socio-economic outcomes

Vision

A public procurement system with integrity, offering best value for money

1.3 Implementation of corporate plan

PPRA started implementation of its second corporate plan in July 2015 with the following objectives:

- i) To improve public procurement performance in the country;
- ii) To enhance PPRA's ability to reach out to its stakeholders; and
- iii) To improve working conditions for PPRA

CHAPTER TWO

2.0 Overall results

The following are PPRA's performance results for Financial Year 2016/17:

2.1 Public procurement performance

In this section, PPRA conducted audit in public institutions as discussed in Chapter Three. Apart from compliance audits, PPRA also conducted investigations in some public institutions.

2.1.1 Submission of procurement information

PPRA has a system for checking and monitoring procurement processes in public institutions. The system requires public institutions to submit to PPRA their annual procurement plans and periodic implementation reports, the aim being to enhance transparency.

During Financial Year 2016/17, a total of 416 out of 533 institutions submitted their annual procurement plans to PPRA while 237 submitted their general procurement notices for publication in Tanzania Procurement Journal and website.

In addition, the Authority published information on 2,996 contracts compared to 1,977 in the preceding year.

Analysis of submitted contract award information in terms of category of institutions is as indicated in **Table 2-1**.

Table 2-1: Contract award information by institutions

S/N	Category of institutions	Number of contracts	Total value in million TZS
1	Councils	761	1,357,048
2	Ministries	225	28,566
3	Public authorities	845	260,972
4	Executive agencies	301	121,322
5	Independent departments	841	3,149,158
6	Regional commissioners' offices	23	17,594
	Total	2,996	4,934,660

Analysis of contract information in terms of procurement category is as indicated in **Table 2-2**:

Table 2-2: Contract award information submitted by categories

S/N	Procurement category	Number of contracts	Value in billion TZS
1	Works	1,028	3,676,089
2	Goods	956	917,408
3	Consultancy	234	198,538
4	Non-Consultancy	778	142,625
	Total	2,996	4,934,660

2.1.2 Cooperation with other institutions

PPRA cooperates with other institutions to ensure public procurement brings about expected outcomes. Such cooperation is based on special agreements with those institutions.

During Financial Year 2016/17, PPRA implemented Memorandums of understandings with procurement professionals board (PSPTB) and PCCB, as indicated in **Table 2 -3**.

Table 2:3 Summary of MoUs with other institutions

S/N	Issue	Implementation status
1	PSPTB	<ul style="list-style-type: none">PPRA assessed the qualifications of procurement professionalsPPRA conducted training and issued certificates that are recognized by PSPTB
2	PCCB	<ul style="list-style-type: none">Six procurement audit reports were submitted to PCCB for investigation due to high likelihood of corruption. The concerned institutions were National Museum of Tanzania, Dar es Salaam City Council, DART, TCRA, National Assembly as well as Ministry of Water and Irrigation.Reports on 30 special audits on water projects in 26 councils were submitted to PCCB for investigation.Reports on 21 projects from five audited institutions were submitted to PCCB for investigation. The projects related to Dodoma Municipal Council, Sikonge District Council, National Museum of Tanzania, Ministry of Water and Irrigation, and REA.Investigation reports involving MOI and TCRA were submitted to PCCB for further investigation.

2.1.3 Blacklisting of tenderers

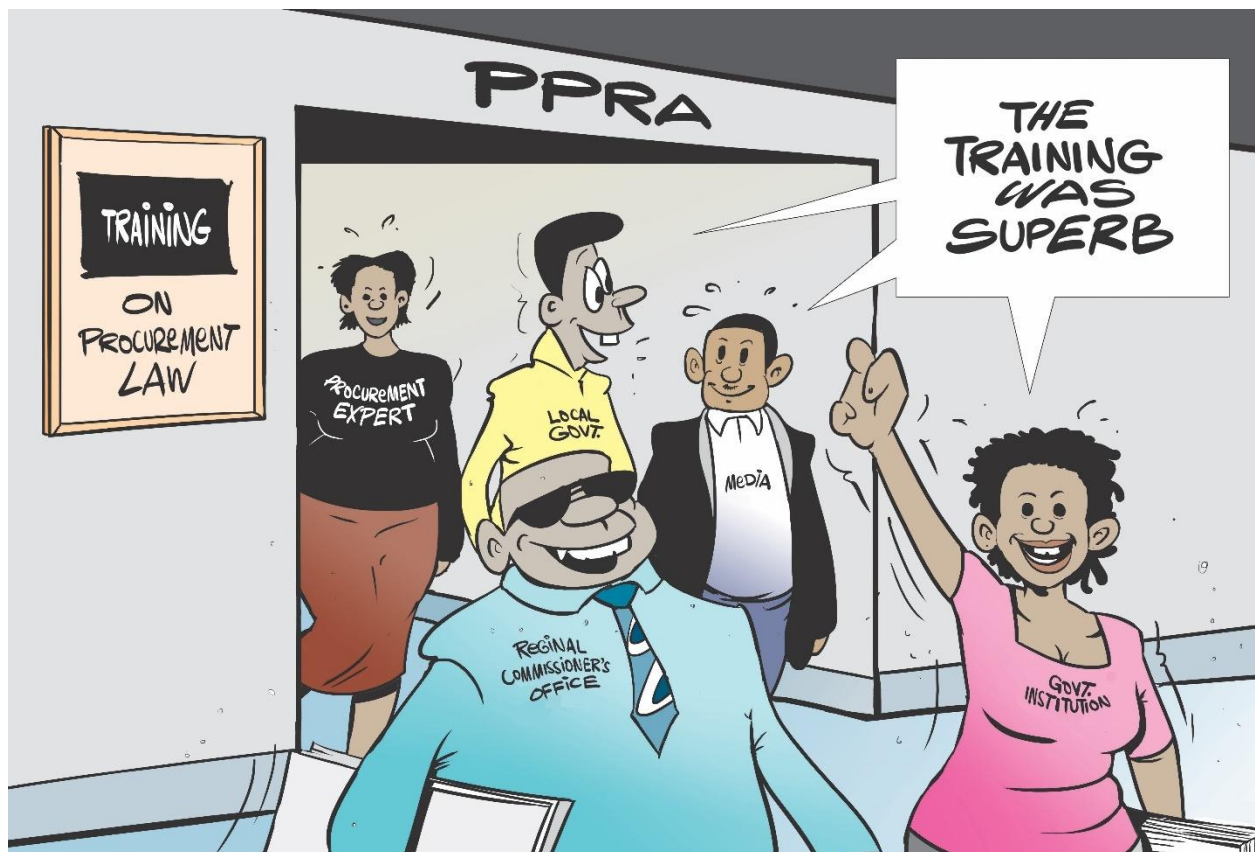
PPRA is mandated to blacklist any tenderer from participating in a tendering process due to various reasons, including failure to abide by terms and conditions of the contract. During Financial Year 2016/17, PPRA blacklisted one company namely, Genuine Company Ltd.

2.1.4 Capacity building

During Financial Year 2016/17, PPRA continued to implement its capacity building strategy by providing training to various groups:

a) Training

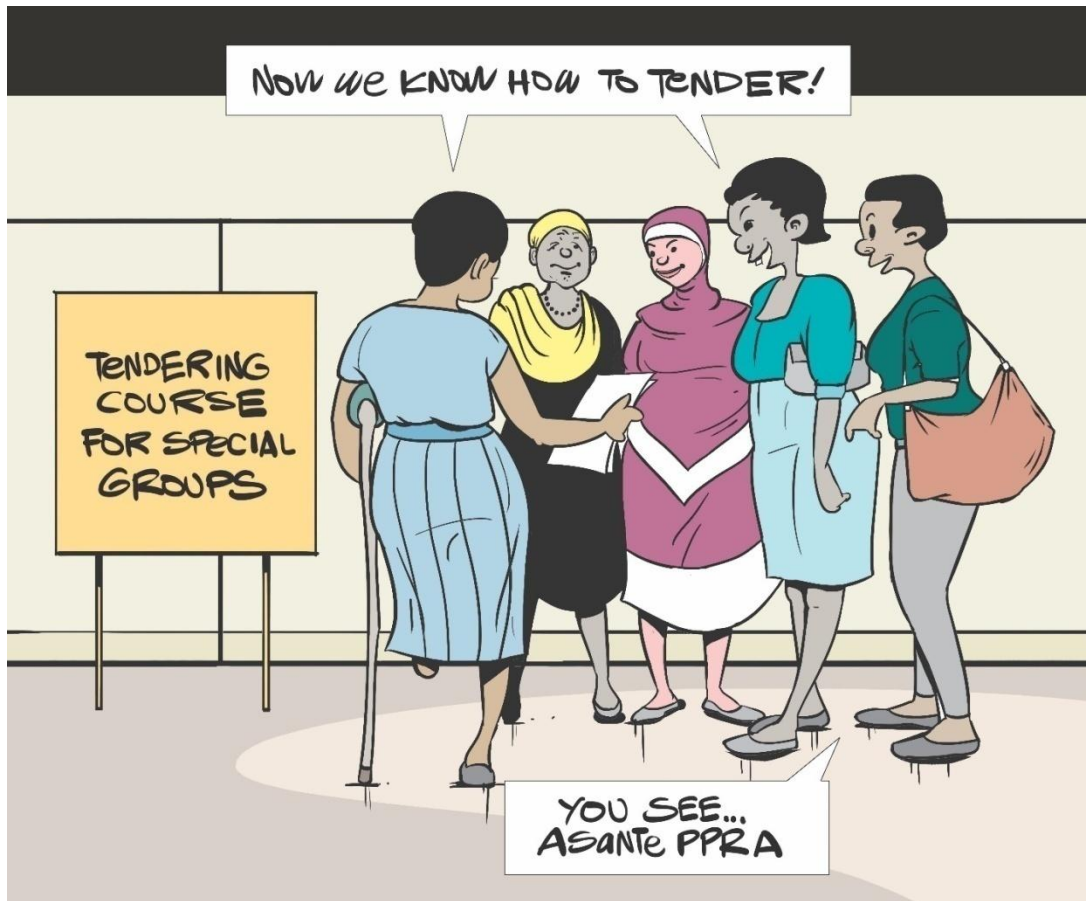
A total of 338 participants from 17 government institutions were trained on procurement law through tailor-made training compared to 629 participants from 29 institutions who were trained in the preceding year.



In addition, PPRA conducted training on procurement law to 145 officers from regional secretariats and councils of Dar es Salaam, Mwanza, Tanga, Arusha, Dodoma, Morogoro, Mara and Manyara regions.

PPRA conducted workshops on procurement law and procurement implementation tools to 805 participants compared to 205 in the preceding year.

Furthermore, PPRA conducted a workshop to 59 women entrepreneurs including contractors, service providers, consultants and suppliers, on procurement opportunities to special groups.



b) Annual Procurement Governance Workshop

During Financial Year 2016/17, PPRA organised Annual Procurement Governance Workshop which enabled stakeholders to discuss implementation of public procurement law. The event brought together 427 participants compared to 430 in the preceding year. The workshop was attended by councillors, board members of public authorities, heads of institutions and other government officers.

c) East African Public Procurement Forum

PPRA participated in the 9th East African Public Procurement Forum, which was held in Rwanda.

The forum is being organised by procurement oversight bodies of the member states on rotational basis, whereby stakeholders from member states and non-member states participate.

2.1.5 Advisory services

During Financial Year 2016/17, PPRA handled 37 applications for retrospective approval from public institutions for emergency procurement contracts.

2.1.6 Procurement Management Information System

PPRA continued to improve its Procurement Management Information System (PMIS) in compliance with the procurement law. Moreover, 414 officers from 237 public institutions were trained on the use of the system.

2.1.7 Website services

Procurement stakeholders continued to use PPRA website www.ppra.go.tz by accessing useful procurement related information. During the review, a total of 5,436 pieces of information were advertised through the website.

2.1.8 Online public procurement forum

The forum enables stakeholders to discuss and share experience on public procurement matters through PPRA website. During Financial Year 2016/17, a total of 897 users were registered, compared to 844 in the preceding year.

2.1.9 Mobile tender alert service

PPRA continued to improve the short mobile text messages service, which enables tenderers to access tender information. A tenderer can subscribe to this service by sending a short message through **15332**.

During the year under review, the number of subscribers increased to 1,430 compared to 1,393 in the preceding year.



2.1.10 Electronic procurement system

During Financial Year 2016/17, PPRA continued with preparations for installation of the electronic procurement system including educating stakeholders, as well as conducting pilot testing.

2.2 PPRA service delivery capacity

2.2.1 Dissemination of public procurement information

a) Excellence in Journalism Awards

In an effort to increase public awareness on procurement matters, PPRA continued to collaborate with the Media Council of Tanzania by sponsoring the public procurement category in the Excellency in Journalism Awards.

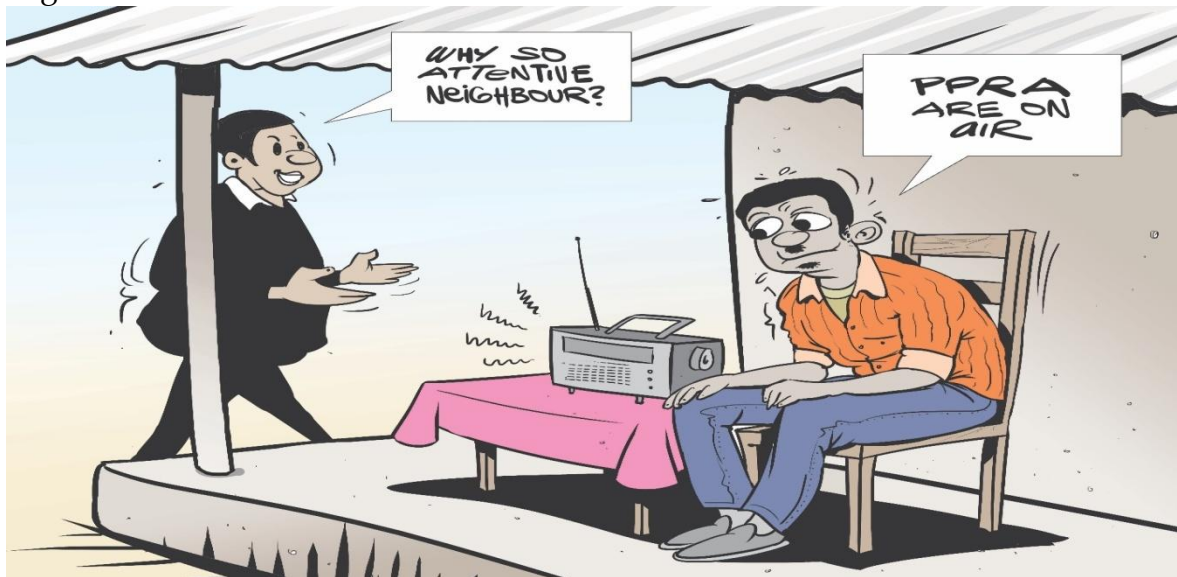
b) Tanzania Procurement Journal

Tanzania Procurement Journal serves as a one-stop centre for public procurement information for stakeholders. During the year under review, PPRA published 52

editions of the journal where 780,000 copies were circulated. The journal carried information on tender, various adverts as well as procurement audit reports. These copies were circulated every Tuesday as a supplement in Daily News.

c) Educational programmes

During the year under review, PPRA aired TV spots and radio spots to sensitize the public on issues related to integrity in public procurement. In addition, PPRA published a popular version of its annual performance report for Financial Year 2015/16 and its English translation.



2.3 Strengthening of PPRA

PPRA continued to improve sustainable working condition, systems and tools to promote contribution of its staff towards realisation of its objectives.

CHAPTER THREE

3.0 PERFORMANCE OF PUBLIC INSTITUTIONS

3.1 Awarded contracts

During Financial Year 2016/17, a total of 186 out of 533 institutions or 35 percent, submitted to PPRA information on awarded contracts. Compliance with the submission requirement decreased compared with the preceding year, where only 322 out of 493 institutions or 65.31 percent, complied. Analysis of awarded contracts is indicated in Table 3.1

Table 3.1: Awarded contracts

S/N	Category of contracts	Number of contracts	Contract value (billion)	Percentage of total awarded contracts
1.	Goods	51,028	1,058.87	16.8
2.	Works	3,638	4,743.60	75.2
3.	Consultancy services	598	256.69	4.1
4.	Non-consultancy services	17,885	251.79	4.0
5.	Disposal of public assets by tender	5	0.10	0.0
	Total	73,154	6,311.05	100.0%

3.2 Value of procurement contracts

Analysis of contract value information gives a fair picture of government procurement as 23 public institutions with the highest procurement expenditure were among those that had submitted their information. Each of these public institutions had annual volume of awarded contracts of TZS 20 billion or above.

The number of procurement contracts provided by those institutions had a value of 5,697 billion or 90 percent of the total value for 186 public institutions that had submitted their contract information.

Trend analysis of submitted information on number and value of awarded contracts is shown in Table 3-2.

Table 3-2: Trend analysis of value of awarded contracts

Financial Year	Number of institutions whose contract details were received	Number of contracts whose details were received	Value of contracts received (TZS billion)	Total budget (TZS billion)
2013/14	235	74,208	4,859	18,249
2014/15	267	75,509	4,349	19,853
2015/16	322	109,575	3,001	22,495.5
2016/17	186	73,154	6,310	20,696

Furthermore, a total of 19,456 involved minor value procurement; 12,095 were for mini - competition; and 17,706 were through competitive methods.

3.2.1 Analysis of volume of procurement against budget

Analysis of the information submitted by 186 institutions indicated that TZS 20,696 billion or 81.77 percent were received, compared with government budget of TZS 25,311 billion. In addition, the analysis indicates that 31.71 percent of revenue collected or received by 186 public institutions was spent on procurement.

During the year under review, the proportion of procurement expenditure against collected revenue dropped by five percent compared to 37 percent in the preceding year.

3.2.2 Distribution of total value of contracts

Distribution of total value of contracts awarded by the 186 institutions indicated that out of TZS 6,310 spent on procurement, 75 percent was for works, 17 percent for goods four percent for consultancy services, four percent for non-consultancy services and 0.002 percent for disposal of public assets by tender.

The total volume of procurement carried out by Rahco, Tanroads, MSD, and Tanesco was TZS 4,651 billion. Most of the procurement was for works by Rahco and Tanroads, followed by procurement of goods by MSD.

3.2.3 Value of contracts according to category of institutions

Analysis of total procurement expenditure in percentage is as follows:

- (i) Public authorities, 59 percent;
- (ii) Government agencies and water authorities, 30 percent;

- (iii) Ministries, 2.4 percent;
- (iv) Councils, 4.3 percent;
- (v) Independent departments, 3.9 percent; and
- (vi) Regional commissioners' offices, 0.3 percent.

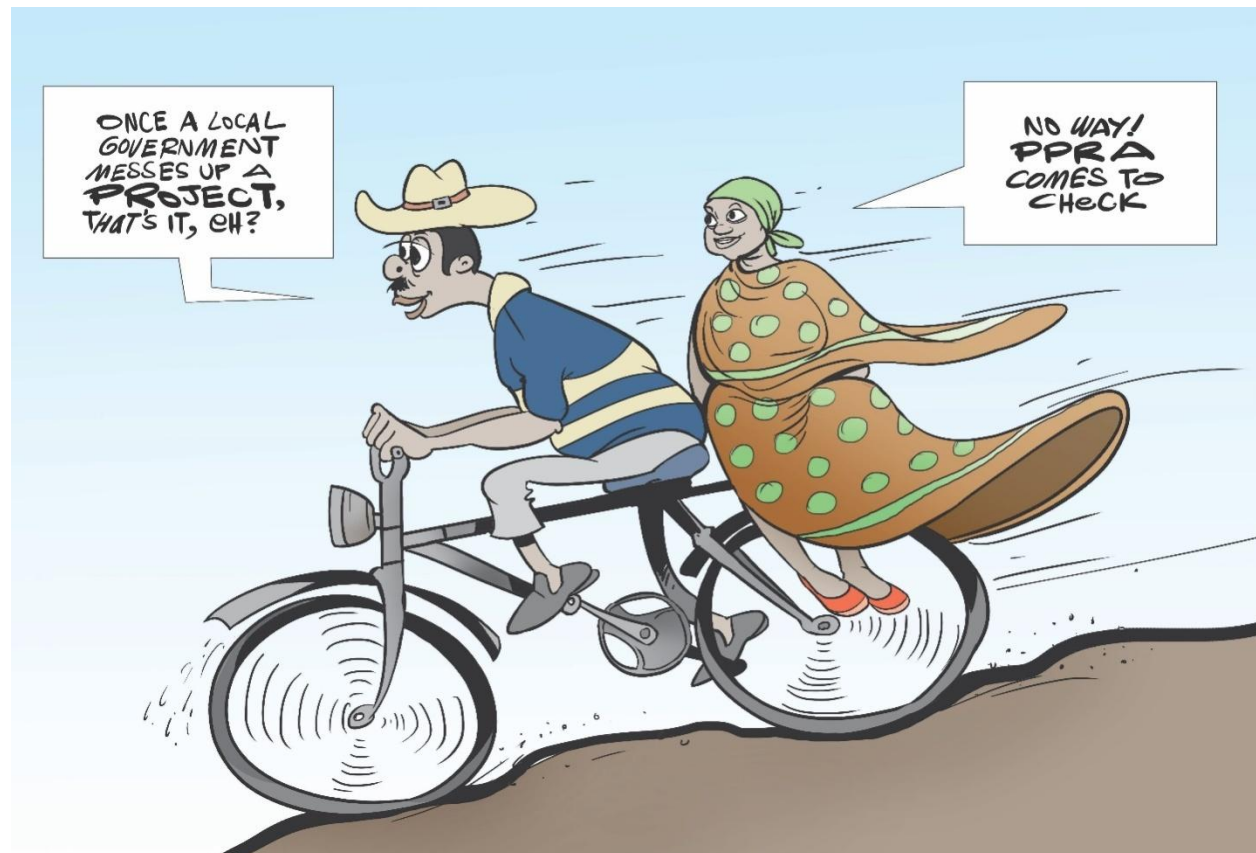
3.3 Procurement audit findings

3.3.1 Objectives of the audit

The procurement law mandates PPRA to conduct audits on public procurement, from tender processing to post contract execution. The audits, among others; determine whether regulations, systems and procurement processes met requirements of the procurement law and whether implemented projects had attained best value for money.

PPRA carried out procurement audits and verification audits on 112 institutions consisting of 43 ministries, independent departments and executive agencies; 35 councils; and 34 public authorities.

Furthermore, value for money audits were conducted on projects undertaken by 81 public institutions. The exercise involved procurement audits for Financial Year 2016/17 and verification audits for 2015/16. Moreover, investigations were conducted on eight institutions.



3.3.2 Selection of institutions and audit criteria

Selection of institutions to be audited was risk based. Institutions with value of procurement contracts of more than TZS 20 billion were selected, while others were targeted based on one or more of the following criteria:

- i) Frequency of complaints/ mis-procurement allegations levelled against an institution;
- ii) Institutions with low compliance levels in previous audits;
- iii) Institutions that had not been audited for a long time; and
- iv) Proximity to an institution being audited.

3.3.3 Types of procurement audits

(a) Compliance audit

The audit focused on assessing compliance with the public procurement law. Furthermore, the audit assessed high value procurement with likelihood of occasioning loss of public funds.

(b) Value for money audits

The audits were carried out for goods, works and consultancy services. Choice of projects to be audited was based on category of procurement (goods, works or consultancy), procurement method, contract value, contract date and nature of procurement (roads, bridges, irrigation, buildings and goods). **Table 3-3** shows number and value of contracts.

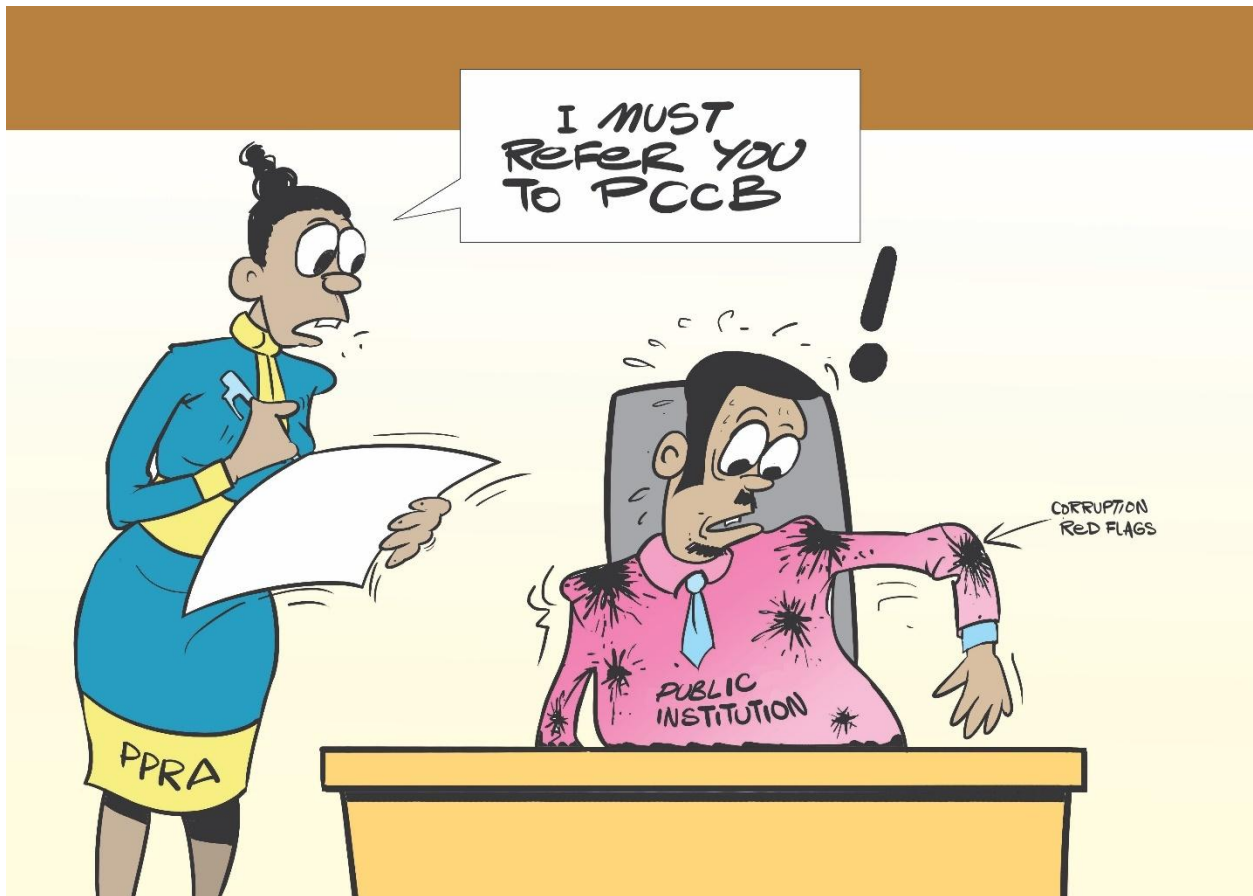
Table 3.3: Audited contracts

S/N	Contract category	Number contracts	of	Contract value (in TZS billion)
1	Works	1,028		3.68
2	Goods	956		917.41
3	Consultancy services	234		198.54
4	Non – consultancy services	778		142.63
	Total	2,996		1262.26

(c) Fraud and corruption in public procurement

Fraud and corruption in public procurement were addressed in accordance with the agreement between PPRA and PCCB. Under the agreement, PPRA sends to PCCB reports which identify institutions with high likelihood of corruption based on agreed indicators. The higher the number of indicators, the more likelihood of corruption and fraud in the particular tender.

It is important to point out that a detected red flag is not in itself an evidence of corruption in a particular procurement. However, the higher the number of red flags detected, the higher the likelihood that corruption has been involved, prompting PPRA to submit to PCCB an audit or investigation report of the institution in question for further investigation.



3.3.4 Compliance audit findings

The analysis indicated an average compliance level of 74 percent which shows an increase of one percent over last year's average. However, the recorded level was below

80 percent, which was the target set for Financial Year 2016/17. Analysis of the results revealed that 10 out of 112 institutions had poor performance as they scored below 60 percent, 68 institutions had fair performance between 61 – 79 percent and 34 institutions had satisfactory performance as they scored 80 percent or above. Institutions with poor performance included Nelson Mandela Institute of Science and Technology, Kariakoo Market Corporation, TTCL, Uwasa – Lindi, and district councils of Pangani, Kahama, Kibondo, Kasulu, Masasi and Handeni.

The following seven indicators were used to determine compliance:

- (i) Institutional setup;
- (ii) Preparation and efficiency in implementing annual procurement plan;
- (iii) Tender processing;
- (iv) Contract management;
- (v) Management of procurement records;
- (vi) Use of PPRA systems; and
- (vii) Handling of bidders' complaints.

Average compliance level indicated satisfactory performance in two indicators namely; institutional setup with a score of 80 percent and tender processing, 82 percent. **Table 3-4:** shows overall performance of individual indicator.

Table 3-4: Overall performance by indicator

S/N	Indicator	Marks	Remarks
1	Institutional setup	80	satisfactory
2	Preparation and efficiency in implementing plan	78	Fair
3	Appropriateness of tender processing	82	Satisfactory
4	Contract management	76	Fair
5	Management of procurement records	68	Fair
6	Use of systems developed by PPRA	48	Poor

Handling of complaints

Institutions were also assessed whether they had handled bidders' complaints in accordance with the procurement law. Depending on the number of mishandled cases, institutions were penalized to a maximum of 10 points. Analysis of the results indicated that 10 institutions did not handle the complaints properly. These institutions are Necta, Tanesco, Tanroads – Arusha, MOI, AICC, Mwalimu Nyerere Memorial University, TTCL, Kariakoo Market Corporation and Meru District Council.

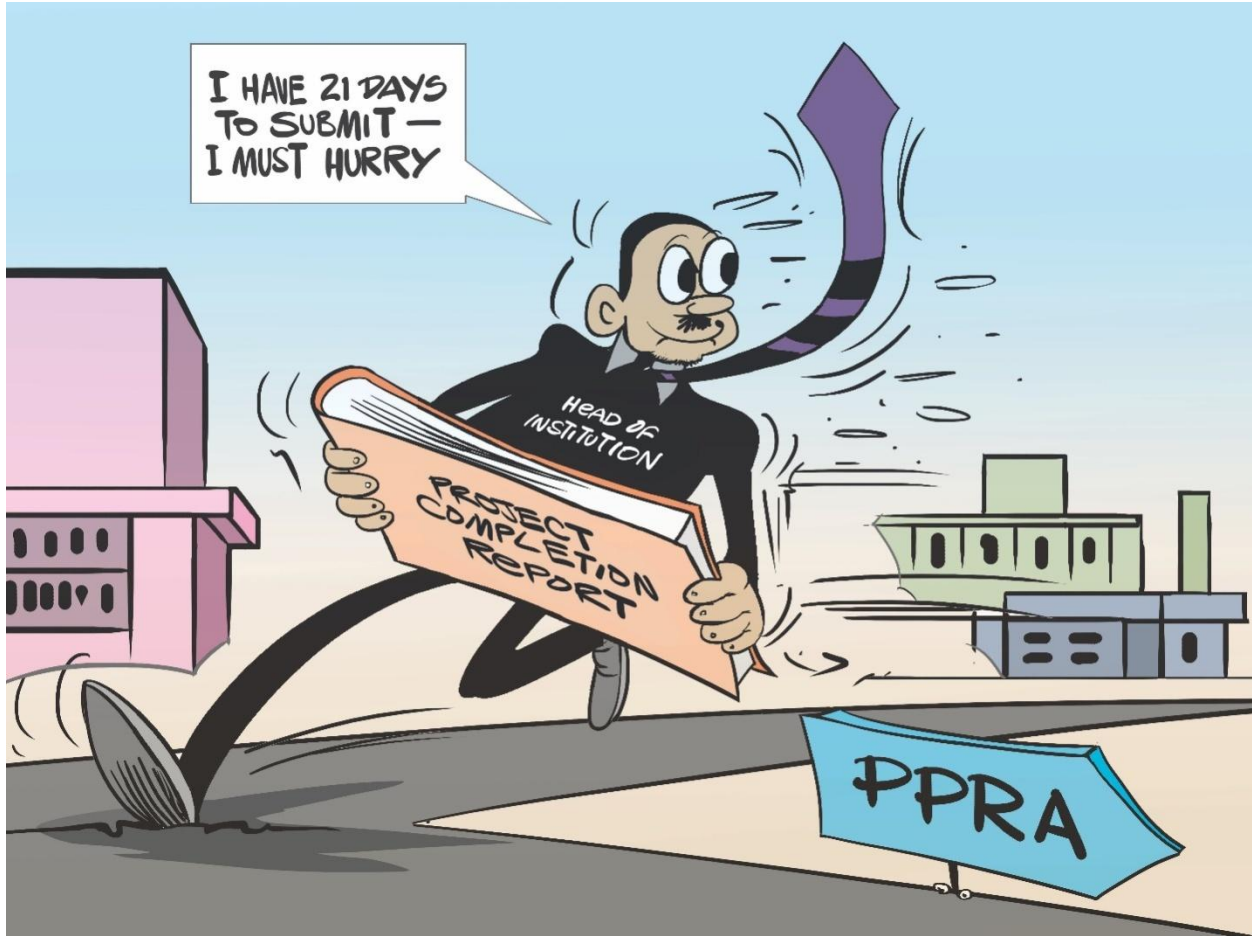
3.4 Value for money audit results

The average compliance for 81 institutions under value for money audit was 82.5 percent which was satisfactory. The following five indicators were used to determine if value for money was attained in projects:

Table 3-5: Overall value for money performance by indicators

S/N	Indicator	Marks	Remarks
1	Preparation, design and tender documentation	85	Satisfactory
2	Procurement processing	81.5	Satisfactory
3	Works supervision and contract management	75.6	Fair
4	Quality and quantity of executed works and supplied goods	85.9	Satisfactory
5	Project closure	68.2	Fair

Further analysis indicates that 10 out of 210 audited projects had poor performance.



3.5 Assessment of corruption red flags

Assessment of corruption in procurement revealed 17 institutions and 34 projects that had a high likelihood of corruption. The said institutions are Muwasa, Ministry of Water and Irrigation, Mwauwasa, Nelson Mandela Institute of Science and Technology, Muhimbili National Hospital, Auwasa, Arusha Technical College, Institute of Accountancy Arusha, University of Dar es Salaam, AICC, TRA and councils of Msalala, Kibondo, Kahama, Moshi, and Masasi, as well as RAS - Kilimanjaro.

3.5.1 Dubious payments

During Financial Year 2016/17, VFM audits carried out revealed dubious payment by four institutions in respect of projects worth TZS 3.09 billion where a total of TZS 483.44 million or 15.6 percent was paid to contractors for non-existing or shoddy works. The institutions are NSSF, TTCL and Kwimba District Council.

3.5 Investigations

Eight investigations were conducted on 10 procurement contracts with estimated value of about TZS 280 billion which were implemented by eight institutions. These investigations were prompted by instructions from higher authorities tip offs by whistle blowers or PPRA own initiative.

Investigations further revealed that, the Government incurred losses equivalent to TZS 12.15 million due to delays in paying the outstanding claims of contractors that resulted into high interest and penalties charges for non adherence to social and environmental requirements before commencement of construction works.

PPRA also managed to intervene on the procurement processes of three tenders with the value of about TZS. 42.97 billion after realizing that the Government would not attain value for money.

It is estimated that if institutions implemented PPRA recommendations contained in the investigation reports, the Government could save around TZS 1.62 billion.

CHAPTER FOUR

CHALLENGES AND EXPECTATIONS

Challenges

During the year under review, the following were major challenges:

4.1.1 Sector related challenges

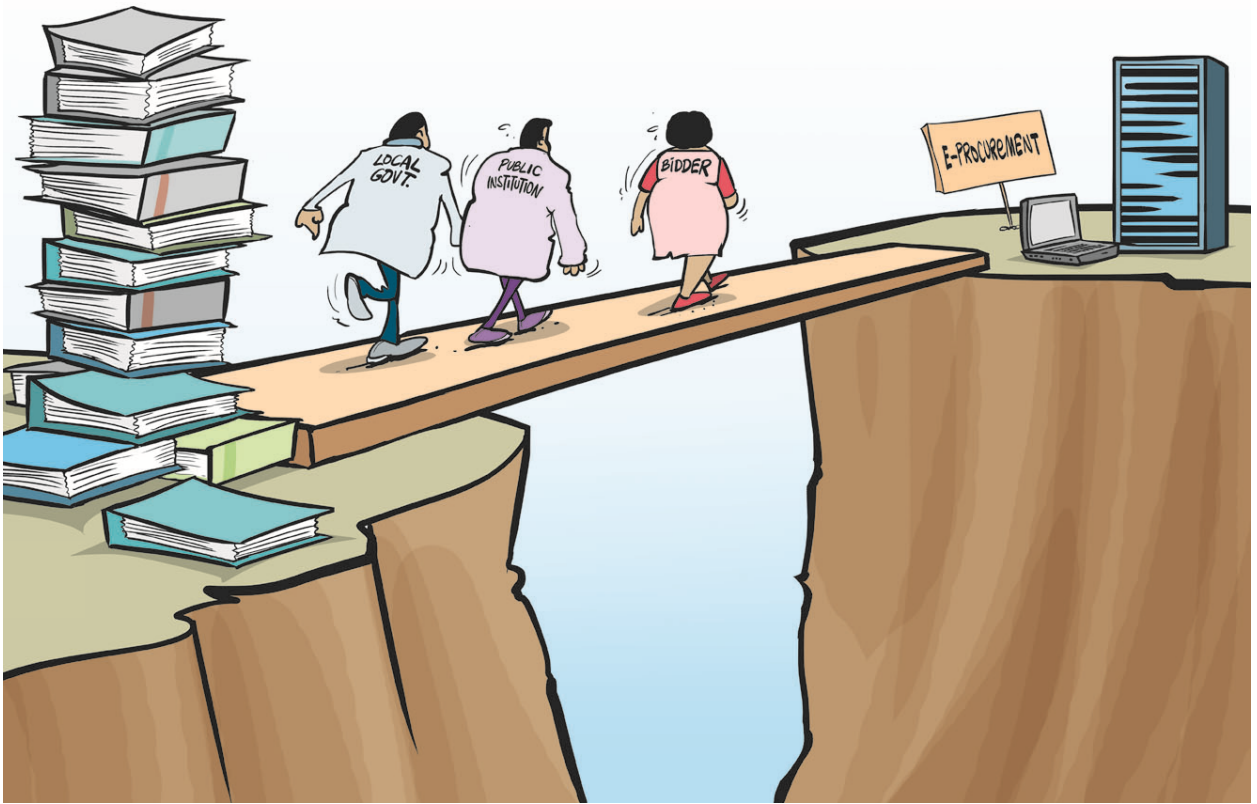
Short-term challenges

- a) Many institutions did not comply with the procurement law requirement for submission of information to the PPRA thereby hindering efficient delivery of PPRA services including timely provision of APER;
- b) Many institutions did not submit periodic reports while others used PPRA systems and tools sparingly thus hindering effective monitoring;
- c) Delays in integrating selected government systems with the proposed TANEPS due to issues related to in-house expertise and funding;

- d) Weak contract management by institutions hence difficulties in achieving value for money; and
- e) Poor record keeping hence ineffective monitoring by PPRA.

Medium - term challenges

- a) Lack of standards for items and services used by the Government;
- b) Differences between procurement procedures used by LGAs and those used by other institutions leading to political interference in procurement proceedings;
- c) Inadequate staffing in institutions that deal with public procurement from supervisory to implementation thus contributing to underperformance; and
- d) Weaknesses in applying the procurement law leading to time and cost overruns. Some stakeholders who are involved in procurement processes do not comply with the requirements of procurement law.



4.1.2 Challenges internal to PPRA

- a) Inadequate funding, insufficient cash inflows and shortage of human resources hence difficulties in implementing corporate plan;
- b) A substantial number of institutions did not comply with the requirement despite PPRA's efforts towards awareness on the matter.
- c) Inadequate office facilities including office building hence high operating costs in form of rental charges;
- d) Inability to meet maturing financial obligations in a timely manner leading to low staff morale, due to delayed receipt of funds; and
- e) In order to attract more financing, PPRA shall make use of its newly formulated Research Mobilization policy

4.1.3 Way forward

To overcome the above challenges, PPRA will take the following measures:-

- i) Continue to monitor and enforce compliance with procurement law;
- ii) Continue to build capacity of institutions and economic operators on applying procurement law and to institute appropriate measures against the culprits;
- iii) Collaborate with all e-procurement stakeholders towards integrating various government systems with the proposed TANePS;
- iv) Liaise with institutions that are responsible for preparation and issuance of standards for goods and services used by government institutions;
- v) Establish Procurement Week for dissemination of information and increasing PPRA outreach; and
- vi) As to internal challenges, PPRA will continue to market its activities in order to attract more financing and enhance collection of IGF to supplement the government subvention.