

CORRUPTION IN PUBLIC PROCUREMENT: THE CASE OF INFRASTRUCTURE IN AFRICA

**Dr. Adam Elhiraika, Director, Macroeconomic Policy
Division, Economic Commission for Africa**



United Nations
Economic Commission for Africa

Outline

- **Introduction**
- **Why focus on procurement in infrastructure sector**
- **Impact of Corruption in infrastructure procurement in Africa**
- **A review of Public Procurement Reforms in Africa**
- **Conclusion and areas for reform**



Why focus on procurement in infrastructure sector

- Infrastructure development - transport, energy and ICT - is key to Africa's structural transformation agenda (Agenda 2063/2030).
- Critical to attaining SDGs: Goal 9 calls for developing quality, sustainable & resilient infrastructure.
- Africa's infrastructure gap is enormous.



Why focus on procurement in infrastructure sector (contd.)

- Infrastructure development & public procurement cannot be separated. An efficient public procurement system determines the quality of infrastructure.
- Public procurement is a means of organizing spending of public resources and accounts for a high proportion of total government expenditure.
- A transparent and efficient procurement system will aid in generating savings that can be reinvested for development.



Overview of Public Procurement Reforms in Africa

1980S-1995: Public Financial Management Reforms driven by IFIs included reforming public procurement systems. New Public Management introduced outsourcing to private companies

1998: 1st African Public Procurement Conference in Abidjan (the need for common frameworks to improve accountability and transparency in procurement)

2000s: Enactment of Procurement laws and regulations and establishment of national procurement agencies (Tanzania - 2004, Tunisia 2002. Ghana – 2003)



Overview of Public Procurement Reforms in Africa: Country perspective

• Ghana

- Pre-reform challenges: incoherent; irregularities; political interference
- Mid-1990s: PFM reforms included procurement.
- 1999: Public procurement oversight group created.
- 2003: Public Procurement Act passed.
 - Creation of new institutions.
 - New procurement processes.



Impact of Corruption in Public Procurement

- Despite series of reforms, corruption still affects Africa's procurement systems owing mainly to bad governance.
- Petty corruption is prevalent.
- But grand corruption is more important in terms of scale and impact.

Bad
Governance

Lack of
transparency

Weak
accountability

Lack of
integrity



Impact of Corruption in Public Procurement (contd.)

- Misallocation of resources to projects that are unnecessary and not economical.
- Poor & low quality infrastructure
- Increased public spending and lost public revenue and income.¹
- Reduced competitiveness of countries².



Country Examples

Kenya	\$ 5.2 billion Standard Gauge Railway Project: Corruption in tendering involved highly overpriced construction costs relative to international standards while legal procedures for bidding were not followed. (2014)
Zambia	Kafue Gorge Lower Power Station worth US\$1.46 billion: Government to pay US \$350 million more due to irregularities in tender process (2015)
Tanzania	Construction of Kigoma-Ujiji roads. The projects were to be completed within one to three years but only 6.5% of the total contract cost was included in the 2010/11 annual budget and only 7.8% had been paid as mobilization advances by June 2011
South Africa	SA Competition Commission pronounced penalties worth R1.5-billion on 15 construction firms for tender-rigging and collusion for projects done between 2006 and 2010.

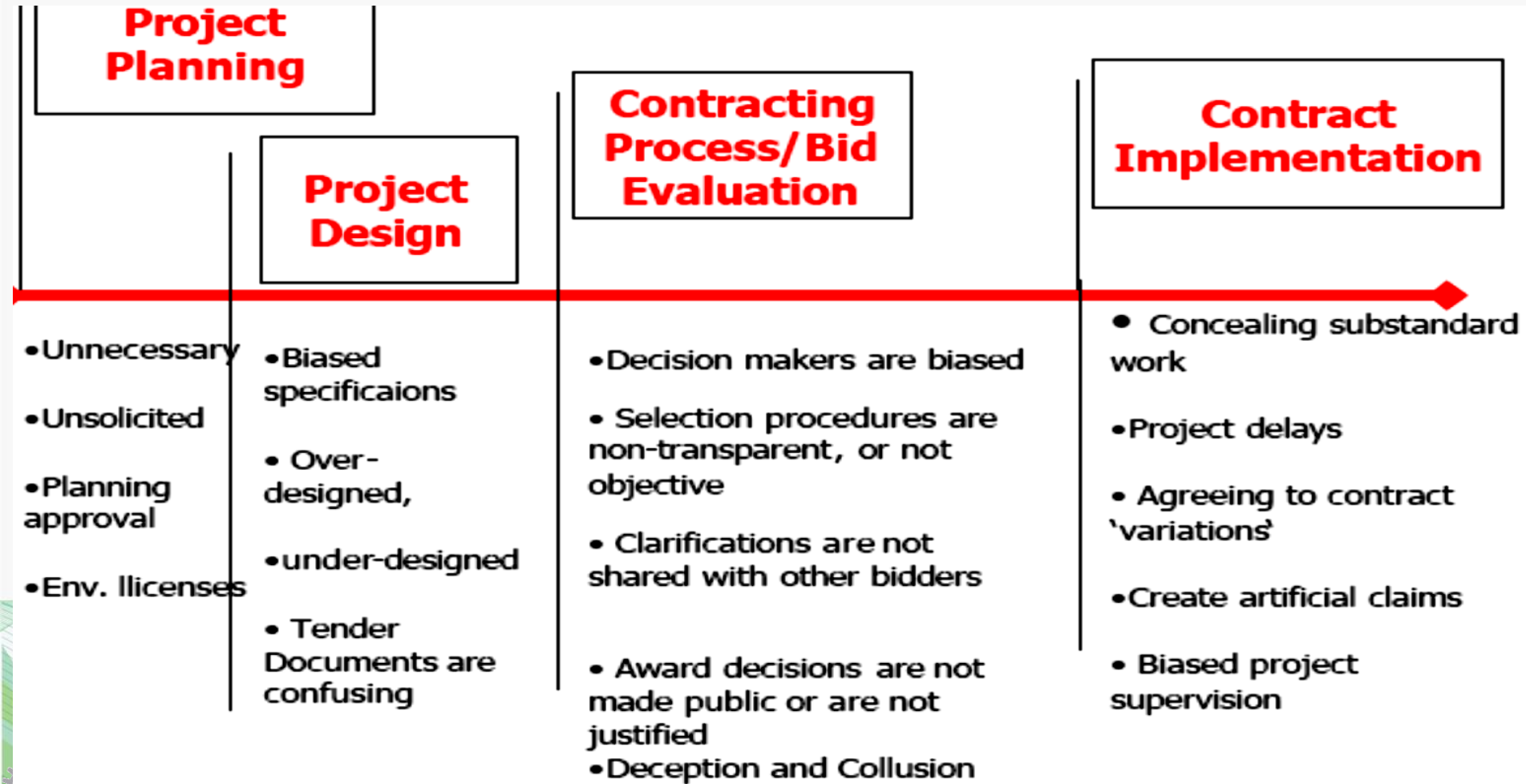


Why the Infrastructure Sector in Africa remains vulnerable to corruption

- Involves large sums of public resources, big and complex projects, direct control by government, multiple players & contractual links, sector fragmentation, deep seated culture of secrecy. (Stansbury, N. 2005)
- Technical capacity gaps compounded by the multiplicity of processes and procedures create avenues for abuse.
- Political interference is more prominent in infrastructure-related contracts given the large sums of money involved
- Weaknesses in accountability and transparency mechanisms



How corruption happens in infrastructure procurement?



Source: *Transparency International* 2005



United Nations
Economic Commission for Africa

Best practices in public procurement to address corruption

There is no “one-size-fits-all” approach

- Decentralized procurement (Rwanda)
- Value For Money approach
- Merit-based
- E-procurement (In Ghana tender awards soared from 312 in 2007/08 to 2,823 in 2009/10 due to IT use)
- Out-sourcing (Ethiopia)
- Competitive bidding



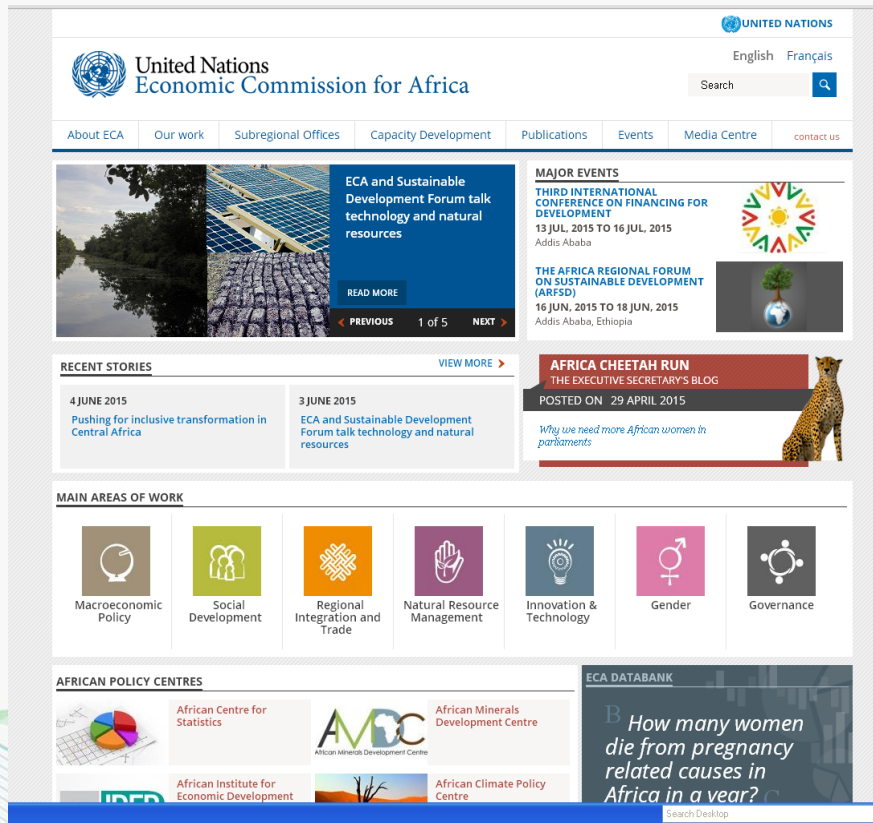
Conclusion & Areas for Reform

Reforms need to be contextualized according to country needs

- Adopt best practices that are cost effective & sustainable (Value-for-Money and green procurement)
- Improve and strengthen enforcement mechanisms
- Ensuring transparency in procurement & multi-stakeholder participation.
- Revise regulatory frameworks to address emerging and sophisticated forms of abuse arising from complex project cycles.
- Promote anti-corruption platforms at sub-regional and continental levels. Capacity building, targeting highly technical and specialized projects
- Address the huge gap on public procurement data



Thank you for your attention



<http://www.uneca.org/>

<http://www.uneca.org/publications/>