



Fighting Corruption and Promoting Integrity in Procurement

**Avani Victoria Falls Resort, Livingstone
14th to 16th August, 2019**

Presentation Outline

- Introduction
- The Procurement Process
- Procurement and Corruption
- Integrity and procurement
- Measures to fight corruption and promote integrity
- Conclusion

Introduction

Corruption: the soliciting, accepting, obtaining, giving, promising or offering of a gratification by way of a bribe or other personal temptation or inducement, or the misuse or abuse of a public office for advantage or benefit for oneself or another person.

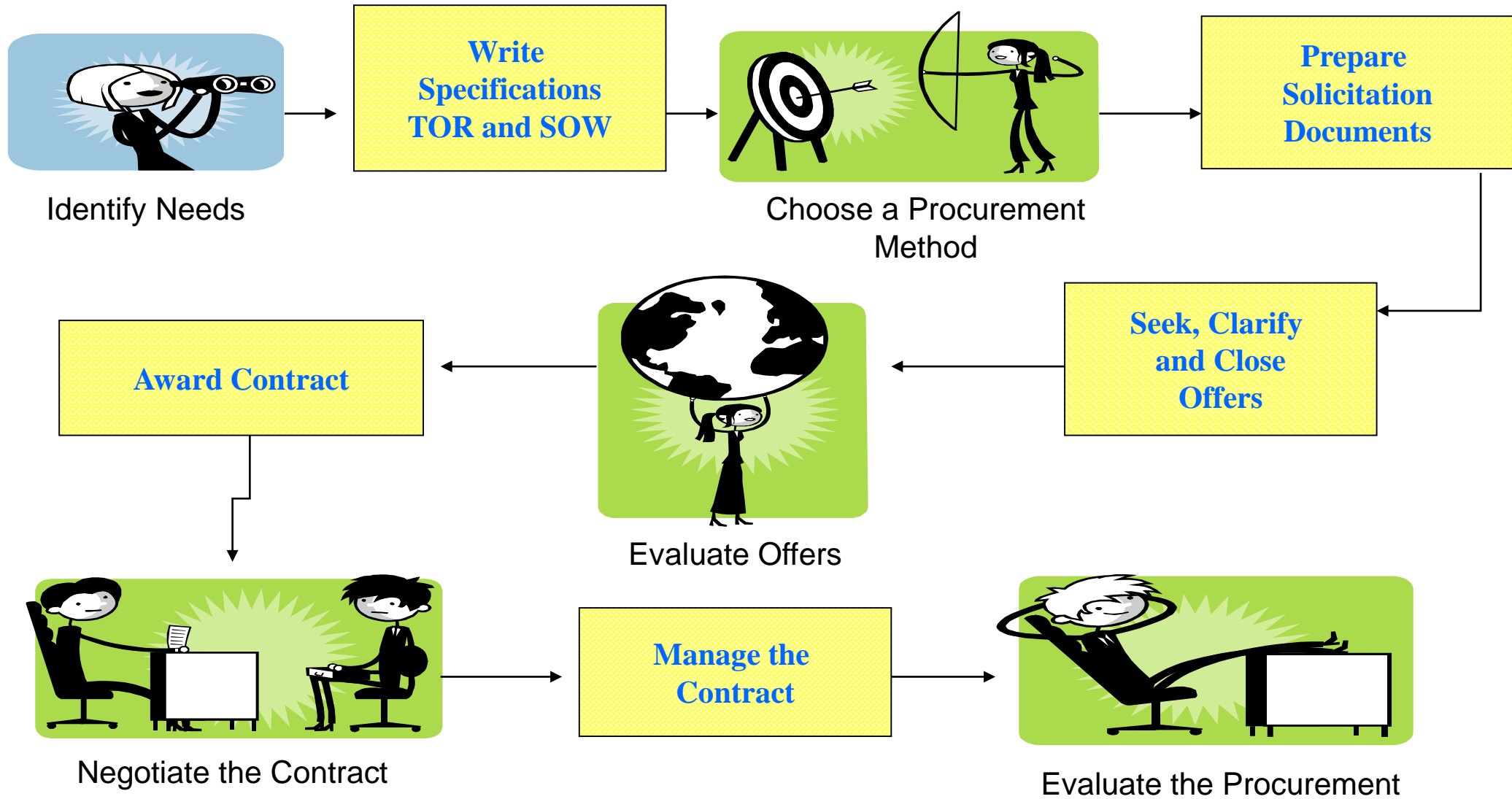
Integrity: the quality of being honest and having strong moral principles that you refuse to change

Procurement

“The acquisition by purchase, rental, lease, hire purchase, licence, tenancy, franchise or any combination thereof” (PPA, 2008)

“ the process of acquiring goods, works and services, covering both acquisition from third parties and from in-house providers. The process spans the whole lifecycle from identification of needs, through to the end of the useful life of an asset. It involves options appraisal and the critical make or buy decisions” (UNDP).

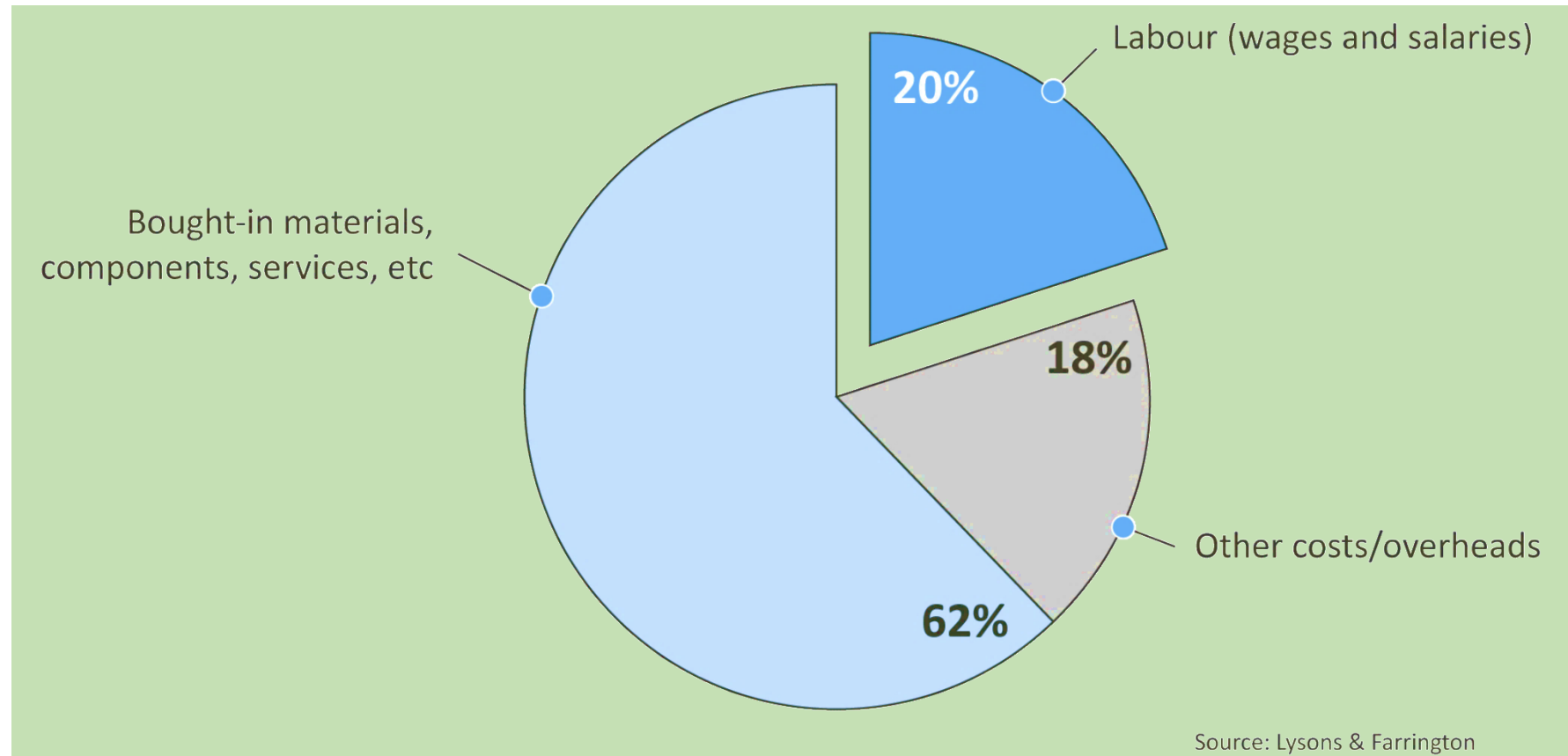
The Procurement Process



Strategic Role of Procurement

- Provides the firm with necessary inputs
- Vehicle for implementation of development projects
- Has impact on product and service quality
- Accounts for significant institutional spend

Typical Proportion of Costs



Integrity in the work place

- Integrity is one of the fundamental values that employers seek in the employees that they hire. It is the hallmark of a person who demonstrates sound moral and ethical principles at work.
- Integrity is the foundation on which coworkers build relationships, trust, and effective interpersonal relationships. Any definition of integrity you may find valuable and illustrative will emphasize these factors.
- A person who has integrity lives his or her values in relationships with coworkers, customers, and stakeholders. Honesty and trust are central to integrity. Acting with honor and truthfulness are also basic tenets in a person with integrity.

Integrity in Procurement

a) Integrity of the procurement process

- The integrity of the procurement process assures confidence in the public procurement process.
- When solicitation documents are issued by the procurement entity, the information provided should be reliable and free of uncertainty or predisposition
- Bidders should also have a clear understanding of the requirement, and know how they will be evaluated

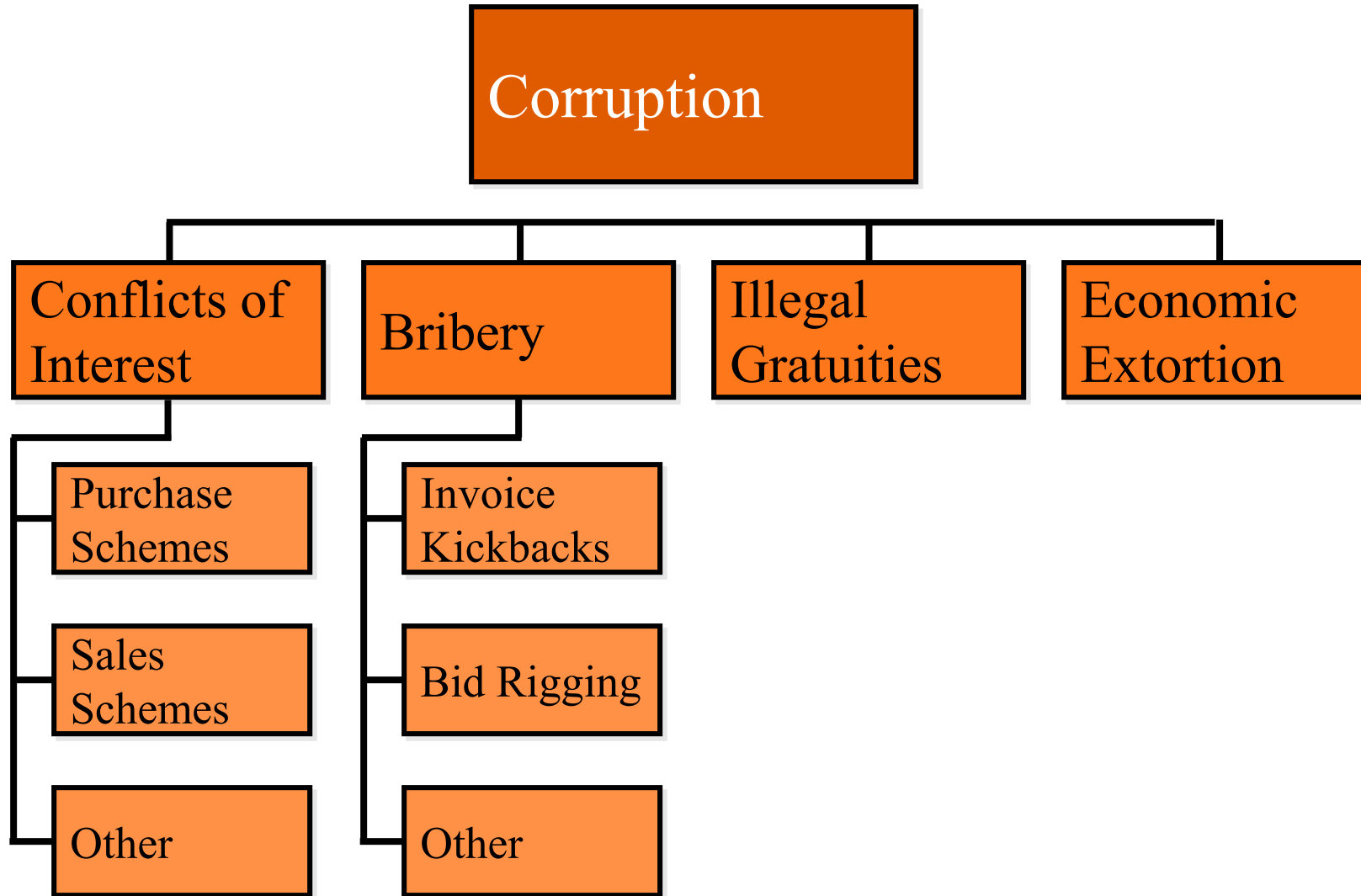
b) Integrity of the procurement practitioner

- Procurement practitioners should be perceived, at all times, as honest, trustworthy, responsible and reliable.

WHY DID YOU
AWARD A TENDER
TO ANOTHER PERSON
WHILE MINE WAS THE
LOWEST READY OUT
DURING THE OPENING??!

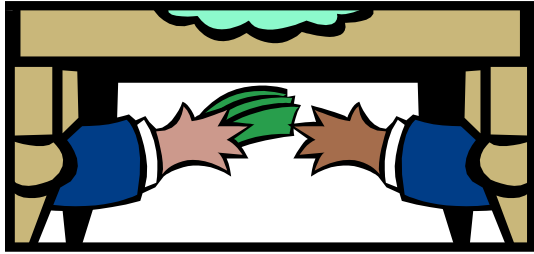
YES, YOUR TENDER
AS READY OUT WAS THE
LOWEST BUT WAS NOT
RESPONSIVE ENOUGH TO
BECOME THE LOWEST
EVALUATED TENDER THAT
WOULD QUALIFY FOR THE
CONTRACT





Bribery

- Offering, giving, receiving, or soliciting ***any thing of value*** to influence an official act
- Under-the-table payments for the exercise of influence over a business decision
- Just offering a payment can constitute as a bribe
- 2 broad categories of bribery schemes
 - Kickbacks
 - Bid-rigging schemes



Kickback Schemes

- Submission of invoices for goods and services that are either overpriced or fictitious
 - Involve collusion between employers and suppliers
- Almost always attacks procurement function of the victim company
- Diverting business to suppliers
 - Supplier pays the kickbacks to ensure a steady stream of business from the purchasing company
 - No incentive to provide quality merchandise or low price
 - Almost always leads to overpaying for goods or services

Bid-Rigging Schemes

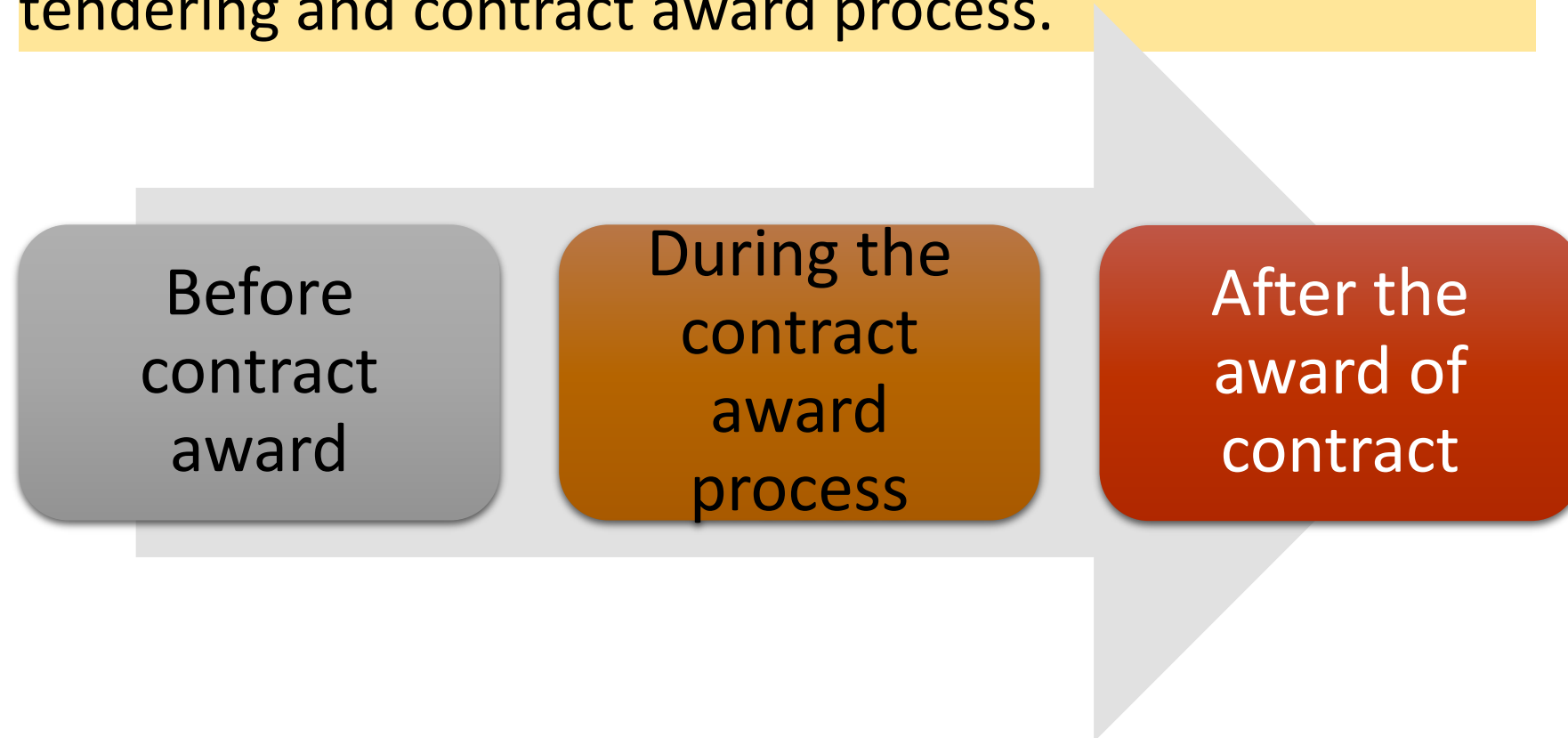
- All bidders are expected to be on an even playing field – bidding on the same specifications
- The more power a person has over the bidding process, the more influence he or she can exert over the selection of the winning bid
- Potential targets include:
 - Buyers
 - Contracting officials
 - Engineers and technical representatives
 - Quality or produce assurance representatives
 - Subcontractor liaison employees

Conflicts of Interest

- Employee, manager, or executive has an ***undisclosed*** economic or personal interest in a transaction that adversely affects the comp
- Employee must have employment interest in the vendor that submits the invoice
- Majority of conflict schemes fit into 2 categories
 - Purchasing schemes
 - Sales schemes

EXAMPLES OF CORRUPTION IN PROCUREMENT

The following may be red flags of corruption in the tendering and contract award process.



BEFORE CONTRACT AWARD

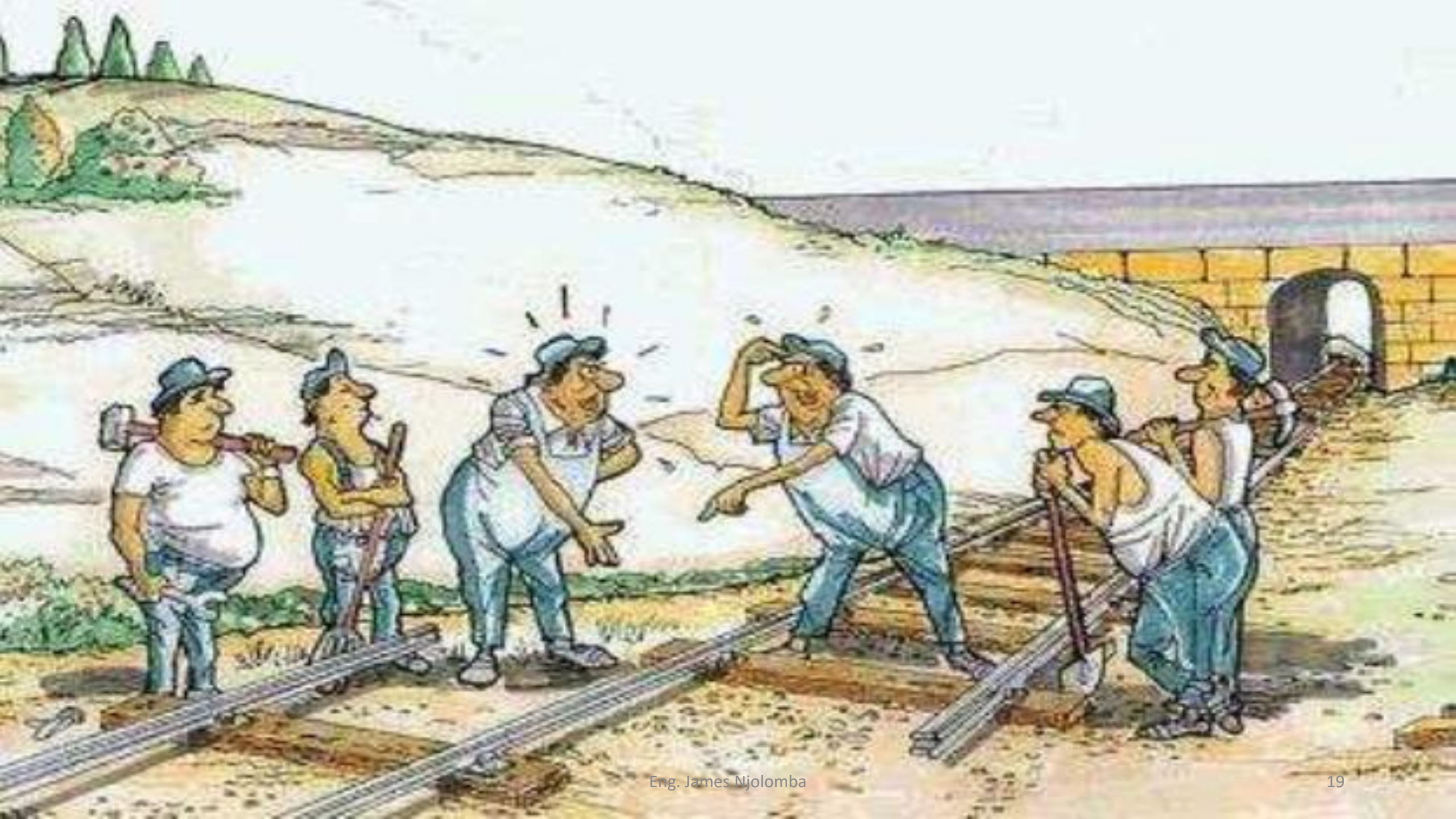
- Disqualification of suitable tenderers.
- ‘Short’ invitation to tender list.
- Unchanging list of preferred suppliers.
- Consistent use of single source contracts.
- Contracts specifications that do not make commercial sense.
- Contracts that include special, but unnecessary specifications, that only one supplier can meet.
- Personal relationships between staff and suppliers.

DURING THE CONTRACT AWARD PROCESS

- Withdrawal of a lower bidder without apparent reason and their subsequent sub-contracting to a higher bidder.
- Flexible evaluation criteria.
- Acceptance of late bids.
- Changes in the specification after bids have been opened.
- Consistently accurate estimates of tender costs.
- Poor documentation of the contract award process.
- Consistent favouring of one firm over others.

AFTER THE AWARD OF CONTRACT

- Unexplained changes in the contract after its award.
- Contract awarded to a supplier with a poor performance record.
- Split contracts to circumvent controls or contract conditions.
- Suppliers who are awarded contracts disproportionate to their size.
- Frequent increases in the limits of liability.
- Frequent increases in contract specifications.



ISSUES	2017	2016	2015	2014	2013
Unaccounted for Revenue	873,649	3,700,509	558,449	3,251,333	1,220,260
Unaccounted for Funds	31,200,930	386,834	193,910	506,354	4,767,666
Misapplication of Funds	61,657,450	162,095,699	28,153,997	73,637,561	65,158,686
Unretired Accountable Imprest	4,073,434	17,559,399	12,659,892	12,585,194	8,170,462
Unvouched Expenditure	14,137,189	170,554,478	349,306,160	389,905,333	67,139,852
Unaccounted for Stores	6,370,531	14,428,573	13,460,323	26,400,272	72,371,091
Irregular Payments	21,791,360	1,591,348	115,350,860	26,358,488	14,467,146
Non Recovery of Advances and Loans	901,507	1,689,982	2,352,451	2,877,442	2,744,814
Failure to Follow Procurement Procedures	1,051,686	509,535	35,701,492	2,720,434	8,406,729
Undelivered Materials	1,486,568	116,759,240	251,523,804	522,904	19,959,462
Non Submission of Expenditure Returns	29,409,484	40,705,270	6,308,762	1,232,749	1,792,192
Wasteful Expenditure	7,865,395	3,586,879	39,854,959	8,354,290	354,939
Overpayments	7,437,149	1,061,247	26,559,013	1,578,571	360,684
Misappropriation of Funds	5,036,051	3,618,127	-	4,767	44,500

Source: Auditor General's Reports, 2013 - 2017



Potholed Roads

Procurement and corruption

- Corruption in Zambia

- According to TI's CPI 2018, Zambia is ranked #105 out of 180 countries down from #96 in 2017, with a score of 35 (37 in 2017).
- Draft Report of a Research undertaken by UNZA on Corruption in the Construction Sector (Options for Reducing Corruption in Procurement: The Case of the Construction Sector in Zambia, UNZA, 2018) found that:
 - ✓ Corruption in construction projects in Zambia existed in all stages of the procurement circle.
 - ✓ The types of corruption identified were; Bribery, Kickbacks, Tailored Specification, Bid rigging, Changes in original contract, Duplicate payment, False Invoice and Claims and Pilferage of Public Resources.
 - ✓ Bribery and kickbacks were the most common types of corruption
- A research undertaken by PwC in 2014 states that:
 - ✓ Procurement fraud is a highly ranked crime in Zambia after bribery and corruption. 30% of Zambian respondents reported incidences of procurement fraud compared to 43% of African respondents and 29% of Global respondents.
 - ✓ The highest perception risks of economic crime are the prevalence of corruption in Zambia

EFFECTS OF CORRUPTION

- Weakening institutional capacity
- Erodes public confidence
- Increases the cost of doing business
- Short-circuiting competition
- Diverting budgetary resources away from the provision of public goods and services

What are the drivers of corruption?

- *Weak laws,*
- *Failure to enforce internal disciplinary measures*
- *Bad governance*
- *Greed*
- *Rent seeking*

How do we combat corruption in procurement?

Specific areas:

- The procurement practitioner (all involved in the procurement process)
- The processes
- The systems

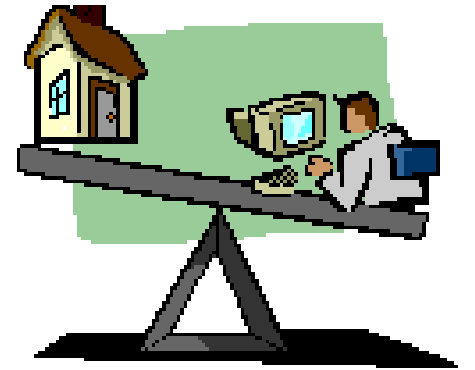
Measures to prevent corruption: procurement practitioners

WE ALL NEED TO CHANGE; LET US TALK ABOUT IT BE ACTIVELY INVOLVED IN FIGHTING IT AND NOT LEAVE IT TO ACC, DEC, TIZ, ZP ETC.

- Political will
- Regular staff rotation i.e. officer or staff may remain in a position long enough to develop improper connections with, or dependencies on, potential bribers.
- Should have comprehensive code of conduct (Be ethical)
- Regular lifestyle audits on buyers
- Protection of Whistle blowers (Public Interest Disclosure Act of 2010)
- Capacity building.

Measures to prevent corruption: practitioners

- Specifically address conflict of interest illegalities in company ethics policy
- Annual financial disclosure statement
- Communication with employees regarding their other business interests
- Periodically run comparisons between supplier and employee addresses and phone numbers
- Establish written policies prohibiting acceptance of gifts or favours



Measures to prevent corruption: processes

- **Make the whole process transparent:** publish processes, regulations, opportunities, successful bidders etc;
- Use competitive bidding as a default method. Use non-competitive process only where truly justified and fully explained and documented.
- Public should have full access to the process.
- Full participation in initiatives such as, CoST, EITI, Society Monitoring of Government Contracts
- Introduce new ways, approaches

Measures to prevent corruption: systems

- Be innovative
 - Adopt ICT including e-procurement
 - Apply Procurement Data Analytics to determine spend trends
- Establish, with assistance from the ACC, Integrity Committees
- Implement provisions of international and regional protocols and conventions (The United Nations Convention against Corruption, The African Union Convention on Preventing and Combating Corruption, Southern African Development Community Protocol against Corruption, etc.)
- Should have appropriate sanctions for corrupt practices.

Conclusion

Widespread corruption is a symptom of a severely ill society. Corruption is not about an amount of money changing hands or about “grease in the wheels of business.” It is about the future of the nation. And it is the nation that must make some difficult decisions regarding it.

When the President addressed the nation on Africa Freedom Day, May 25, 2015, he lamented that “corruption is among the key challenges that Zambia must confront with urgency.

YES WE CAN ALL OVERCOME CORRUPTION

