



OECD DEVELOPMENT CENTRE

Working Paper No. 208

(Formerly Technical Paper No. 208)

PUBLIC PROCUREMENT: LESSONS FROM KENYA, TANZANIA AND UGANDA

by

Walter Odhiambo and Paul Kamau

Research programme on:
The Integration of Developing Countries into the World Trading System



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ACKNOWLEDGEMENTS

The authors would like to thank Dorothy McCormick (Institute of Development Studies, Nairobi) and Kiichiro Fukasaku for their helpful comments on earlier drafts.

PREFACE

The fuller integration of developing countries, notably poorer ones, into the world economy is one of the top priorities of the OECD countries. The Development Centre's work is intended to assist the development and trade-policy communities to achieve their common goal: turning trade-related technical assistance and capacity building into constructive and positive support for the trade and development of partner countries.

Transparency in government procurement is one of the four "Singapore issues" that Trade Ministers agreed to put on the negotiating agenda at the 4th Session of the WTO Ministerial Conference held at Doha in November 2001. The importance of this subject from a development perspective is self-evident, as the purchase of goods and services by the public sector typically accounts for 10 to 15 per cent or more of GDP in developing countries. The Doha Ministerial Declaration recognises the case for a multilateral agreement on transparency in government procurement, while emphasising the need for enhanced technical assistance and capacity building in this area.

Our research on this subject seeks to provide a comparative assessment of the public procurement system in Africa and to explore possibilities for regional co-operation to enhance transparency in public procurement. It thus supplements the OECD's other activities on issues related to public procurement, such as public management, regulatory reform, anti-corruption and development co-operation.

Within the framework of the Development Centre's 2001-2002 Programme of Work, and in our tradition of working with developing-country partners, this study was conducted in close collaboration with the highly respected Institute of Development Studies in Nairobi. It is based on intensive interviews and primary sources collected over the past year. The results of the study clearly point to the existence of serious "capacity deficits" in Africa and suggest the way forwards at the regional level. The implications are important for East Africa, but are also relevant to other developing countries, since the issue of public procurement is almost universally significant.

Jorge Braga de Macedo
President
OECD Development Centre
25 March 2003

RÉSUMÉ

Ce Document technique présente une analyse comparative des systèmes nationaux de passation des marchés publics dans trois pays d'Afrique de l'Est : le Kenya, l'Ouganda et la Tanzanie. Pour répondre aux pressions nationales et internationales, ces pays ont récemment pris l'initiative de rendre leurs systèmes de marchés publics plus efficaces et transparents, conformément aux principes directeurs internationaux relatifs à l'attribution des marchés publics. Les réformes ont pris une tournure différente dans chacun de ces trois pays. Alors que la Tanzanie a bien avancé et déjà mis en place un cadre législatif en la matière, le Kenya et l'Ouganda se doivent encore de promulguer leur propre législation. Au Kenya, un certain nombre de changements ont été obtenus grâce à l'annonce des marchés dans une gazette officielle, en attendant l'entrée en vigueur d'une loi sur les marchés publics. Il est également urgent de renforcer les institutions impliquées dans le système des marchés publics, celles-ci manquant de ressources humaines et techniques.

Bien que l'actuel Traité de la Communauté de l'Afrique de l'Est n'aborde pas explicitement les questions liées à l'attribution des marchés publics, il serait utile de sonder les possibilités d'actions régionales communes dans ce domaine, considérant la longue coopération entre ces trois pays et les similarités de leur cadre institutionnel relatif aux marchés publics. Cependant, cela dépend essentiellement du degré potentiel d'harmonisation des politiques, des lois, des règlements et des cadres institutionnels de ces trois pays, dans les années à venir.

La conclusion de ce Document technique souligne certains impératifs pour le développement d'un système de marchés publics efficace, soit :

- renforcer le processus politique démocratique, la société civile et l'obligation pour les services publics de rendre des comptes ;
- créer de véritables conditions de marché ; et
- promouvoir une éthique de travail dans laquelle le bien commun prime sur l'intérêt individuel.

SUMMARY

This paper presents a comparative analysis of the public procurement system in three East African countries: Kenya, Uganda and Tanzania. In response to both domestic and international pressures, these countries have recently undertaken important initiatives to make their public procurement systems more efficient and transparent in line with international procurement guidelines. The experience of the three countries with the reforms has been quite varied. While Tanzania has moved fast with the reforms and has already put in place a legislative framework for public procurement, Kenya and Uganda have yet to enact procurement legislation. In Kenya, a number of significant changes have already been effected through a ministerial gazette notice pending the coming into force of a Procurement Act. There is also an urgent need for strengthening institutions involved in public procurement, as these institutions tend to lack technical and human resource capabilities.

Although the current East African Community (EAC) Treaty does not explicitly address issues related to public procurement, the long history of co-operation among the three countries and similarities in the institutional framework for public procurement would make it worthwhile to explore possibilities of joint regional actions in this area. This, however, crucially depends on the extent to which policies, laws and regulations and the institutional frameworks in the three countries can be harmonised in the coming years.

The paper concludes by emphasising that there are certain imperatives for the development of an effective procurement system. These are:

- strengthening the democratic political process, civil society and public accountability;
- creating real market conditions; and
- improving work ethics in which public good is valued more than individual interests.

ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
CTB	Central Tender Board
EAC	East African Community
DPP	Directorate of Public Procurement
GATS	General Agreement on Trade in Services
GPA	Government Procurement Agreement
GDP	Gross Domestic Product
GOK	Government of Kenya
IMF	International Monetary Fund
ITC	International Trade Centre
KACA	Kenya Anti-Corruption Authority
OECD	Organisation for Economic Co-operation and Development
PPDPA	Public Procurement and Disposal of Public Assets
SMMEs	Small, Medium and Micro enterprises
TACA	Tanzania Anti-Corruption Authority
UNCTAD	United Nations Conference on Trade and Development
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
WTO	World Trade Organisation

I. INTRODUCTION

Today governments all over the world have received a great deal of attention as providers of essential services, such as health, education, defence and infrastructure. To be able to meet the demand for these services, governments purchase goods and services from the marketplace. In other words, governments are purchasers of works, supplies and services from the open market, placing their demands alongside those of the private sector. The business operations of governments in the marketplace or public procurement have thus both economic and political implications. Yet, until not too long ago, the subject of public procurement would have received little attention by academic researchers and policy makers, because it was considered an administrative function too mundane to worry about (Wittig, 1998).

Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector. Public procurement is alternatively defined as the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state. Public procurement thus means procurement by a procuring entity using public funds (World Bank, 1995a). The items involved in public procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports.

Public procurement is different from private procurement, because in public procurement the economic results must be measured against more complex and long-term criteria. Furthermore, public procurement must be transacted with other considerations in mind, besides the economy. These considerations include accountability, non-discrimination among potential suppliers and respect for international obligations. For these reasons, public procurement is subjected in all countries to enacted regulations, in order to protect the public interests. It is worth noting that unlike private procurement, public procurement is a business process within a political system and has therefore significant consideration of integrity, accountability, national interest and effectiveness (Wittig, 1998).

The importance of public procurement in terms of size relative to world GDP and world trade is highlighted by an OECD report (OECD, 2001). In this report, the value of the contestable government procurement market was estimated at over \$2 000 billion in 1998. This is equivalent to 7 per cent of world GDP and 30 per cent of world merchandise trade. In a related study, Trionfetti (2000) estimates that the size of public procurement varies between 5 and 8 per cent of GDP in most industrialised countries. For the Middle East and Africa, the magnitude of central government purchases ranges between 9 and 13 per cent. These figures indicate that public procurement is important in the economies of both developed and developing countries.

Insofar as public procurement has important economic and political implications, ensuring that the process is economical and efficient is crucial. This requires in part that the whole process is well understood by both the actors (the government, the procuring entities, the business community/suppliers) and other stakeholders, including the professional associations, academic entities and the general public. Unfortunately, for most developing countries, this is not the case. Although several developing countries have taken steps to reform their public procurement systems, the process is still shrouded by secrecy, inefficiency, corruption and undercutting. In all these cases, huge amounts of resources are wasted.

This paper reviews and discusses the actual practice of public procurement in three East African countries (Kenya, Tanzania and Uganda), with a view to understanding the system better. It has four specific objectives:

- assessing the nature and size of public procurement in East Africa;
- providing a comparative assessment of public procurement procedures in these three countries;
- discussing the possibility for a regional approach to public procurement; and
- making specific recommendations in the light of public procurement reform initiatives, the WTO Agreement and other initiatives on how to improve public procurement system in the region.

The information used in this paper was obtained from both primary and secondary sources in the three East African countries. Interviews using questionnaires were carried out with key informants in these countries. These included chief officers at the procurement board/authorities, senior supplies officers in key ministries, private sector representatives (manufacture associations), professional bodies (accountants, engineers and lawyers) and procurement experts with multilateral organisations, including the World Bank and the African Development Bank (see Appendix). Secondary data were obtained mainly from the *National Economic Surveys* and *Statistical Abstracts* of the three countries and from published gazette notices, acts of Parliament and draft bills. The paper also benefited from existing published materials on public procurement in the region and in Africa as a whole¹.

It should be noted at the outset that in response to both domestic and international pressures, the three East African countries have recently undertaken important initiatives to make their public procurement systems more efficient and transparent in line with international procurement guidelines. These reforms are as yet incomplete, and serious capacity bottlenecks continue to impede the current efforts to put in place a fair and competitive public procurement system, as the procurement activities are fairly decentralised. There is also a tension between national and international standards. On the other hand, there is scope for regional co-operation in public procurement reform among these countries. This depends, however, on the speed with which policies, laws and regulations and institutional frameworks can be harmonised.

II. THE SIZE AND STRUCTURE OF PUBLIC PROCUREMENT IN EAST AFRICA

The estimation of the size of public procurement in most African countries encounters a number of conceptual as well as technical problems. Conceptually, the composition of the entity called “public” poses a problem. While in some countries the term refers to the central and local governments only, it is extended in others to include government-owned enterprises providing public services, such as telecommunications, railways and water companies. Thus where it is not clearly specified, the term “public” may be used to refer to very different entities, which may not be comparable across countries.

Technically, problems arise due to the lack of data and sometimes the manner in which it is kept and reported. In the three countries under consideration, the authorities in charge of public procurement do not keep public procurement information. Instead the procuring entities in the different ministries, departments and local authorities keep the information. The manner in which this information is kept and its quality vary widely. As such, there is no reliable procurement data that can be used to measure the size of public procurement in the three East African countries.

In the absence of procurement information, public procurement can be indirectly estimated by using public expenditure figures. In principle, government expenditure on goods, works and services is public procurement. However, certain expenditures need to be netted out of these figures, as they are not contestable and therefore do not qualify as public procurement. To estimate public procurement, Trionfetti (2000) nets out expenditure on social security, pension transfers and interests on public debt from total government expenditure. Also to be netted out are salaries of public sector employees, purchases of military material and subsidies.

Most of the data required for estimating public procurement are available from the official government publications of the three countries. Unfortunately, the manner of reporting differs from one country to another. In Tanzania, for example, public expenditure information in their economic surveys is not classified by economic categories, i.e. as labour costs, interests, subsidies, etc. It was however possible to obtain this information from other sources, sometimes directly from the institutions involved. The problem with this is that the data so obtained may not be consistent and comparable.

The procedure discussed above was used to estimate the size of public procurement in Kenya, Uganda and Tanzania. Public procurement was estimated as a fraction of total government expenditure. This was done only for the central government, as it was not possible to obtain reliable and consistent data for other public entities. The

estimates for the three countries are summarised in Table 1. The estimates show that the central government procurement in Kenya and Tanzania is on average about 8 per cent of GDP for the years under consideration. In Uganda, the average is about 30 per cent, which is much higher than in the other two countries. The figure for Uganda even surpasses the 9-13 per cent range estimated by Trionfetti (2000) and 6 per cent in the recent OECD study noted above. In this study, public procurement was estimated at 10.7 and 8.09 per cent of GDP in Kenya and Tanzania, respectively. While part of the difference could be attributed to the data used², it is notable that Uganda's expenditure-GDP ratio is also much higher than in the other countries.

That Uganda's procurement is higher than in the other countries is not hard to explain. Uganda is a country that is recovering from many years of civil war and destruction. The government is currently spending massively to replace infrastructure and other public amenities, such as schools and hospitals. And on account of its compliance to economic reforms, the country has been receiving huge donor support. On the other hand, Kenya has had to go for about eight years with donor embargoes forcing the government to cut back its expenditure.

Table 1. **Estimated Size of Central Government Procurement in Kenya, Uganda and Tanzania**
(million shillings)^a

	Kenya		Uganda		Tanzania	
	1999/2000	2000/2001	1998/1999	1999/2000	1999/2000	2000/2001
Total Government Expenditure	223 225	326 633	1 501 173	1 870 280	1 168 779	1 305 035
Less Labour Costs	35 389	47 951	341 163	373 890	285 336	308 052
Less Subsidies	200	200				
Less Interest Payments	28 917	31 129	68 841	75 520	99 230	110 876
Less Transfers	61 745	80 837	98 168	113 603	197 324	220 551
Less Net Lending	1 599	1 953	2 319	9 660	56 311	48 702
Less Public Debt Redemption	49 932	78 845	158 912	93 085		
Less Military Expenditure	80	0	7 628	7 487	0	0
Central Govt. Procurement (CGP)	45 363	85 718	824 142	1 197 035	530 579	616 855
GDP at Market	740 330	788 917	3 290 389	3 443 926	6 441 296	7 225 666
<i>CGP as % of GDP</i>	<i>6.13</i>	<i>10.87</i>	<i>25.05</i>	<i>34.76</i>	<i>8.24</i>	<i>8.54</i>
<i>Labour costs % Total Govt Exp.</i>	<i>15.85</i>	<i>14.68</i>	<i>22.73</i>	<i>19.99</i>	<i>24.41</i>	<i>23.60</i>
<i>Total Govt. Expenditure % GDP</i>	<i>30.15</i>	<i>41.40</i>	<i>45.62</i>	<i>54.31</i>	<i>18.15</i>	<i>18.06</i>

a) Kenyan shilling = Ksh; Ugandan shilling = Ush; Tanzanian shilling = Tsh.

Source: Bank of Tanzania (2002, 2001); Government of Kenya (2001b,c); Uganda Bureau of Statistics (2001).

Local authorities and other government entities, such as parastatals, schools and universities, are by definition public entities. While it was not possible to obtain information on the sub-national level of expenditure in Uganda and Tanzania, some information for Kenya was available. This was however only for local authorities, and the results of estimation are shown in Table 2.

Table 2 indicates that the local authorities' procurement in Kenya constitutes less than 1 per cent of GDP. Our guess is that the other countries would have similar magnitudes. We also suspect that other government entities would not account for more than 1 per cent, given their levels of operation relative to local authorities. This implies that total government procurement in the three countries is likely to be 1-2 per cent higher than the central government procurement.

Table 2. Estimated Size of Public Procurement in Kenya: Sub-national
(Ksh. million)

Municipal Councils					
Total Expenditure	6 500	6 966	7 484	8 189	8 731
Less Labour Cost	2 969	2 994	3 268	3 045	3 113
Less Transfers	126	63	114	96	112
Less Interest	0	152	12	64	18
Loan Repayment	68	54	76	161	93
Transfers to Funds	34	9	14	0	0
Municipal Council Procurement	3 304	3 694	3 999	4 824	5 395
GDP	528 740	623 235	690 842	740 330	788 917
<i>MCP as % of GDP</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>0.7</i>
Town and County Councils					
Total Expenditure	1 724	1 950	2 374	2 670	2 905
Less Labour Cost	890	1 134	1 424	1 601	1 642
Less Transfers	199	182	173	169	205
Less Interest	0	0	0	0	0
Less Loan Repayment	0	13	17	27	34
Less Transfers to Funds	6	0	0	0	0
Town and County Procurements	629	621	760	873	1 024
GDP	528 740	623 235	690 842	740 330	788 917
<i>TCP as % of GDP</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>
<i>Total Procurement as % of GDP</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>

Source: Government of Kenya (2001c).

An increasingly important issue related to public procurement is whether governments discriminate in favour of domestic suppliers. In fact, part of the reason why multilateral organisations, such as the World Bank and the International Trade Centre are taking keen interest in public procurement is to eliminate such biases wherever they are perceived to exist. Establishing whether the three East African countries discriminate in favour of domestic suppliers is not easy, due to the paucity of desegregated data. It was not possible during this study to obtain detailed information that would point towards the existence or otherwise of discrimination. An attempt was however made in this paper to examine the amount of government imports relative to total expenditure for two of the three countries for which data are readily available. These are summarised in Table 3.

The data on Table 3 show that government imports as a proportion of total government expenditure are only about 3 per cent in Kenya and Tanzania. This means that most of government expenditure is domestic. Since public procurement is a fraction of total expenditure, public procurement as a proportion of total imports should logically

be lower than 3 per cent. Even if it were assumed that all imports by the government are part of public procurement, then only 3 per cent of total government expenditure would be purchased from foreign suppliers. It would appear, therefore, that although the regulations governing public procurement in these countries are not explicit about a home bias, the practice might actually be so.

Table 3. Government Imports as Share of Total Expenditure
(million shillings)

	Kenya			Tanzania		
	Government Imports (Ksh. million)	Total Expenditure (Tsh. million)	Share of Govt. Imports (%)	Government Imports (Tsh. million)	Total Expenditure (Tsh. million)	Share of Govt. Imports (%)
1996	5 602	182 586	3.1	21 195	730 878	2.9
1997	5 391	315 038	1.7	22 025	815 772	2.7
1998	7 251	242 408	3.0	21 465	933 287	2.3
1999	6 592	223 225	3.0	36 578	1 179 959	3.1
2000	7 331	326 633	2.2	46 608	1 456 518	3.2

Source: Government of Kenya (2001*b*); United Republic of Tanzania (various issues).

Another related issue is the participation of the small, medium and micro enterprises (SMMEs) as suppliers to the government. In the three East African countries, there is a very strong feeling among the actors that SMMEs have been marginalised in most of the public sector activities. While there are many reasons for lack of participation, the main one seems to be lack of a coherent, transparent, accountable and participatory procurement policy in the three countries. There is also no specific affirmative programme in favour of SMMEs. The challenge facing these countries is to create a cost-effective system of encouraging and promoting SMMEs owned by nationals in as wide a spectrum of public services as possible. Such a programme is already in place in South Africa where the government has explicitly taken SMMEs on board in its procurement policy. In fact, South Africa is a good example of developing countries that have used procurement to promote social policies (Republic of South Africa, 1997).

In the three East African countries, the procurement process has in one way or another tried to address the problem of participation by SMMEs by providing support for the domestic supplier base, including supplies from the SMME sector. According to the officials interviewed during the course of this study, support for this sector has mainly taken the form of providing information on improved techniques of buying goods and services using modern quality standards and business practices. Although it was not possible to obtain information on the actual participation of SMMEs in public procurement, indications are that their participation has been limited. Government procurement is indeed undertaken mostly by larger firms, both local and international. The situation is even worse for firms that are owned by indigenous Africans. These firms are facing major challenges, due to lack of access to information, credit, skills and a supportive institutional arrangement. Clearly there is a need for the three countries to institute affirmative actions to support SMMEs.

III. OVERVIEW OF PUBLIC PROCUREMENT REFORM AND REGULATION IN EAST AFRICA

The three East African countries share a common political and economic history that dates back to the colonial period. On attaining independence in the early 1960s, the three countries inherited almost similar economic and political institutions. Until the early 1970s, public procurement in the three countries was largely undertaken by external entities such as the Crown Agents. This was primarily because most of the needs of the then colonial government and the incoming new governments could only be met from external sources, as local supplies were still not adequate. With increasing procurement needs, the three governments found it necessary to pass over the responsibilities of procurement to ministries. The Ministries of Finance were then charged with the responsibility of overseeing the procurement process and preparing guidelines for procurement.

By 1974, the three countries had in place an elaborate procurement system with supplies offices within ministries and departments. Supply officers were appointed to take charge of procurement. The supplies system for each entity was independent and autonomous, though major procurements were done through the Central Tender Boards. In line with the ideals of the then East African Community, a joint procurement manual, the East African Supplies Manual was used in the three countries. This manual detailed procedures that the public sector in the three countries followed in purchasing goods and services. The use of the manual was, however, short-lived, as it ceased to exist with the collapse of the EAC in 1977. Thereafter, the three countries reverted back to individualised procurement systems.

Kenya prepared its supplies guide in 1978, which remained in force until 2001. Uganda also prepared its supplies manual, which was used until the late 1990s when public procurement reforms began. In Kenya and Uganda, public procurement continued to be decentralised with supplies officers procuring for their own ministries but reverting to the Central Tender Boards for procurement beyond a certain amount. The Ministries of Finance controlled ministerial procurement by issuing numerous circulars and guidelines to procurement officers in the ministries and local authorities. In Kenya, the use of the Ministry of Finance circulars was so frequent that they overshadowed the prepared supply guidelines. The main problem with the use of these circulars was that corrupt civil servants easily manipulated the process.

Since independence in 1961, the Finance and Ordinance Act of 1961 guided public procurement in Tanzania. This order gave procedures and regulations to be followed whenever procurement was to take place in any public institution. However, this document did not spell out the procedures to be followed in the process of procurement. It merely gave briefs on the acquisition of goods, completely leaving out works and consultants' services. According to this order, procurement was done at the ministerial level and there was no mechanism to regulate and control activities of different procurement entities. Although the Central Tender Board existed, it was just a department in the Ministry of Finance.

With the growth of the public sector in terms of size and role in economic activity, there was the clear need for a new system that would regulate public procurement. This did not take place until 1995 when the Crown Agents (a consultant) was contracted to study the procurement system and offer recommendations. The reforms in Tanzania were based on the findings of this study.

Public Procurement Reforms in East Africa

In the mid-1980s, the need to reform public procurement in the three East African countries became urgent, as there was growing scrutiny and pressure from within and outside to reform the procurement process. The domestic push for reform came mainly from domestic procurement stakeholders. As indicated earlier, the government's business operations or public procurement affect different elements of society: the procurement entities, the business community, professional associations and the general public. In the three countries, these stakeholders generally expressed dissatisfaction with the public procurement system. The stakeholders complained of misallocation of resources, inadequate infrastructure, inefficient services, high taxes, growing indebtedness and high risks. These concerns were clearly related to the manner and effectiveness of the public procurement process. In reacting to these concerns, the governments recognised the need for reviewing the public procurement process and for being more accountable to the various stakeholders.

External pressures from donors and multilateral organisations have also played an important role in the reform process in the three countries. These organisations since the structural adjustment era have made public procurement reforms a condition for lending to many developing countries, including the three East African countries. Some donors and multilateral organisations, such as the World Bank, ITC, UNCTAD and lately the WTO, have supported public procurement improvement programmes. The demand by these organisations has been mainly to harmonise the national procurement system with international procurement guidelines, in order to make the processes more transparent and to devolve procurement to local entities.

Transparency in government procurement is one of the so-called four "Singapore issues" that have been placed on the negotiating agenda after Doha³. A Working Group on transparency in government procurement is already in place to look at the development priorities of participants. In opposing the "new" issues, Kenya, together with Zimbabwe, made a statement on behalf of the WTO's African Group as follows:

“On the new issues or Singapore issues, Kenya believes that starting negotiations on these issues would not be appropriate. The issues involved are very complex, as the work of the working groups has shown. There are many divergent views on what each topic means, and how it should be treated, or not treated, in the context of trade and the WTO. Kenya is concerned that multilateral rules in these proposed new areas will lead to further obligations that will again limit our development options and prospects. We are, therefore, not in a position to agree to start negotiations on these new issues. Instead, the work of the Working Groups on the Singapore issues should continue...” (*Statement by Kenya on the first draft of the ministerial declaration; 2 October 2001*).

The Kenyan statement brings to the fore two important issues. One is that developing countries, including the three East African countries, are not at the moment keen on signing any agreement with respect to issues on public procurement, including transparency. The position the countries have taken is that for the moment public procurement decisions (especially giving preference to local firms) are sovereign rights of the developing countries and should not be brought into the WTO. However, whereas the feeling in the three countries is that it is premature to participate in the negotiations for public procurement issues, it would appear that their participation at this time would be prudent as it would help them in reforming their procurement systems.

Another important issue that emerges from this statement is that the costs of assenting to the agreements are likely to be too high. The issues involved in public procurement in most cases are complex. Most developing countries do not have capacities to analyse and implement such agreements. Clearly, there is a need for WTO-related technical assistance and capacity building in this area. Other multilateral donors can also play an important role here. However, at the moment there are no explicit discussions in the three East African countries on these issues.

Nonetheless, the global trend towards trade liberalisation has made it inevitable for countries to review their procurement procedures. Under the WTO, participating members that have ratified the Government Procurement Agreement (GPA) are expected to reform their procurement systems accordingly. Globally, only 28 WTO members have so far signed up to the GPA. None of these countries is from Africa. There are currently no plans in any of the three East African countries to become signatories of the GPA. The feeling among the three countries is that they are likely to lose their autonomy in procurement, something they feel they could use for development purposes. The countries at the moment see no real benefits in assenting to the GPA. The three countries are, however, working separately on their individual procurement system, with an aim to attuning them to international requirements. On the other hand, the General Agreement on Trade in Services (GATS) may have potentially important implications for procurement policy and hence the need for reform⁴. Also significant in this respect are the worldwide anti-corruption efforts that have brought public procurement systems increasingly under scrutiny.

The regional trade policy initiatives have also exerted pressure on the need to reform procurement. The three East African countries have recently re-launched trade co-operation amongst themselves by signing the East African Community Treaty in November 1999 (East African Community, 2000). By signing the treaty, each of the three countries has committed itself to creating a wider market in the region. As with other trading blocks, the question may be asked as to whether such an arrangement is a building or stumbling block to the creation of global trade rules under the WTO. Although the three countries have no joint procurement policy in the current treaty, there are potential conflicts and complementarities that may arise from regional trade arrangements. Critics, such as Silvia Ostry (1999), argue “ that the WTO arrangement is too large an organisation with too few analytical and technical resources to foster dialogue, training, knowledge diffusion, and networking that is essential for forging mutually acceptable policy outcomes”. According to her, these things are better done at the regional level with regional institutions. The progress at the regional level can serve as a catalyst for “competitive liberalisation”, both in other regions, and ultimately in the WTO. This seems to be the position the three countries have taken.

At the individual country level, there are obvious conflicts between the WTO regulations and state laws and procedures in public procurement. Under the GPA, public entities are prohibited from discriminating on grounds other than price and performance when purchasing goods and services. This naturally casts a legal shadow on the preferential binding practices designed to benefit small businesses or companies owned by indigenous entrepreneurs. As indicated earlier, the countries would want to improve the procurement process to achieve certain social objectives.

The process and the speed of public procurement reforms in the three East African countries have been fairly varied. This is quite understandable, given that the commitment of the individual countries to reform and by implication their relations with both multilateral and bilateral donors have been different. While Uganda and Tanzania have openly embraced and implemented economy-wide reforms including procurement, Kenya's commitment has been found to be patchy and intermittent (Swammy, 1994). What follows is a brief review of the reform process in the three countries.

Kenya

In 1986, a study was conducted by SGS Consultants to evaluate public procurement systems in Kenya. The major finding of the study was that public procurement was not operating efficiently and that the state was losing a lot of money through shoddy deals. The report strongly indicated the need for reforming the public procurement system in the country. In 1997, the Government in collaboration with the World Bank commissioned another study to assess the country's procurement processes and systems. The World Bank supported the study through the Public Procurement and Capacity Reform Project. This study identified the need for a comprehensive review and an implementation of a reform process in the procurement systems. The study revealed that the public procurement system in Kenya lacked transparency and fair competition. The study further revealed that procurement staff were not adequately trained and lacked professionalism. Lack of a professional body that would oversee and instil discipline

among procurement officers made them vulnerable to corruption. One of the major recommendations from these two studies was that reforms in public procurement systems were paramount if government was to save resources otherwise lost through exorbitant procurement. The World Bank study argued that improvement in procurement systems had a direct and beneficial effect on the overall economic situation in the country.

The World Bank, the African Development Bank (ADB) and ITC, in conjunction with the Government of Kenya, initiated the public procurement reform process in the late 1990s. This reform process was meant to create a system that allowed, among other things, a proper delegation of authority, incentives, procurement thresholds, planning, and the development of supplies manuals (World Bank, 2000). The reform process focused on addressing the issue of procurement laws, establishing appropriate procurement institutions and entities, as well as creating adequate and timely evaluation and monitoring mechanisms (Government of Kenya, 2001a). The reforms would also increase transparency in procurement systems and create reputable agencies.

The public procurement reforms also aimed at ensuring that the procurement laws were streamlined to conform to international procurement laws and standards. A task force was established to take a lead in the reform process. The team comprised mainly staff from the Ministry of Finance from where the co-ordination was to be done. The team was given a period of 24 months to complete its report. This was done and their recommendations passed over to parliament. However, the draft bill prepared by the task force on behalf of the Ministry of Finance has not been approved by parliament to date. In response to the delay in parliamentary approval, the Minister for Finance approved the Exchequer and Audit (Public Procurement) Regulations 2001 which are currently in use (Government of Kenya, 2001a).

Uganda

Public procurement reform in Uganda was perceived as part of a policy package focusing on strategies to eradicate poverty in the country, through creating an appropriate policy framework and the re-orientating of government spending in crucial sectors. The reforms were based in part on the findings of a study carried out to assess public procurement and to develop an action plan to improve the country's system for procuring goods, works and services. The main finding of this study suggests that the legal framework for public procurement in Uganda is not supportive, as the existing laws are inadequate and fragmented. It also reveals that public procurement in the country is characterised by malpractices, such as under-invoicing and inadequate official documentation. The study, in addition, identifies the lack of a procurement professional body to regulate the actions of procurement officers.

A task force for public procurement reform in Uganda recommended the establishment of a National Public Procurement Unit as the central organ for state administration on all matters of public procurement. This unit would, among other things,

- i) present an annual report to the Council of Ministers concerning the functioning of the public procurement system;
- ii) prepare drafts of acts and regulations concerning public procurement;
- iii) disseminate at the request of, and in co-ordination with appropriate ministers, the general conditions and forms of contracts for public procurement, the rules and standard procedures for conducting procurements;
- iv) collect information about procurement planning, signed contracts and performance of public procurements; and
- v) prepare training programmes, conduct and encourage training for the management of public procurement.

As part of the reforms, the government of Uganda has restructured the functions and roles of various government agencies to foster more transparency, accountability and effectiveness in the procurement process for good governance and to strengthen the public sector management aspects.

Tanzania

Public procurement reforms in Tanzania were carried out on the basis of a study conducted in 1995 by an international consultant, the Crown Agents. A major recommendation of the Crown Agents was that there was a need to establish an independent and autonomous body to control public procurement in Tanzania. There was also a need to de-link the Central Tender Board from the Ministry of Finance.

As in Kenya and Uganda, the reform process was supported by the World Bank under the Public Procurement Reform Project. A team of senior government officers was given a mandate to come up with a strategy that would be implemented as part of the reforms. Among other things, the team was expected to integrate reforms within the macroeconomic framework that would utilise more of local capacity and allow for the transfer of skills. Procurement reforms began in 1997 and are still going on. There is already an Act of Parliament, the Procurement and Disposal of Public Assets Bill of 2002, to regulate procurement in the country (Republic of Uganda, 2002).

Current Procurement Systems in East Africa

The public procurement systems in the three East African countries have historically been very similar in many ways. Major differences in the systems today are largely due the nature and extent of the reforms that the countries have been implementing since the early 1990s. As was indicated earlier, the three countries have differed significantly in the implementation of reforms. Table 4 summarises some salient features of the current procurement systems in these countries.

Table 4. Characteristics of the Public Procurement System in East Africa

	Kenya	Tanzania	Uganda
Legislative Framework	— The Exchequer and Audit (Public Procurement) Regulations 2001 - Legal Notice No. 51 — Public Procurement Bill (yet to be approved by Parliament)	— The Public Procurement and Public Finance Act (2001)	— The Public Procurement and Disposal of Public Assets Bill, 2002 (to be presented to Parliament)
Key Institutions	— Directorate of Public Procurement — Ministerial Tender Boards — Parastatal Tender Boards — Local Authority Tender Boards — The Public Procurement Appeals Board — The Ministry of Finance	— The Central Tender Board — Ministerial Tender Boards — Regional Tender Boards — District Tender Boards — Parastatal Tender Board — Local Authority Tender Board — The Procurement Appeals Authority — The Ministry of Finance	— The Public Procurement and Disposal of Public Assets Authority / The Central Tender Board — The Procuring and Disposing Entities-Accounting Officers, Contract Committees, Procurement and Disposal Unit — Third Party Procurement Entities (e.g. SWIPCO)
Procurement Methods	— Open /Competitive Tendering — Restricted Tendering — Quotations and Contracts — Single Source Procurement — Request for Proposal	— Open /Competitive Tendering — Restricted Tendering — Quotations and Contracts — Single Source Procurement	— Open /Competitive Tendering — Restricted Tendering — Quotations and Contracts — Single Source Procurement
Anti-Corruption Initiative	— Establishment of an Anti-Corruption Agency (Police Units)	— Tanzania Anti-Corruption Authority	— Ministry of Ethics and Integrity
Type of Procurement Threshold	— Minimum	— Maximum and Minimum	— Minimum
Preferential Treatment of Local Bidders	— No Explicit Preference	— No Explicit Preference	— No Explicit Preference

a) Government of Kenya (2001a).

b) Government of Kenya (2001d).

c) United Republic of Tanzania (2001a,b,c).

d) Republic of Uganda (2002).

Legislative Framework

Adherence to public procurement procedures is important if public funds are to be used in the best way possible. Crucial in this respect is a sound enforcement mechanism that ensures that procurement entities comply with the regulations and that those who fail to comply are duly punished. Part of the reason why public procurement in East Africa has been in disorder is because of the legal framework that has been rather unclear and ineffective in ensuring efficient and economical public procurement. It is little wonder therefore that the procurement reforms in the three countries have focused more on the

legislative framework. The aim has been to enact legislation to guide public procurement effectively. The three countries have proposed or have already put in place elaborate public procurement regulations. These regulations seek to:

- define the organisation carrying out the public procurement in the respective countries;
- set out the tasks to be performed;
- assign responsibility to procurement officers and other staff; and
- prescribe the regime for decision making and control.

In Tanzania, the Public Procurement Act 2001 was enacted by parliament and subsequently assented by the president on 6 April 2001. It is the reference for all public procurement and related matters. The Act established the Central Tender Board which, unlike in the past, is an autonomous organisation independent of the Ministry of Finance. The Act also established Ministerial, Regional, District, Parastatal and Local Authority Tender Boards. The Public Finance Act, 2001 also enacted in April 2001 is complimentary to the Public Procurement Act and provides clear legislative guidelines for use of public finances in Tanzania. The two Acts spell out clear deterrent measures for non-compliance. That Tanzania has enacted these two important bills well in advance of Kenya and Uganda is a pointer to the country's commitment to put in place an efficient and effective public procurement system.

In Kenya, a draft bill on public procurement was prepared and presented to parliament in 2000. However, the Bill has not been approved by parliament to date. Given the bureaucratic procedure that bills have to go through before being approved, the Ministry of Finance published the "Exchequer and Audit (Public Procurement) Regulations 2001" in the Kenya Gazette Supplement No. 24 (Legislative Supplement No. 16) Legal Notice No. 51, March 2001⁵. The aim of these regulations is not only to promote economy and efficiency in procurement but also to ensure that public procurement is conducted in a fair, transparent and non-discriminatory manner.

After experimenting with the new system for about two years, critics are already pointing out some of its weaknesses. The government has also made proposals for amendment of the pending bill. Critics of the current regulations in Kenya have pointed out that the creation of the Tender Committees for all public institutions under the chairmanship of the respective accounting officers undermines the powers of the executive boards that are excluded from these committees, even when big tenders are to be awarded. In Parastatal Tendering Committee, for example, only two directors are authorised to sit in the Tender Committees. The government on its part wants more powers for the Finance Minister to enable him/her to exempt certain public institutions from compliance with certain procurement regulations in the bill (*Daily Nation*, 17 September 2002). This is to enable the Minister to exempt on the ground of "national defence or national security". This means that institutions such as the Department of Defence, the National Intelligence Services and the Office of the President will not be subjected to the transparent tendering rules. This proposal, which is already controversial, is likely to create loopholes in the procurement system.

Uganda has also prepared a draft bill to regulate public procurement in the country. The bill, "the Public Procurements and Disposal of Public Asset Bill 2002" was at the time of the study placed before parliament. The draft bill outlines regulations and rules for public procurement. The bill delegates the responsibility of procurement to accounting officers. The publication of a bill for public procurement in Uganda is a major step forward. In Uganda, public procurement had proceeded in a rather haphazard manner. Although the Central Tender Board (CTB) existed to regulate public procurement, it could not thrive in the absence of law and order. Chief executives and permanent secretaries easily manipulated the system. The problem was that these officers sat in both the Ministerial and the Central Tender Boards. They would make decisions at the ministerial level and ratify the same at the Central Tender Boards. This encouraged corruption and other malpractices. The procurement reforms in the country have sought to remove such weaknesses.

Institutional Framework

The rules and regulations embodied in public procurement legislation in the three East African countries establish the key institutions for public procurement. What follows is a brief overview of existing and proposed institutions for public procurement.

Tanzania

As already indicated, Tanzania is the only country with an Act of Parliament for Public procurement. The Act establishes the following key institutions.

i) The Central Tender Board

This is a body within the Ministry of Finance that acts on behalf of the government on matters pertaining to public procurement. The Central Tender Board consists of a chairman who is a permanent secretary and appointed by the president, three members who are also permanent secretaries appointed by the Minister of Finance and three professional members, who are experts or specialists in procurement and appointed by the Minister of Finance. The day-to-day running of the board is the responsibility of the executive secretary appointed by the president. The board has the following specific roles to play:

- to oversee and monitor the conduct of procurement by ministries and departments of government, regions, districts and parastatal organisations;
- to study the conduct of procurement by local authorities and to advise them in all matters of procurement;
- to advise the government on all matters regarding procurement and the efficient operation of the governments procurement system and make recommendations;
- to supervise and manage training of all cadres of procurement staff in all procurement entities;

- to approve the issue of tenders or the use of alternative methods of procurement as may be prescribed in the regulations;
- to receive tenders and hold tender openings in public, review tender evaluations and recommendations made by the procurement entities, and where appropriate authorise awards of contracts;
- to review all applications for variations, addenda or amendments exceeding the laid down limits; and
- to review and approve tenders made by the Ministerial and other Tender Committees where the estimated value of goods or any other form of property that are involved, exceed the limit of authority of the respective procuring entity (see below).

Additionally, where the lower procurement entities reach their thresholds, the Central Tender Board has the mandate to undertake such procurement for goods and services. The Central Tender Board is also charged with the responsibility of reviewing complaints or disputes and to make decisions in accordance with the Act. Although a central objective of the reforms was to decentralise public procurement, the Central Tender Board in Tanzania still has immense responsibilities. This is contrary to the reform's intention of devolving procurement to lower entities.

ii) The Ministerial/Independent Departments Tender Boards

These are boards that operate at the ministerial level or in departments that are autonomous. The boards consist of an accounting officer (usually the permanent secretary) as the chairman, the chief accountant of the ministry or department, heads of not more than four key departments, a procurement specialist in the ministry, and a senior government official from another ministry. The functions of the board are to approve the issue of tenders or the use of alternative methods of procurement and to review applications, variations, addenda or amendments exceeding the laid-down limits.

iii) The Regional Tender Boards

The Act of Parliament also establishes Regional Tender Boards to procure goods, works and services at the regional level. It is significant to note that only Tanzania has Regional Tender Boards within the East Africa region. The functions of the Regional Boards are to approve the issue of tenders or the use of alternative methods of procurement and to review all applications, variations, addenda or amendments which exceed the laid down limits to an ongoing contract. These boards are composed of the regional administrative secretary, who is the chairman, the regional accounting officer, the education officer in the region, the regional engineer, a health specialist, the trade officer, a procurement specialist and the agricultural officer.

iv) The District Tender Boards

In each district in Tanzania, there is a tender board. The functions of the District Tender Boards are similar to those of the Regional Tender Boards save for the area of operation. The board consists of a chairman who is the district administrative secretary, district accounting officers, a government officer who is a procurement specialist, and a government officer appointed by the regional administrative secretary.

v) The Local Government Authority Tender Boards

The Procurement Act also provides for a Local Government Authority Tender Board in each council to procure goods, works and services for the council. The boards consist of senior local authority officials as specified in the Local Government (Finance) Act of 1992. The functions of the Tender Board are again similar to those of the Regional and District Tender Boards to approve the issue of tenders or the use of alternative methods of procurement and to review all applications on variations, addenda or amendments which exceed the laid down limits to an ongoing contract. The Local Authority Tender Boards run independently of the Central Tender Board, as there is no minimum threshold for their procurements as is the case with other procurement entities.

vi) The Parastatal Tender Boards

All parastatals in Tanzania have their independent Tender Boards to undertake procurement of goods, works and services. The chairman of the Parastatal Tender Board is the chief executive of the respective parastatal. The other members of the board are five heads of departments of the organisation and two members from outside the parastatal organisation. The functions of the Parastatal Tender Boards are to approve the issue of tenders or the use of alternative method of procurement and to review all applications for variations, addenda or amendments.

vii) The Public Procurements Appeal Authority

The Public Procurement Act 2001 provides for the establishment of an appeals authority, the Public Procurement Appeals Authority. The Authority consists of a chairman who must be a judge of the High Court of Tanzania appointed by the president and four other members appointed by the Minister of Finance. The role of the Public Procurement Appeals Authority is to review appeals and complaints against Tender Boards, clarify the issues in disputes between the parties and to endeavour to bring about agreement between them. The Authority is mandated to handle disputes that have not been amicably settled by the Central Tender Board. The Central Tender Board first hears disputes and appeals arising from decisions made by all other procurement entities. Disputes and appeals against the Central Tender Board are also referred to the Appeals Authority.

The institutional framework in Tanzania reflects a bold attempt to decentralise public procurement in the country. However, with the immense power still vested with the Central Tender Board, the system is still vulnerable to abuse.

Kenya

As already indicated, Kenya has not yet enacted legislation on public procurement. Currently, procurement is guided by regulations stipulated in the Exchequer and Audit (Public Procurement) Regulations of March 2001. The gazette notice, which is essentially the draft bill, establishes the following key institutions that are already in place for public procurement in Kenya.

i) The Directorate of Public Procurement

The Directorate of Public Procurement (DPP), established within the Ministry of Finance by the procurement regulations, is the central organ for public procurement in Kenya. The directorate replaced the Central Tender Board, which was abolished in 2001. The DPP is charged with policy formulation and implementation and the overall oversight of public procurement in Kenya. The specific functions of the directorate are to:

- monitor the overall functioning of the public procurement process in Kenya and submit proposals for action to the Minister of Finance;
- prepare an operational manual and standard documents to be used in connection with public procurement;
- give instructions and on request, advice and assist procurement entities in undertaking procurement;
- present an annual report to the Minister regarding the overall functioning of the public procurement system, based on information provided;
- inspect the records of all procurement entities to the extent appropriate in order to check on the proper application of these regulations by them and take corrective measures as necessary;
- issue instructions to procurement entities for the purpose of ensuring that information about contract awards is being disseminated to the general public in an appropriate manner;
- develop, promote and support training and professional development of technical officials and other persons engaged in public procurement. In this regard, it ensures that all staff adhere to proper ethical standards; and
- maintain and update at all times a list of procuring entities and members and secretaries to Tender Committees of public procurement entities.

The DPP is headed by a director who is responsible for the execution of the policy of the Directorate and for the control and management of the functions of the Directorate. Until it was dismantled in 2001, the Central Tender Board in Kenya used to act as the judge and jury in adjudicating tenders worth billions of dollars without reference to any one. This resulted in massive losses of public funds as senior government officials, particularly permanent secretaries abused the system to their personal benefit. Unlike

the Central Tender Board, the Directorate is largely a regulatory body. It does not engage in procurement. The Organisation is not also headed by a permanent secretary, as is the case in Tanzania.

ii) Ministerial Tender Committees

At the level of the ministries, the regulations establish the Ministerial Tender Committees. These consist of the chief accounting officers as chairmen of the committees and four other departmental heads. The role and responsibility of the Ministerial Tender Committees are to award tenders (where the contract value exceeds Ksh. 500 000), to review tender documents and request for proposals, to approve bids through open tender and to approve variations of contract conditions previously awarded by the committee. As in Tanzania, Ministerial Tender Committees are dominated by civil servants that are in most cases easily manipulated by their seniors.

iii) The District Tender Committees

The District Tender Committees operate at the jurisdiction of a district, with district commissioners as chairmen. Other members of these Tender Committees are the departmental heads representing various ministries such as Agriculture, Rural Development, Health, Environment and Natural Resources, Roads and Public Works and Education. Other members include the district accountant, the district development officer, the district trade officer and the chairman of the county council. The functions of the District Tender Committees are similar to those of the Ministerial Tender Committees, namely to award tenders, to review tender documents and to approve variations in contracts. Like the Ministerial Tender Committees, Districts Tender Committees in Kenya are at the mercy of district commissioners.

iv) State Corporations and Central Bank Tender Committees

As in Tanzania, all state corporations or parastatals in Kenya are required to form Tender Committees to procure for goods, works and services. The committees comprise the chief executive of the corporation as the chairman and the financial controller as the alternate chairman. The members include the general manager, the chief finance officer, the chief technical officer and at least two board members. The functions of these committees are to award contracts, to review tender documents, to approve bids and to approve variations in tenders.

v) Local Authority Tender Committees

Local authorities, including city councils, municipal councils, town councils and county councils, are also required by law to procure goods, works and services through Tender Committees. The clerk to the local authority heads these Tender Committees. Other members of these committees include the chairman of the Finance Committee and all heads of major departments. The threshold for procurement for this entity is Ksh. 200 000 for Nairobi, Mombasa, Nakuru and Kisumu and Ksh. 100 000 in all other local authorities.

vi) Public Universities, Colleges and Schools Tender Committees

The Kenyan procurement regulations explicitly identify public universities, colleges, primary and secondary schools as procurement entities. In all these institutions, Tender Committees are responsible for the procurement of works, goods and services. In the public universities, the vice-chancellors are the chairmen of the committees, while principals/heads of colleges chair College Tender Committees. Other members of the University Tender Committees include the deputy vice-chancellors, finance officers, college principals, at least two faculty heads and two council representatives who are not members of the academic staff. In the colleges, members of the board include the principal, deputy principal, the finance officer and at least two departmental heads. In schools, the Tender Committees consist of the headmaster/headmistress, the deputies, at least two members of the board of governors, the chairman of the teachers-parents association, two staff members and the matron. The functions of the entities are again to award contracts and review bids subject to the specified thresholds.

vii) Co-operative Societies Tender Committees

Co-operative societies are among institutions governed by the public procurement regulations. This is rather surprising, given that co-operative societies are seen more as civil society entities than public institutions. The regulations stipulate that co-operative societies shall establish Tender Committees for purposes of procurement of goods, works and services. The chief executive of the society is the chairman of the Tender Committees. Other members include the deputy chief executive, at least four members of the society and at least four directors. The role and responsibility of these Tender Committees are to award contracts, to review tender documents, to approve bids through open tender and to approve variations of contract conditions previously awarded.

viii) The Public Procurement Complaints, Review and Appeals Board

This is the body that handles all complaints as well as appeals on matters to do with public procurement in Kenya. An independent person from the private sector appointed by the Minister of Finance heads the board. The other members of the board are the permanent secretary (Treasury), the solicitor-general, the permanent secretary (Provincial Administration) and three members appointed from business and professional associations. The board has legal power to arbitrate by declaring the legal rules or principles that govern the subject matter of a complaint, restraining the procurement entities from further action, annulling in whole or in part an unlawful procurement act and revising an unlawful decision by the procuring entity. The board can also order procurement proceedings to be terminated. Since its inception in 2002, the private sector-led Procurement Appeals Board has cancelled contracts it deemed illegal or unprocedural. A number of firms whose contracts have been cancelled have moved to the courts to challenge the tribunal decisions. These cases have given procurement in Kenya a fairly positive image.

Uganda

Uganda has prepared a draft bill, the Public Procurement and Disposal of Public Assets Bill 2002, which is currently before parliament. This is to fill a real legal lacuna in public procurement in the country. The new bill to be enacted proposes establishing a number of key institutions for the regulation and management of public procurement in Uganda.

i) The Public Procurement and Disposal of Public Assets Authority

The Public Procurement and Disposal of Public Assets Authority is set to replace the Central Tender Board which has been at the centre of public procurement in Uganda. The new organisation will have the following major functions:

- advise the Government of Uganda on all public procurement and disposal policies, principles and practices;
- monitor and report on the performance of the public procurement and disposal system in Uganda and advise on desirable changes;
- set training standards, competence levels, certification requirements and professional development paths in consultation with procurement entities;
- prepare, update and issue authorised versions of the standardised bidding documents, procedural forms and any other attendant documents to procuring and disposing entities;
- maintain a register of providers of works, services and supplies;
- adopt, adapt and update common specifications standards to be used by the procurement entities;
- develop policies and maintain an operational plan on capacity building, both for institutional and human resource development;
- undertake procurement and disposal research and surveys nationally and internationally; and
- administer and enforce compliance with all the provisions of the Procurement Act.

This authority, like the Kenyan one, is largely regulatory and is meant to oversee public procurement practices in the country. The bill explicitly delegates procurement activities to other organs.

ii) The Procuring and Disposing Entities

The draft bill in Uganda bestows responsibility for the execution of the procurement and disposal process on the procuring and disposal entity. The bill defines the procuring entities as comprising:

- a) an accounting officer;
- b) Contract Committees and Tender Boards (in case of local authorities); and
- c) a Procurement and Disposal Unit.

a) The Accounting Officer

According to the bill, the overall responsibility for the execution of procurement and disposal of assets lies with the accounting officer. The accounting officer will have the following functions:

- establishing a Contracts Committee in accordance with the act;
- appointing the members of a Contracts Committee;
- establishing a Procurement and Disposal Unit;
- communicating awards decisions;
- certifying the availability of funds to support the procurement or disposal activities;
- investigating complaints by providers;
- submitting a copy of the complaints and reports of findings to the Public Procurement and Disposal of Public Assets Authority; and
- ensuring that the implementation of the awarded contracts is in accordance with the terms and conditions of the awards.

It would appear from the above that the accounting officers have immense responsibilities that can easily be abused. These officers, for example, are expected to appoint members of the Contract Committees. This gives these officers a lot of discretion in that they can limit appointments to people who then become their agents. This is bound to be a major loophole in the proposed system.

b) The Contract Committees

Contract Committees are to be set up in all procurement entities, except in local authorities where there will be Tender Committees. These committees are to be set under the headship of the respective accounting officers. Other members include the secretary, a representative of the Ministry of Justice, a representative of the Internal Audit Department and a maximum of three other members appointed by the accounting officers. A Contract Committee for each procuring entity will have the following roles:

- to authorise the choice of the procurement procedure, solicitation documents, technical and financial reports, contract documents and amendments to an awarded contract;
- to propose delegation of authority to the accounting officer whenever the need arises; and
- to award contracts in accordance with applicable procurement or disposal procedures as the case may be.

c) Procurement and Disposal Units

This is a unit to be set within all procurement entities. The specific roles of this entity include:

- manage all procurement activities of the procuring and disposing entity except adjudication and the award of contracts;
- support the functions of the Contracts Committee and implement its decisions;
- act as a secretariat to the Contracts Committee;
- plan the procurement and disposal activities of the procuring and disposing entity;
- recommend disposal and procurement entities; and
- prepare bid documents, maintain suppliers lists, manage the evaluation of bids, prepare contract documents and issue approved documents.

Technically, the Procurement and Disposal Units are the execution arms of the accounting officers and the Contract Committees. They will also function as the secretariat for the entities.

iii) Third Party Procurement Entities

The Draft Bill for public procurement allows for the engagement of third parties in the procurement and disposal activities. The proposed bill states that “a procuring and disposing entity may, whenever it deems it necessary, engage third party procurement services in order to discharge its procurements and disposal functions”. This is in line with the current practice in which the government has contracted a Swiss firm, Swiss Procurement Company (SWIPCO), for advice and in some cases the actual procurement of goods and services. The company also audits all purchases in excess of \$50 000. SWIPCO prepares procurement documents and carries out the actual procurement for some ministries such as Ministry of Gender.

Summary Observations

The review of the existing and proposed regulations in public procurement in the three East African countries point to the following important conclusions:

- i)* The procurement activities are fairly decentralised with the procurement entities carrying most of the procurement. The apex organisations, namely the Central Tender Board in Tanzania, the Public Procurement and Disposal of Public Assets Authority in Uganda and the Directorate of Public Procurement in Kenya, are largely regulatory organs to oversee public procurement in the respective countries.
- ii)* To enhance transparency and accountability, the procurement institutional framework in the East African countries is such that power is devolved to different procurement organs and discretion is removed. The only major exception here is Uganda, which bestows a lot of power on the accounting officers with room for discretion and political interference. The CTB in Tanzania also still holds immense power.

- iii) The proposed and existing institutional frameworks in the three countries largely reflect an attempt to put in place a fair and competitive public procurement system. The establishment of Appeals Committees in Kenya and Tanzania is a pointer to this attempt. In Uganda, the Public Procurement and Disposal of Public Assets Authority is responsible for, among other things, receiving and acting on complaints.
- iv) The proposed and existing rules and regulations in the three countries have come out with specific measures to handle contract variations. In the three countries, this is the most commonly abused aspect of public procurement. The regulations in the three countries require that such variations must be done by Tender Committees and Tender Boards and not by individuals, as was the case before. This is indeed a step forward in the right direction.

Procurement Thresholds

The laws and regulations in the three countries provide clear procurement thresholds for different procurement entities. This is, however, more elaborate in Tanzania than in the other two countries. In Tanzania, thresholds for each procuring entity vary depending on the nature of procurement, i.e. works, goods and services (consultancy). Table 5 shows the limit of authority for each Tender Board in Tanzania. The Central Tender Board conducts any procurement that exceeds the limit of the procuring entity's threshold. The law also makes it illegal for any procurement entity to split a procurement contract to fit within its limit of authority. To ensure that this does happen, all procurement entities have to submit procurement plans at the beginning of each financial year.

Table 5. **Procurement Thresholds for Procurement Entities in Tanzania**
(Tsh. million)

	Works	Goods	Services
Districts	50	30	10
Regional	100	60	20
Ministry	450	270	90
Parastatal	4 500	2 700	900
CTB	-	-	-

Source: United Republic of Tanzania (2001b).

In Kenya, the regulations impose a minimum threshold below which the heads of the procurement entities have discretion in procurement. For example, the regulations stipulate that clerks of large councils (Kisumu, Nairobi, Mombasa, and Nakuru) can purchase goods and services worth Ksh. 200 000 without resorting to the Tender Committees. Other smaller local authorities have a limit of Ksh. 100 000. Procurement for minor values is done directly by an entity without necessarily going through the rigorous process of tendering. The draft regulations in Uganda also state that a procuring entity may engage in micro procurement where the goods or services are below a stated threshold. Where this is done, proper receipts and invoices must be obtained and the procuring officer must ensure that value for money is obtained.

Procurement Methods

A number of methods are specified in the public procurement laws and regulations of the three East African Countries. These are:

i) Open Tendering (national and international)

Open tendering is the most widely used and preferred tendering system in the three countries. The laws and regulations in the East African countries clearly state that other methods of procurement will be used only in exceptional circumstances. In such cases, the procuring entities will have to give and record reasons for the choice of other procedures. Open tendering can be at two levels: national and international. Open national procurement is a method of procuring goods, works and services which is open to participation on equal terms by all providers through advertisement of the procurement. This tendering process specifically seeks to attract domestic firms although foreign firms are allowed to participate. Open international tendering, on the other, hand is open to participation on equal terms by all providers although it specifically seeks to attract foreign providers. This type of tendering is used where national providers may not provide competitive bids and ensure value for money. The procurement laws and regulations in the three countries provide guidelines of the procedure of open tendering including the enforcement mechanisms.

ii) Restricted Tendering (national and international)

Restricted tendering is a procurement procedure where bids are obtained by direct invitation without open advertisement. This procedure can be used in the three countries where it is believed that the value or circumstances do not justify or permit the open bidding process. Procurement entities in this case maintain a list of "pre-qualified providers" who are then directly invited to participate in the tendering. Restricted tendering is also possible at two levels: national and international. Restricted national bidding is the procurement where bids are obtained nationally by directly inviting pre-qualified providers. In case of a restricted international bid, only pre-qualified international firms are invited. In both cases, the procuring entity must demonstrate that open tendering is not viable or prudent. It needs to be noted here that the process of pre-qualification is often abused and is an important source for corruption in public procurement.

iii) Quotations and Proposals

Procurement entities are also allowed in exceptional circumstances to call for quotations and proposals. Quotations and proposals are simplified procurement procedures, which compare price quotations obtained from a number of providers. Quotations are used mainly in works, while proposals are used for services. There are specific restrictions on proposals and quotations in the three countries. In Kenya for example, requests for proposals must be addressed to no less than three and no more than seven candidates selected by the procurement entity. Similarly for works, the procuring entity must obtain quotations from as many candidates as practicable, but from at least three candidates.

iv) Direct Procurement / Single Source Procurement

Direct procurement is a sole source procurement method used when exceptional circumstances prevent competitive bidding. This method is used mainly for low value procurements involving no contracts. In Kenya, where this method of procurement is used, procuring entities must prepare a description of all its needs and specify requirements of quality, quantity, terms and times of delivery. The procurement entities are free to negotiate terms with the sole candidate for the best deal.

In the process of public procurement, the interest of three groups — the tender issuers, the bidders and the public procurement system itself — determine the types of procedures. The primary rule is that the prospective buyer must proceed in accordance with the rules of open tendering procedures; the other two procedure types inviting limited bidders or negotiation may be used in exceptional cases. The Procurement Act in Tanzania and the draft bills in Uganda and Kenya are very clear on these procedures. To ensure compliance with the fundamental principles of publicity and transparency, notices in local dailies must announce major events of the process.

Procurement Procedures

As commonwealth countries, the three East African nations share similar government structures in which government ministries are headed by Ministers and with the permanent secretaries as the accounting officers. For each ministry, there is a tendering unit/organ otherwise known as the Ministerial Tender Committees in which the permanent secretary or chief accounting officer is the chairperson. The procurement units within ministries and department would prepare and submit proposals for procurement in which qualities, quantities and prices are spelt out to the central tendering entities. The regulating entities would then evaluate the proposals and make recommendations. If the proposal is approved by the regulating body, the procuring entities are given the go ahead to proceed with the procurement process.

In the case of open tenders, an advertisement is placed in daily newspapers to reach prospective bidders nationally. In Kenya, it is a requirement that such an advertisement be placed in at least three daily newspapers that have wide circulation. The procuring entities are then supposed to release the tender documents. Such documents should contain sufficient information to enable competition among the bidders to take place. The laws and regulations of the three countries define that the tender invitation should be such to enable bidders to submit their proposals, each enjoying equal opportunities. The buyer obviously expects answers to be offered in the bid as to what will satisfy its requirements and expectations primarily in terms of quality and capacity/performance indicators. It is, however, important to note here that, more often than not, this assumption is never met. Procurement entities seldom provide the necessary data and information or provide deficient or semi-finished documentation, which prevents bidders from preparing proper bids.

The next step in the tendering process is the opening of the tenders. The laws and regulations stipulate that this must be done as soon as possible. In Kenya, opening of the tenders must be done at least two hours after the deadline for submission of tenders.

Bidders and their representatives are allowed to attend the opening of tenders. After tenders have been opened, the procuring entity examines and evaluates each of the tender documents. Successful bidders are then notified and a formal contract is issued.

Anti-Corruption Initiatives

Good governance is a fundamental building block of a just and economically efficient public procurement system. Studies of public procurement in the three countries have shown that corruption in public procurement has mainly been through hidden violation of the laid down procurement rules. In this case procurement officers may be involved in malpractices, such as misusing the power of invitation by only inviting preferred firms, favouring certain firms at the short-listing stage, to design tender documents in favour of particular firms or release confidential information. While corrupt procurement officers can in their own interest choose to violate procurement rules, they work in most cases under the influence of powerful politicians.

Since mid-1999, the three East African countries have identified and implemented an extensive set of measures in the area of governance, including anti-corruption measures. In Kenya, the Government established the Kenya Anti-Corruption Authority (KACA) to fight corruption head-on. Although this organisation has since been outlawed, there exists a police unit to fight against corruption. In Uganda, there is a Ministry of Ethics and Integrity that is charged with the responsibility of cultivating moral and ethical integrity in all public activities. The Ministry works closely with the police and other law-enforcing agencies to ensure transparency and accountability in public undertakings. In Tanzania, there is the Tanzania Anti-Corruption Authority (TACA) established in 1999.

The three governments are also at different stages in preparing legislation on the Code of Ethics for all public office holders and working out modalities in the form of a "wealth disclosure" system for all senior civil servants.

Preferential Treatment to Local Bidders

The regulations in the three countries are explicit on the participation by national and international firms in public procurement. The Kenyan regulations state in Part III- Clause 13 that "Candidates shall not be excluded on the basis of nationality, race or any other criterion not having to do with their qualifications". The Ugandan and Tanzanian regulations also state the same but have provisions for the procuring or disposing entity to limit the participation on the basis of nationality on other grounds specified by the regulations or by other competent authorities. This, in fact, gives the countries a leeway to discriminate legally. In Tanzania, exclusive preference is given to local persons or firms, if the financial resources are exclusively provided for by a Tanzanian public body and where the procurement value of works, goods or services does not exceed an amount specified in the regulations. It is a requirement in both Uganda and Tanzania that a written explanation be given for the exclusion of international firms and persons in the tendering process.

Local Regulations and International Agreements

As already indicated, certain procurement activities involve international governments and organisations such as the World Bank, the International Monetary Fund (IMF) and the United States Agency for International Development (USAID). Where these organisations provide the financial support for a project, most of them nowadays insist that the recipient government should use international tendering procedures such as the World Bank guidelines, PHARE tendering procedures, etc. The World Bank, for example, will require that its guidelines prevail over the national ones in all projects in which it is involved, regardless of its level of participation. The Bank has been relying on the model procurement law developed by the United Nations Commission on International Trade Law (UNCITRAL) and adapting it to individual countries' legal systems. One of the objectives of procurement reforms in the three countries was to align the national procedures for procurement with the international ones. In the regulations governing procurement in the three countries, it is explicitly stated that where the regulations in any way conflict with the obligations of the governments arising out of an agreement with one or more other states or with international organisations, the provisions of the agreement shall prevail.

Also important in this respect is the World Trade Organisation (WTO) agreement on public procurement, otherwise known as the Government Procurement Agreement (GPA). As discussed earlier, the three countries have not yet signed the GPA, though they are members of the WTO⁶.

IV. POTENTIAL FOR REGIONAL PROCUREMENT ARRANGEMENTS

One of the objectives of this paper is to examine the extent to which the three East African countries will be able to co-operate in matters of public procurement. This section examines recent initiatives in regional co-operation and explores possibilities for effective co-operation in public procurement.

The three East African countries have a long history of co-operation. They have signed various protocols and treaties, including the East African (High Commission) Orders in Council (1947-1961), the East African Common Services Organisation Agreements (1961-1966) and the treaty for East African Co-operation (1967-1977). The objective of these treaties was to control and administer certain matters of common interest and to regulate the commercial and industrial relations and transactions among the three countries.

In the area of public procurement, regional co-operation was sought to develop common procurement regulations and procedures. In 1974, the three governments came up with the East African Community Supplies Manual. The manual set out rules for ordering of goods, maintaining records, documentation and aspects of supplies management. For the procurement of works and services, these countries relied on the Crown Agents who were in charge of procurement even during the colonial times. The use of the manual, however, came to an end with the collapse of the East African Community in 1977. There are several reasons behind the break-up of the East African Community: the lack of a strong political will, a weak participation by the private sector and civil society, the disproportionate sharing of benefits of the Community among the partner states and the failure to redress this situation.

The treaty for the establishment of the current East African Community was ratified in November 1999 by the three East African partner states. The EAC Treaty sets out the principals for economic, social and political co-operation. It covers a wide range of fields, namely trade, investment and industrial development, standardisation and quality control, finance, infrastructure, human resource development, agriculture and food, environment, health, law as well as political matters. The objective of the EAC is to develop policies and programmes aimed at widening and deepening co-operation in these fields for the mutual benefit of the East African population. This will be achieved through the establishment of a customs union, a common market and ultimately a political federation.

To achieve the objectives of the EAC, the Treaty puts emphasis on policies that are pro-market, pro-private sector and pro-liberalisation. It also aims at the provision of adequate and appropriate enabling environment for the free movement of good, persons, labour, services and capital. Other operational principles outlined in the Treaty are those

of subsidiarity, variable geometry, complementarity and asymmetry. The Treaty establishes a number of organs and institutions to perform the functions of the Community. These are the Summit, the Council, the Co-ordination Committee, Sectoral Committee, the East African Court of Justice, the East African Legislative Assembly and the Secretariat.

The current EAC Treaty does not explicitly address the question of public procurement. Although there is an undertaking to act jointly in projects (Article 101), the Treaty does not dwell specifically on issues of procurement. The assumption here is that the countries will continue to use their procurement procedures for projects to be implemented within their territories. It should be noted here that given the existence of many similarities in the countries' social, political and economic spheres, there is scope for co-operation in public procurement. We briefly examine this point below.

The question of whether co-operation in public procurement in East Africa is possible depends largely on the speed with which policies, rules and regulations, standards and the institutional framework can be harmonised. Under the East African Community, the three countries have committed themselves to harmonisation of economic policies. Within the context of the Treaty, the three partner states have undertaken to (EAC, article 95 and 96):

- remove all exchange restrictions on imports and exports within the community;
- make necessary adjustments in their exchange rates towards free market determined exchange rates;
- adjust their fiscal policies and domestic credit to the government to ensure monetary stability and the achievement of sustained economic growth;
- liberalise their financial sectors by freeing and deregulating interest rates with a view to achieving positive real interest rates in order to promote savings for investment within the community and to enhance competition and efficiency in their financial systems;
- harmonise their tax policies with a view to removing tax distortions in order to bring about a more efficient allocation of resources within the community; and
- maintain the existing convertibility of their currencies.

These are, indeed, crucial measures in the harmonisation of the macroeconomic policy framework necessary for co-operation in public procurement. If this harmonisation is not done, then co-operation in regional procurement may have problems and contradictions. It needs to be noted here that some of these measures have so far been achieved but much more has yet to be done to achieve a harmonised macroeconomic framework.

Co-operation in public procurement also requires harmonisation of procurement rules and regulations. As was indicated in the previous section, regulations and rules governing public procurement in the three countries are similar in many ways. But there are also remarkable differences. There are also differences in the institutional framework of public procurement in the three countries. These need to be harmonised for effective co-operation in public procurement.

Also important in this regard is the harmonisation of standards of goods and services produced in the region. The adoption of uniform standards is important to facilitate interchangeability of products and to enhance savings in public purchasing. Article 130 of the EAC Treaty deals with this issue, although much of it has not been implemented to date.

V. CONCLUSIONS AND RECOMMENDATIONS

Public procurement has undoubtedly become an increasingly important issue in economic and business circles globally. This is evidenced by the growing interest of donors, governments, civil society, professional organisations, the private sector and the general public on matters of public procurement. After decades of messy public procurement systems in the East African region, the three governments are now reforming the legal, organisational and institutional frameworks of public procurement.

This paper has shown that public procurement in the countries is very important and accounts for a sizeable proportion of the GDP. Public procurement by the central government is estimated to account for 8, 30 and 8 per cent of GDP in Kenya, Uganda and Tanzania, respectively. Public procurement is much more important in Uganda than in the other two countries. This is not surprising at all, because Uganda is basically reconstructing its economy and enjoying good donor support. The paper has also revealed that although there are no explicit preferences for domestic suppliers for goods and services, public procurement in these countries is largely domestic or regional. However, donors tend to influence this pattern by preferring external suppliers.

The review of the institutional framework and procedures in public procurement has yielded a number of important conclusions. These are:

- The three countries have recognised the need to put in place clear laws and regulations to govern public procurement. Such laws and regulations have been passed by Parliament in Tanzania, while parliamentary assent is being awaited in Kenya and Uganda (January 2003).
- The procurement activities are fairly decentralised with the procurement entities carrying out most of the procurement. The apex organisations, namely the Central Tender Board in Tanzania, the Public Procurement and Disposal of Public Assets Authority in Uganda and the Directorate of Public Procurement in Kenya, are largely regulatory organs to oversee public procurement activities by different entities in their respective countries.
- To enhance transparency and accountability, the institutional frameworks in the East African countries are such that power is devolved to different procurement organs and seldom to individuals to avoid discretion.
- The proposed and existing institutional frameworks in the three countries largely reflect an attempt to put in place a fair and competitive public procurement system. However, there are problems specific to each of the systems. In Kenya, for example, critics are already pointing out a number of weaknesses of the existing bill, which may have to be revised before it becomes law.

- The procurement methods used by the three countries are largely similar with minor procedural differences.
- There is scope for regional co-operation in public procurement. This depends, however, on the speed with which policies, laws and regulations and institutional frameworks can be harmonised.

In the light of public procurement reform initiatives in the three countries and the global policy trends aimed at further trade liberalisation, especially the WTO negotiations currently underway on transparency in government procurement, the following measures may be necessary to improve the region's procurement systems:

- The countries need to move fast and complete the reforms of the procurement system. Crucial in this respect is ensuring that the procurement systems need proper legal backing. While Tanzania already has such laws in place, it is important that Kenya and Uganda move quickly, because public procurement systems in the region have been very weak because of legal barriers and lack of transparency.
- There is an urgent need for strengthening the institutions that are involved in public procurement. Many of these institutions lack technical and human resource capacities. These countries should seek technical assistance from the WTO and other multilateral organisations, as well as bilateral donors, to bridge this "capacity gap". Institutions dealing with corruption should be specifically targeted for assistance.

Even if the above are met, efficient public procurement will not just come into being by itself. There are certain imperatives for the development of an effective procurement system. These are:

- strengthening the democratic political process, civil society and public accountability;
- creating real market conditions; and
- improving work ethics in which public good is valued more than individual interests.

Clearly these fundamentals need to be addressed to improve public procurement in the region. Needless to say, the big actor in all the above will be the government. Civil society and professional organisations can also play an important part by undertaking an advocacy role for better system, monitoring procurement practices and encouraging the private sector to develop and abide by the codes of conduct.

APPENDIX

List of Persons / Institutions Interviewed

Kenya

Institution	Title of the Officer
Directorate of Public Procurement	Deputy Director
Directorate of Public Procurement	Senior Procurement Officer
Ministry of Public Works	Principal Procurement Officer
Nairobi City Council	Procurement Officer
World Bank (Kenya)	Procurement Specialist
Ministry of Finance	Procurement Officer
Auditor General	Auditor
Controller General Corporations	Auditor
Kenya Revenue Authority	Procurement Officer
Ministry of Agriculture	Procurement Officer

Tanzania

Institution	Title of the Officer
Central Tender Board	Executive Secretary
Central Tender Board	Senior Procurement Officer
Ministry of Public Works	Principal Procurement Officer
Ministry of Finance	Procurement Officer
Ministry of Agriculture	Procurement Officer
City Council of Dar Es Salaam	Procurement Officer
Tanzania High Commission Nairobi	Commercial Attaché

Uganda

Institution	Title of the Officer
Central Tender Board	Executive Director
Central Tender Board	Senior Procurement Officer
Ministry of Finance	Procurement Officer
Crown Agents-Kampala	Procurement Officer
City Council of Kampala	Procurement Officer
Uganda High Commission Nairobi	Commercial Attaché

NOTES

1. See also Gopal (1995, 1994); Nation Daily (2002*a,b,c,d*); Republic of Uganda (1999*a,b*); United Nations and International Chambers of Commerce (2001); United Republic of Tanzania (1996*a,b*, 1999); UNDP/IAPSO (2002); Westring (1985); Wittig (2002, 2002); World Bank (2000, 1995*a,b*, 1993).
2. The OECD (2001) and the Trionfetti (2000) studies use the UN National Accounts Statistics which cover only current government consumption.
3. It was agreed upon in the Doha Ministerial Declaration that negotiations on transparency in government procurement will take place after the Fifth Session of the Ministerial Conference (in Mexico, September 2003) “on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations” (WTO, 2001, paragraph 26).
4. Although the initial GATS agreement excluded public procurement in services, WTO Members have agreed to bring it in the context of the overall GATS negotiations as part of the “built-in” agenda.
5. This is essentially the bill that is before parliament.
6. See Hoekman (1995) and Hoekman and Mavroidis(1995), for further discussion on the GPA.

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