



Country Update

Assessing the Potential Impacts of Liberalizing Government Procurement: EAC Stakeholder Perspectives

Provided by

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1. Introduction

This note seeks to obtain the views of various stakeholders on the relevant sector(s)/ agencies dealing with government procurement and related activities, be it from a policy, advocacy, private sector, or academia point of view.

Tanzania's National Public Procurement Policy (2012) states that government procurement is an acquisition, whether under formal contract or otherwise, of works, supplies and services by public bodies using publicly sourced finances. The policy illustrates that the government procurement involves the purchasing, hiring or obtaining by any contractual means of publicly needed goods, construction works and services by the public sector. This also includes situations in which public funds are mobilized to procure works, goods and services even if the government does not get directly involved.

Kibuuka (2015) alludes that the government procurement has become a major part of the Tanzanian economy and public spending which is governed by a number of policies, laws, guidelines and regulations. These can be highlighted and discussed as follows:

i. Public Procurement Act (PPA), 2011

The Public Procurement Act (2011) as amended in 2016, currently governs the government

procurement system in Tanzania. Basic procurement principles are given under Section 63 of PPA (2011) as follows:

- (1) All public procurement and disposal by tender shall be conducted in accordance with the basic principles set out in the Act.
- (2) Subject to this Act, all procurement and disposal shall be conducted in a manner that maximizes competition and achieve economy, efficiency, transparency and value for money.

The PPA (2011) also establishes the institutional framework, which is made up of the Board of Directors, Accounting Officers, Tender Body, Procuring Management Unit, User Department and Evaluation Committee. Each the mentioned works independently without any influence. It makes them responsible and accountable for their individual procurement decisions and actions.

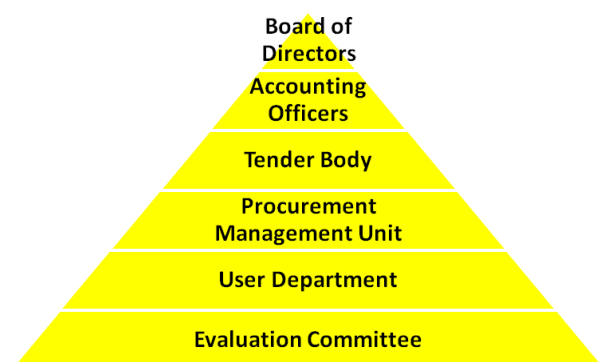


Fig 1: Institutional framework of GP in Tanzania

The Act puts in place a decentralized procurement system that mandates each Procuring Entity (PE) to carry out its procurement within its approved budget, putting the Head of PE accountable for all procurement decisions. It also sets out a good control and audit system as well as complaints resolution mechanism.

Following the amendment of the Act in 2016, the following issues that were observed as key obstacles in the GP system in the country have been taken into account: high price of procured goods; high cost of procurement process; long duration of procurement process; and integrity and professionalism.

The key innovation under this Act is the provision that enables interested local and international firms to submit unsolicited Public Private Partnership (PPP) proposals to procuring entities, which would, in consultation with the PPRA, acknowledge and recognize the intellectual property rights over the PPP project idea. Kibuuka (2015) acknowledges this as a welcome development, as it is expected to build investors' trust in the Tanzanian investment environment. Although international firms are allowed to participate in the public tenders, Section 54 of the 2011 Act clearly explains its national preferences for Tanzania firms. However, when speaking with Eng. Mary Swai from PPRA, she clearly explained that

preferences are applied only when comparing prices of bids especially when both local and international companies bid together.

ii. National Public Procurement Policy (NPPP), 2012

This is a procurement policy which strives to create a well-functioning, competitive, accountable and transparent procurement system that engenders and secures the confidence of the Tanzanian people, and the national and the international community in the procurement market and functions. This policy aims at creating a public procurement system that is derived from, and been a vehicle or driver for, national socio-economic concerns such as poverty reduction, value for money, industrial development, equity concerns and a mechanism focused on opening up a propensity for increased local participation in the procurement market opportunities.

The key stakeholders involved in the government procurement in Tanzania are the Procuring entities (including ministries, municipalities, government agencies and local government) and Private Sectors which includes the contactors, suppliers and consultants who can either be local or foreign.

2. Stakeholders' Perspectives

a. Potential implications of liberalizing or opening government procurement to international competition

According (Falvey et al. not dated) liberalizing public procurements enhances transparency, increased competition and reduced corruption. The paper further explains that opening government procurement to international competition promotes efficiency in public spending and help public authorities acquire cheaper, better quality goods and services at lower cost. This is because transparency prevents public authorities from concealing discrimination in favour of national suppliers of goods and services.

According to feedback from several stakeholders, there was a general sense of pessimism from the majority with a few pointing out only a handful of positive implication of liberalizing the GP. However, the following were the reported implications:

- i. Restricted growth for local firms due to stiff competition that they will face from international firms. It was generally agreed, under no circumstance can local firms in LDCs be able to compete with well equipped, financially muscular firms

from the developed world. Hence, opening up will only mean denying local firms to grow.

- ii. Assured quality of services and goods due to high competition in the market and each firm wanting to offer the best.
- iii. Limited trickle down effect to the economy especially on major projects that end up being implemented by international companies alone. In this case, capital flight is noted as among the reasons.
- iv. Liberalization may be contrary to the 5th phase government's drive for industrialization as guided by the FYDP II 2016/17-2020/21. With increased participation of foreign firms, the country will see increased importation of materials from foreign countries, as most foreign companies prefer sourcing materials from their mother countries. This will in turn deny our own local infant industries opportunities to grow.

Although it is believed that by liberalizing government procurement system will increase competition and enable the government to acquire good quality goods and services, however, this does not assure the government acquiring the same at lower prices.

National preferences cannot be totally ignored. If we want our local industries and firms to grow, we must provide such incentives, especially when the funds to be spent are from the Government... Just assume at home, you have small amount of food and your kids are hungry, how do you not consider feeding them? (Eng Mary Swai, Manager Research and Documentation PPRA)

b. Likely benefits of such liberalization

There is little if not negligible room for benefits from opening government procurement. Benefits such as transfer of technology and innovation skills through employment offered to the locals could be the primal factor.

In addition there could be generation of national income through taxes and foreign income generated.

There are minimal benefits that could be realised from liberalizing our GP system. However, I may think of knowledge transfer as one notable benefit, although again it raises doubts to what extent would the transfer be felt.

c. Possible negative effects of liberalizing GP and sectors which could be most affected in Tanzania

Comparatively, there are several negative effects that have been observed will result from liberalizing government procurement:

- i. Capital flight done by foreign companies will harm our economy,

limiting generation of more jobs and promotion of other sectors.

- ii. Increased competition reduces sustainability of growth to our local suppliers and industries.
- iii. Dumping of counterfeit goods by foreign companies. This threaten to a significant extent the health sector, leaving majority of Tanzanians at risk of using counterfeit drugs.

3. Way forward and key recommendations

- i. WTO negotiators should take into serious consideration issues of local content as major drive in GP system. With that in mind, it will be possible to grow our own industries and firms, just as how developed countries have managed to.
- ii. To take into consideration ‘**Green procurement**’ so as to preserve our environment for future generations.
- iii. In order to open up, joint ventures with the local firms should be considered.
- iv. It also urged that the liberalization should not in anyway hamper the country’s efforts in achieving the goals stipulated in the Vision 2025.



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