

## INFUSING VALUE FOR MONEY (VfM) INTO THE PUBLIC PROCUREMENT SYSTEM IN BOTSWANA

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**ABSTRACT.** Public procurement accounts for a big proportion of public budget outlays, hence, it is important that there be demonstrated Value for Money (VfM) in public purchases. To ensure VfM in public procurement, Botswana introduced a modern public procurement system in early 2001. The system is yet to be subjected to VfM analysis. Using document analysis, this paper explores two main research questions: (i) what are key public procurement challenges in Botswana?; and (ii) how can public procurement in Botswana be improved? It is concluded that the public procurement system in Botswana is not constructed on a VfM basis. It is consequently suggested that there is a need for public procurement reforms and the adoption of various private sector continuous improvement tools such as Lean, Kaizen and Six Sigma.

### INTRODUCTION

Government undertakes a variety of economic activities, chief among them, taxing and spending public money to produce goods and services that the market either cannot produce or produces in insufficient quantities. The purchase or acquisition of goods and services by the government is often referred to as public procurement (Arrowsmith, 1998; OECD, 2010a; Warrillow, 1995). What then is *public procurement*? Before one defines public procurement, it is very vital for one to define procurement. In simple terms, "procurement can be defined as the acquisition of goods or services" (Kerzner, 2006, p. 804). Procurement is a transactional process "between two

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parties with different objectives who interact in a given market segment" (Kerzner, 2006, p. 804). Procurement is one of the tools that are used to deliver the strategy of an organisation, hence the need to develop an organisational procurement strategy. If there is no fit between the organisational strategy and procurement strategy, the former cannot be delivered because the latter is used to drive and deliver the former. As much as one cannot talk about an organisational strategy in the realm of government, an argument can be made that due to efforts to corporatise and run government like a business *à la* Gore (1993), governments have instruments similar to corporate strategies that are, amongst others, driven and delivered by a procurement strategy. Having a generic definition of procurement, public procurement must be defined. There are various synonyms of public procurement such as "purchasing," "contracting," or "acquisition" (Lloyd & McCue, 2004, p. 3). However, in the mainstream procurement literature, there are frequent references to public procurement. Several authors, for example, Arrowsmith (1998), Asian Development Bank (2011), Lloyd and McCue (2004), OECD (2015), Office of Government Commerce (2007), Prier and McCue (2009), Uyarra and Flanagan (2010) etc have defined the concept. This paper adopts the Asian Development Bank's (2011, p. 4) definition which states that "public procurement is the process by which national and local public administrations";

- Establish and determine the needs for which procurement is required.
- Formulate the appropriate procurement strategy to meet needs.
- Solicit competitive bids from qualified suppliers as a means of determining best value and price.
- Select the bid according to pre-established criteria.
- Award contracts and ensure the availability of a formal challenge mechanism; and
- Ensure contract administration focuses on performance, cost and timeliness.

Public procurement is not an event; it is a process that entails many sub-processes. This gives rise to terms such as public procurement cycle (also known as procurement and supply cycle); from pre-award tendering to post-award phases. Public procurement



accounts for a significant proportion of the Gross Domestic Product [GDP] (OECD, 2015). For example, it accounts for approximately 13% of GDP in OECD member countries (OECD, 2015). Due to the size of outlays on public procurement and governments' accountability to taxpayers and the polity generally, it is subject to extensive legislation and regulation (Lloyd & McCue, 2004). In this regard, Lloyd & McCue (2004, p. 3) hold that "public procurement is one of the most highly legislated and regulated fields of government". As observed by the then Tanzanian Deputy Minister of Finance in October 2012, this is so because "taxpayers want to see their taxes spent reasonably" (The Commonwealth, 2012, p. 1). Public procurement is as old as public finance, so, was not founded in pre-modern times for there are ancient records of the practice. For instance, Thai (2001) holds that the earliest procurement order that was found in Syria dates from between 2400 and 2800 B.C. Despite ancient origins, modern public procurement is traced to the 1950s when modern project management matured.

The procurement of goods and services by government agencies provides needed inputs that enable governments to deliver public services and fulfil other tasks (World Trade Organisation, 2015). Public procurement is more than just the acquisition of goods and services; that is, it serves other non-procurement goals. In a confirmatory note, Bolton (2006, p. 193) holds that "government procurement is and has, for example, often been used to promote aims which are, arguably, secondary to the primary aim of procurement." It is used to deliver socio-economic, industrial and environmental policies (Arrowsmith *et al.*, 2000; Cane, 2004). For example, in Botswana, the Local Procurement Programme (1997), covering all levels of public procurement, is aimed at facilitating citizen economic empowerment. As further exemplification, in South Africa, the Black Economic Empowerment (BEE) scheme, introduced in 1993, is meant to redress the inequalities of apartheid by giving certain previously disadvantaged groups, particularly Blacks, economic privileges, including preferential treatment in public procurement (SAinfo Reporter, 2013). In 2007, the original BBE was revised and renamed the Broad-Based Black Economic Empowerment (B-BBEE). Similarly, Namibia, a former South African colony, introduced the BEE policy under the Transformation

Economic and Social Empowerment Framework (TESEF) in 2008 (Gaomab, 2013). In 2011, the BEE was supplanted by the New Equitable Economic Empowerment Framework. Thus, a properly designed public procurement regime can be a useful public policy tool that can be “used as a strategic tool to enhance government performance and the quality of services” (World Trade Organisation, 2015, p. 3). Like other government processes, public procurement has been evolving over time. While in the past public procurement was considered as administrative support function that was rule-focused and compliance-driven, this later changed with the advent of management practices such as strategic management (Babich and Pettijohn, 2008). Hence, “the role of the public procurement officer has evolved into an important strategic position as public organisations plan and conduct business” (Babich and Pettijohn, 2008, p. xix). As governments are, to some extent, being run like businesses encouraged by public sector reforms such as New Public Service and New Public Governance, public procurement is increasingly being pressured to deliver VfM.

### **The Botswana Context and Research Scope**

As much as public procurement is an important feature of public finance in both developed and developing countries, it is not a widely researched subject in the latter, particularly in Africa, as instanced by few publications (see; e.g., de Mariz et al., 2014; Dza et al., 2013). This is true of Botswana; public procurement in Botswana is not a widely researched subject. This is the shortage of the scholarship that this paper seeks to address. In addition, the paper will contribute to debates on the much-needed procurement reforms. Even though Botswana introduced public procurement reforms in early 2001 to achieve VfM, these are yet to be subjected to VfM scrutiny. This what this paper does. It is organised in the following way: firstly, it reviews the literature on VfM. Secondly, it discusses data collection methods. Thirdly, it presents findings in terms of the emergence of a modern public procurement system in Botswana and achievements and challenges. Fourthly, it discusses factors undermining VfM in public procurement in Botswana. Fifthly, it proposes ways to infuse VfM in the public procurement system. The paper concludes with several summarising thoughts and suggestions.

## CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Given the fact that public agencies are spending public monies, the quest for VfM cannot be over-emphasised. Given the centrality of VfM in public procurement, the conceptual framework, or the basis of the research problem, in this paper is VfM. To provide expository clarity, the key term; VfM, must be defined. Although there are definitional issues surrounding VfM and "confusion persists on how the concept should and can be used" (Governance and Social Development Resource Centre, 2010, p. 1), this term has been defined by various entities. Examples are Australian Council for International Development, Centre for Development Impact (see; e.g., Barr & Christie, 2015), Department for International Development (DFID; see, e.g., Davis, 2012), Independent Audit for Aid Impact and UK National Audit Office (see; e.g., National Audit Office, 2010). DFID is one of the developers and foremost users of the VfM concept (OECD, 2010b). It is the only agency that explicitly uses the terminology frequently in its policies and procedures and has a Value for Money department (Governance and Social Development Resource Centre, 2010). DFID's approach to VfM involves assessing whether level of results achieved represent good value for money against the costs incurred: moving from "results to returns" (OECD, 2010b, p. 63). Value for Money (VfM) is about striking the best balance between the "three E's" – economy, efficiency and effectiveness (Jackson, 2012, p. 1). A "fourth 'E' – equity – is now also sometimes used to ensure that value-for-money analysis accounts for the importance of reaching different groups" (Independent Commission for Aid Impact, 2011, p. 2). The four Es can be explained as; (i) economy (getting the best value inputs); (ii) efficiency (maximising the outputs for a given level of inputs); (iii) effectiveness (ensuring that the outputs deliver the desired outcome); and (iv) equity [ensuring that the benefits are distributed fairly] (Independent Audit for Aid Impact, 2011, p. 4). A value for money study focuses on a specific area of government expenditure, and seeks to reach a judgement on whether value for money has been achieved (National Audit Office, 2016a).

VfM should be ensured over the entire procurement cycle, that is, from pre-tendering to post-award phases (Commonwealth of Australia, 2014; KPMG, 2016). Efficient public procurement system is therefore vital for achieving Value for Money and hence accelerated growth and development of the country (Asare & Prempeh, 2016, p. 23). In the realm of public procurement, a VfM bid award is achieved when a bid is awarded to a bidder who offers the “best price-quality ratio, as opposed to awards based on the lowest price or the lowest cost” (Kiiver & Kodym, 2015, p. 275). Vital to note, VfM in public procurement does not simply mean acquiring the goods at the lowest price (Quinot and Arrowsmith, 2013, p. 9). Therefore, the quality of the goods services purchased is of critical importance (Arrowsmith *et al.*, 2000). VfM in public procurement involves both quantitative and qualitative features (Burger & Hawkesworth, 2011). VfM is “what a government judges to be an optimal combination of quantity, quality, features and price (i.e. cost), expected (sometimes, but not always, calculated) over the whole of the project’s lifetime.” (Burger & Hawkesworth, 2011, p. 2). While VfM is a sought-after feature in public procurement as in private procurement, there are challenges in the former. Particularly, as observed by Kumar *et al.* (2015), public procurement has to contend with contradictory forces of performance and compliance. In the final analysis, balancing performance and compliance may detract from the efficiency ideal (Kumar *et al.*, 2015). Despite these challenges, an effort must be made to ensure VfM in public procurement.

Some countries have passed Public Procurement Guidelines and Rules/Regulations and introduced public procurement reforms that place VfM at the center of public procurement. Examples are: Commonwealth of Australia (see; e.g., Commonwealth of Australia, 2008; 2014; OECD, 2012), Denmark (see; e.g., OECD, 2011), Norway (see; e.g., OECD, 2013a), Sweden (see; e.g., OECD, 2013b), The Netherlands (see; e.g., OECD, 2009) and United Kingdom. To illustrate in regard to the Australian case, in 2014, then Australian Minister for Finance, Mathias Cormann, issued the Commonwealth Procurement Rules. He stated that in implementing the rules, public officials must pay regard to financial and non-financial costs and benefits associated with public procurement (Commonwealth of Australia, 2014). Although public procurement systems in the developing world, particularly

Africa, are still in a fledgling state, there are some cases where public procurement reforms have been inaugurated to, amongst others, infuse VfM in public procurement. Some examples are Kenya (Public Procurement and Disposal Act, 2005), Ghana (Public Procurement Act, 2003), Tanzania (“the Tanzanian Public Procurement Policy of 2012 identifies value for money as the core principle underlying public procurement” [Mchopa, 2015, p. 131]) and Uganda (Public Procurement and Disposal of Public Assets Act, 2003).

Beyond national initiatives to infuse VfM in public procurement, there are efforts by multilateral organisations. An example is the UNCITRAL Model Law on Public Procurement (2011). The Model Law on Public Procurement contains procedures and principles aimed at achieving value for money and avoiding abuses in the procurement process (United Nations, 2011). In a related vein, the law aims to harmonise international standards in public procurement. It takes into account provisions of the World Trade Agreement on Government Procurement, the European Union Directives (on procurement and remedies), the United Nations Convention Against Corruption, the Procurement Guidelines and Consultant Guidelines of the World Bank (United Nations, 2011). The World Bank’s (2011) Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants is another effort by a multilateral organisation to infuse VfM in public procurement. The bank’s procurement guidelines “make economy and efficiency the basis for project implementation of the project and point out the Bank’s interest in giving all eligible bidders the same information and equal opportunity to compete” (Kumar *et al.*, 2015, p. 368).

In addition to the passage of procurement guidelines and rules/regulations and introduction of public procurement reforms that place VfM at the center of public procurement, some countries have developed systems that measure VfM in public spending. For example, in the United Kingdom, the National Audit Office uses three criteria to assess the value for money of government spending; i.e., the optimal use of resources to achieve the intended outcomes: economy, efficiency and effectiveness (National Audit Office, 2016b).

Ending, it is apparent from the review of the literature that VfM occupies pride of place in the literature on public procurement. This position will be solidified as governments are run like businesses in days characterised by public sector reforms such as public management. The added impetus will come from chronic fiscal stress since the last global economic crisis. Although public procurement reforms that are intended to infuse VfM public procurement in the developing world are still at infancy, there are some VfM studies of these reforms. Examples are: Ghana (Amo-Richmond, 2014; Asare & Prempeh, 2016), South Africa (Vuuren & Badenhorst-Weiss, 2007), Uganda (Tumutegyeize, 2013); and Tanzania (Mchopa, 2015; Nditi, 2014). Although Botswana introduced public procurement reforms way in 2001, the system has not yet been VfM-audited. In order to form an informed opinion regarding the efficacy of VfM reforms in Botswana, the system must be VfM-audited and, afterward, policy recommendations be proposed. This is the main objective of this paper.

### REASERCH METHODOLOGY

This is an exploratory paper that used a desk survey which employed a variety of data collection sources. These included some of the following sources on public procurement in Botswana: statutes (for example, Public Procurement and Asset Disposal Board Act (2001) and reports, principally, Public Procurement and Asset Disposal Board Annual Reports, 2008/09-2013/14. Very vital to note, Annual Reports provide an insight into the operations of the Public Procurement and Asset Disposal Board (PPADB), particularly, achievements and challenges. The paper used the descriptive approach which aims at finding out the state of affairs; '*what is?*' Descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation (Aggarwal, 2008). This type of research method is not simply amassing and tabulating facts but includes proper analyses, interpretation, comparisons, identification of trends and relationships (Salaria, 2012). Although the descriptive approach is amenable to the use of observations, case study and survey (see; e.g., Borg and Gall, 1989), the paper used the survey method in the form of documents since they were readily available. The primary data analysis tool used was

document review and analysis. In this regard, data were gathered, reviewed and analysed. The review and analysis helped to explore two main research questions: (i) what are key public procurement challenges in Botswana?; and (ii) how can public procurement in Botswana be improved? In addition, the analysis provided insights into other questions such as: (i) what is the legal/institutional framework of public procurement in Botswana?; and (ii) what are the key challenges facing the financing of public procurement in Botswana in the post-global economic crisis period?

## FINDINGS

### **Legal/Institutional Framework of the Public Procurement Regime in Botswana**

Public procurement is guided by the Public Procurement and Asset Disposal Board Act, which was promulgated in August 2001 (Republic of Botswana, 2001). The provisions of this Act apply to all entities of the central Government which are involved in public procurement or the disposal of public assets, whether they are located abroad or within Botswana (Republic of Botswana, 2001). They also apply to; (i) all land boards; (ii) all parastatals, statutory organisations and local authorities; (iii) the procurement or disposal of all assets acquired by any means; (iv) the procurement of all works, services, supplies, or any combination thereof, however classified; and (v) the disposal of serviceable and unserviceable physical properties and land, items acquired through works, services or supplies contracts, intellectual and proprietary rights etc (Republic of Botswana, 2001). Primarily, the PPADB Act created the Public Procurement and Asset Disposal Board (PPADB) and its committees and provide for the procurement of works, supplies and services, for the disposal of public assets and related matters (Republic of Botswana, 2001). The PPADB, which became operational in July 2002, is a parastatal organisation operating under the Ministry of Finance and Development Planning (MFDP). Some of the following factors influenced its formation: rapid expansion in the volume of procurement; increase in the range and complexity of procurement; and shift in procurement budget away from the simple supplies based

contracts to technically sophisticated works and service contracts (PPADB, 2008a, p. 1).

The Board consists of the following: (a) a full time Executive Chairperson; (b) three full time Members; and (c) three part time Members (Republic of Botswana, 2001, section 11). The Minister appoints the Executive Chairperson and members of the Board and part time members of the Board are appointed from among nominees of the associations of contractors and professional bodies and the private sector. The Board is responsible for the implementation and management of the public procurement and disposal process aimed at ensuring an efficient, fair, accountable competitive procurement process in which the people of Botswana will have confidence (PPADB, 2008b). Further, this process should contribute to Botswana's socio-economic development through improved value for money, the strengthening of citizen participation in economic opportunities and skills and capacity development (PPADB, 2008b). In discharging its mandate, the Board, amongst other things, is empowered to "promote an open, competitive economy and procurement policies and strategies, which dynamically impact on continual basis on domestic procurement policy and practice" (PPADB, 2008b, p. 1). To decentralise procurement, and subject to financial ceilings, the PPADB Act provides for the creation of Ministerial Procurement and Asset Disposal Committees (section 61), Special Procurement and Asset Disposal Procurement Committee (section 63) and District Administration Tender Committees [DATCs] (section 64). Ministerial Procurement and Asset Disposal Committees are responsible for the management of aspects of the public procurement and the assets disposal process of the departments encompassed by each ministry. The Special Procurement and Asset Disposal Procurement Committee is charged with the procurement of highly sensitive works, supplies, services and properties and the disposal of the assets of the disciplined services. Finally, District Administration Tender Committees handle procurement and disposal activities in the districts (Republic of Botswana, 2001, p. 1).

The procurement process goes through eight stages. (1) The Board [PPADB]/Tender Committee [being either the Ministerial Tender Committee or District Administration Tender Committee] receives a

tender notice from a Procuring Entity (PE) [for example, Ministry/Department; (2) the Board/Tender Committee examines the Invitation To Tender (ITT) document for statutory compliance; (3) the Board sends the approved tender notice to the *Government Gazette*<sup>1</sup> for publishing; (4) the Board receives bids/tenders, opens, records and announces bidders; (5) opened tender responses are sent to the PEs for evaluation and recommendation; (6) the Board receives evaluation reports and recommendations from PEs and adjudicates and awards tenders; (7) the Board informs the PE of the award and the PE invokes contract implementation procedures; and (8) the End of Activity Report is submitted by PEs to the PPADB (John, 2013, p. 6).

Given the fact that all public projects are to be procured under an open tender system, excepting special procurement in accordance with section 63 of the PPADB Act for the disciplined forces/services, "advertisements are placed in at least one newspaper of wide circulation, in the Gazette and in any electronic or print media as the procuring entity may consider appropriate" (Republic of Botswana, 2006, section 32 (2)). At the end of the tender period, tender documents are submitted to either the PPADB or Ministerial Procurement and Asset Disposal Committee or District Administration Tender Committees (depending on the contract amount of the tender). The evaluation of tenders is divided into three stages: (i) preliminary examination (to check whether the bidder has submitted all relevant documents); (ii) technical evaluation; and (iii) cost evaluation. Finally, it is very important to note that a bidder must pass the technical evaluation hurdle before he/she advances to the final and last hurdle; cost evaluation. The evaluation criteria are provided for in sections 43 to 48 of the Public Procurement and Asset Disposal Regulations (Republic of Botswana, 2006). In the end, the lowest, reasonable and responsive bidder will be recommended for the award of the tender.

With the foregoing public procurement legal/institutional framework, the PPADB and delegated procurement bodies, procure and dispose of public assets. In its 15 years of operation, 2002-2017, the PPADB has grown and some of its key achievements are summarised in Table 1.

**TABLE 1**  
**Key Achievements by the PPADB**

<b>Activity</b>	<b>What has been achieved</b>
Awarding of tenders	For example, Ministerial Tender Committees and District Administration Tender Committees awarded tenders worth P2, 515, 636, 873.94 [USD 225, 079, 540.36] and P321, 437, 928.01 [USD 28, 759,755.37] respectively during the 2013/14 financial year (PPADB, 2014).*
Formulating the first five-year strategic plan [2013/14- 2017/18]	During the 2013/14 financial year, the PPADB formulated the first five-year strategic plan. The plan supplanted the 2008-2013 initial strategic plan] (PPADB, 2014).
Registering and grading contractors	Contractors wishing to do business with the government are registered and graded by the PPADB (John, 2013).

**TABLE 1 (Continued)**

<b>Activity</b>	<b>What has been achieved</b>
Devolution of procurement duties	There are 16 Ministerial Tender Committees that adjudicate on tenders of up to P25, 000 000 [USD 2, 236, 804.75] and 24 District Administration Tender Committees that adjudicate on tenders of up to P2, 000 000 [USD 178, 944.38] (PPADB, 2014).
Collaboration	For instance, in August 2012, the PPADB signed a Memorandum of Agreement with the Competition Authority and Directorate on Corruption and Economic Crime (Competition Authority, 2012). Amongst others, the collaboration is meant to fight bid rigging because these three bodies act together to weed out these practices.
Membership in procurement bodies	The PPADB is a member of Commonwealth Public Procurement Network (CPPN). The CPPN was established by the Commonwealth Secretariat in 2006 to promote sharing and learning in member countries.
Bench-marking and peer-learning	The PPADB undertakes benchmarking tours, for example, it has been to New Zealand, Ghana, Tanzania, South Africa and Sweden to learn the best practices in public procurement (John, 2012).

1. Note: \* At the time of writing this paper on June 22, 2017, 1 Botswana Pula (BWP) = 0.089 US Dollar.

### Key Challenges Faced by the PPADB

For reason of economy in the paper, it is not possible to enumerate all challenges faced by the PPADB that detract from the achievement of VfM. Mainly, the data on challenges were sourced from PPADB Annual Reports beginning in the 2008/2009 financial year and ending in the 2013/14 financial year. In this regard, while the PPADB commenced operations in 2002, the only available reports are from the 2008/09 to 2013/14 financial years.<sup>2</sup> In the main, the first annual report, 2008/09, detailed challenges related to the vetting of ITT (Invitation to Tender) documents. Primarily, these challenges were attributed to the following causes on the part of Procuring Entities (PEs) as shown in Table 2.

**TABLE 2**  
**Key challenges faced by the PPADB**

Challenge	Narrative
Procurement procedures	Lack of understanding of procurement procedures and principles by project officers at Procuring Entities (PEs).
Coordination	Lack of coordination between PPADB line Divisions, Registry Unit and Office of the Board Secretary causing delays in vetting of ITTs. Some Invitation to Tender (ITT) documents were delayed between Divisions, while others were returned to the Procuring Entities to submit to Ministerial Tender Committees for vetting due to thresholds.
Procurement planning	PEs taking too long to address PPADB queries and conclude ITT vetting. Some ITT documents were returned to PEs to use SBPs [Standardized Bidding Packages] but were never brought back to PPADB for

vetting (PPADB, 2009, p. 22).
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Similarly, the 2009/10 report detailed challenges related to the vetting of ITT documents (PPADB, 2010). A related issue had to do with contract management once works, supplies and services are awarded to contractors by the Board or its competent Committees (PPADB, 2010). The 2010/11 Annual Report (PPADB, 2011) detailed some of the following challenges: (i) delays on the part of Procuring Entities in responding to requests for additional information; (ii) limited outreach in terms of public education on the mandate of the PPADB, owing to lack of resources; and (iii) the inadequate capacity of MTCs and DATCs (p.8). In this regard, while the PPADB put in place some corrective measures, some of these challenges still persist, particularly, challenges (i) and (iii). The 2011/12 Annual Report (PPADB, 2012) detailed some of the following challenges:

- Poor adherence to procurement plans by PEs resulting in adherence of only 48% overall. This translated into delayed service delivery to the public.
- Unauthorized procurement continued during the year, although the number of such transactions declined by 28% from 67 in 2010/11 to 48 in 2011/12, an increase of 26% in terms of value.
- Project site visits pointed to the inadequate supervision of projects and the poor enforcement of contracts by both PEs and contractors.
- The absence of Procurement Units (PUs) and the shortage of Committee secretariats for DATCs.
- Poor responsiveness by PEs on the submission of EOARs [End of Activity Reports]; only 37% of the expected reports being received (PPADB, 2012. p. 7).

Other challenges related to the cost of litigation; this amounted to P566 767 (USD 50, 709.88). While the PPADB put in place some corrective measures, some of these challenges still persist today, particularly, worrisome is unauthorised procurement which leads to

situations whereby the government needlessly loses money (see Modise, 2013).

The 2012/13 Annual Report (PPADB, 2013) detailed some of the following: (i) poor submission of End of Activity Reports]; and (ii) perceptions of high costs of cost recovery by customers. Amongst major challenges highlighted in the 2013/14 Annual Report (PPADB, 2014),<sup>3</sup> the chief one related to online contractor registration. To provide context, the PPADB introduced the web-based registration system, called Contract Registration Module, in early 2013 as the first phase of the Integrated Procurement Management System (IPMS) to improve service delivery. Some of the problems related to slow internet speed in the country, low computer literacy on the part of the contracting community, ineffective communication between the PPADB and contractors (PPADB, 2014). The ultimate result was a delay in the processing of applications, so, defeating the purpose of improving service delivery (PPADB, 2014).

Besides the Annual Reports, the challenges that the PPADB faces are catalogued in media briefs. The briefing is intended to update the media on progress in relation to PPADB's work, challenges, and planned activities (John, 2013, p. 3). For instance, on 21 March 2013, the PPADB Chair outlined some of these as shown in Table 3.

**TABLE 3**  
**Media briefing, 21 March 2013**

Challenge	Narrative
The combined role of CEO and the Board Chairperson	Much against corporate governance, these roles are fused into one. Hence, these need to be separated to improve governance.
Capacity constraints at MTCs and DATCs	The Secretaries are under-resourced and members tend to focus more on core duties sometimes at the expense of procurement-related functions (the chair explained that the PPADB was advocating for procurement-related duties to form part of Performance Contracts of

	affected officers).
Lack of a computerised system	This has sometimes resulted in significant delays in responding to media questions and analysing information for critical decisions.
Perceptions of corruption	Persisting perceptions of corruption in public procurement.
Poor participation	There is poor participation of citizen contractors in public procurement
High staff turnover	A lean and flat structure at PPADB results in some of the qualified and experienced staff leaving for growth opportunities elsewhere as there are limited opportunities for progression (John, 2013, p. 15-16).

While the chair catalogued the above challenges (John, 2013), she also detailed ameliorative measures. For example, (i) to deal with the combined role of CEO and Board Chair, it was stated that the Board had proposed the review of the Act which would address this concern by separating the portfolios; (ii) to deal with a lack of a computerised system, it was explained that the Integrated Procurement Management System project would be installed; and (iii) regarding perceptions of corruption, it was stated that it was addressed through: implementing recommendations from the Directorate on Corruption and Economic Crime's environmental scan and Corruption Perception Study; implementing the MoU between the Directorate on Corruption and Economic Crime, Competition Authority and PPADB that seeks to, among others, address corruption; and using the Corruption Prevention Committee that had been formed at the PPADB.

Informatively, when appearing before the Public Accounts Committee in October 2015, the Chair summed up the challenges faced by the PPADB as lack of project management capacity and skills (Majube, 2015). Other challenges related to poor stakeholder engagement (e.g., resulting in misunderstandings about what the PPADB does) and lack of oversight bodies [for example, the Ministry of Finance and Development Planning is yet to establish procurement committees] (Majube, 2015)

The cumulative effect of the foregoing problems is that the government of Botswana does not get VfM from public procurement. Examples are: time and cost overruns, low quality projects, litigation (this is a drain on the public purse) and a very protracted procurement process.

### **KEY FACTORS UNDERMINING VfM IN PUBLIC PROCUREMENT**

For reason of economy, it is not possible to discuss all key factors undermining VfM in public procurement in Botswana. Thus, the discussion will be confined to key disabling factors.

#### **Traditional/Conventional Low-Price Procurement System**

Like a majority of countries in the developing world, Botswana uses the traditional/conventional low-price procurement system, alternately called the 'lowest bid award system'. The customary practice of awarding contracts to a lowest bidder was established to ensure the least cost for completing a project (Khan and Khan, 2015, p. 9). The defining characteristics of this system are: appointment of a contractor is commonly by competitive tender, but less usually by negotiation; and full documentation is necessary for tendering purposes, including that from specialist sub-contractors, and adequate time is needed for the preparation of this (Joint Contracts Tribunal, 2011, p. 2).

Although there are variants of the traditional/conventional procurement system such as lump-sum, measurement contracts (sometimes called the 'ascertained final sum') and cost reimbursement contracts, Botswana uses the former variant (lump-sum). Admittedly, this system, mainly used in the construction industry, has some advantages, principally, it approximates, the ideal of pure competition (Ioannou and Leu, 1993). Furthermore, "its main advantage is that it forces contractors to continuously try to lower costs by adopting cost-saving technological and managerial innovations" and the "these savings are then passed to the owner through the competitive process" (Ioannou and Leu, 1993, p. 131). On the other hand, there are disadvantages, for example: (i) time over-runs; (ii) cost over-runs; (iii) projects not delivered per specification; (iv) bid rigging; (iv) collusion;

(vi) corrupt practices; and (vii) litigation between client and contractor/bidder. In a summative tone, Bedford (2009, p. 4) says that “a number of studies have shown that the lowest bid does not guarantee the lowest cost”. In addition, the lowest bidder system is susceptible to what Capen *et al.* (1971) call the ‘winner’s curse’; the contractor with the lowest bid is the one most likely to have underestimated the cost of the project.

On the whole, the benefits of the traditional/conventional low-price procurement system, for example an open competitive environment, are out-weighted by the disadvantages. There are many projects that exhibit the disadvantages of using the traditional/conventional low-price procurement system in Botswana. Examples are: National Stadium in Gaborone, Sir Seretse Khama International Airport in Gaborone, Francistown Stadium in the City of Francistown and Morupule B Power Plant in Palapye. Most public projects were awarded to low-bid contractors, more especially, Chinese construction companies. In a majority of cases, these projects were not delivered as per the ‘iron triangle of time, cost and quality’. As a vivid illustration, the Morupule B power station, a 600-megawatt power station that was built by the China National Electric Equipment Corporation (CNEEC), has since completion in late 2013, failed to solve the energy deficiencies of the country. CNEEC reportedly failed to deliver the plant on time and according to specifications and this actuated the Botswana Power Corporation to terminate its contract with CNEEC and the take over the plant on 1 January 2014 (Khunwane, 2014). Neither were the said projects implemented as per what Kerner (2006) calls ‘new faces of project success’ (e.g., stakeholder satisfaction and compliance with safety and environmental regulations). All in all, these said projects have not resulted in a VfM award for the projects due to, amongst others, time and cost overruns and quality issues and costly litigation. Vital to note, although these are construction projects, the same problems are observable in non-construction projects; e.g., cleaning and catering services (as result of outsourcing of key services, these are privately provided).

### **Lack of Professional Procurement Culture**

It is undoubtedly deducible from problems catalogued in PPADB reports that there is a lack of a culture of professional procurement in Botswana. In the main, Procuring Entities do not understand the procurement system as instanced by them preparing poor ITT (Invitation to Tender) documents. To illustrate, in a media briefing on 21 March 2013, then (still is at the time of writing), PPADB's CEO and Chair, Bridget John, urged the government to hire qualified people to provide procurement services for good delivery to clients. She stated that the "procurement job is not a minor task as it needs people who have been trained and have a good background in the job" (Kgamanyane, 2013, p. 4). In a related vein, Ministries are not staffed with the adequate number of Procurement Managers. At District Administration Tender Committees, there are no professionally-trained Procurement Managers, let alone Procurement Officers, thus, Supplies Officers are Procurement Managers and/or Procurement Officers. Needless to say, Supplies Officers were not trained as procurement staff, therefore, they cannot be expected to perform as such.

#### **Unauthorised procurement**

While section 44 of the PPADB Act prohibits retroactive approval of procurements by the Board or its Committees save in exceptional circumstances, some Procuring Entities are involved in unauthorised procurement with the hope that there would be retroactive approvals. These unauthorised procurements are not acquired in a competitive manner, principally, there is no open and competitive bidding to ensure that there is a VfM award in the sense that the best bidder provides public goods and services. As an example, on 8 August 2013, the Public Accounts Committee reported that the Ministry of Defense Justice and Security had entered into a five-year multi-million Pula lease agreement with a private land developer, Varsha Enterprises, in the Central Business District of Gaborone without authority of either the Ministerial Tender Committee or the PPADB (Botswana Parliament, 2013). The PPADB refused to give the Ministry of Defense Justice and Security a retroactive approval of the lease agreement and, consequently, the Ministry of Lands and Housing, the Ministry tasked with housing government departments, could not pay the rent. In the

end, Varsha Enterprises cancelled the lease and its lawyers, revealingly, stated in the termination letter that “the client naturally had to take the risk of the loss” (Modise, 2013, p. 1). The client, being the Ministry of Defense Justice and Security, could not issue Varsha Enterprises with a cheque, so, the taxpayer had to foot the bill relating to costs of breach of the lease agreement. It is instructive that, like in a majority of cases where officers’ actions have resulted in the government needlessly losing money, nobody was sanctioned for this.

In a similar vein, during the last sitting of the Public Accounts Committee meeting (2016), it was re-stated that the Ministry of Investment, Trade and Industry disregarded PPADB’s procedures and, thus, did not follow the proper government procedures when it leased a building in the Central Business District in 2015. Appearing before the Public Accounts Committee (PAC), Permanent Secretary in the Ministry, who is also the Accounting Officer, acknowledged that indeed in 2015, the PAC ordered that the matter be investigated and further stated that the matter was yet to be investigated by the Directorate on Corruption and Economic Crime. In this regard, one PAC member expressed dissatisfaction with the lease, saying, “what we are grappling with is that funds were awarded for a building without a clear tendering process” and that “we want to know why the ministry had only one available bidder and why proper procedures were not followed” (Seitshiro, 2016, p. 13). Like the previous case, there is no doubt that the best price-quality bid was not awarded, therefore, this defeats the ethic of VfM.

Related to the foregoing is the issue of parallel procurement. While by law, it is only the PPADB or its Committees that are authorised to undertake procurement, there are reports that the government [read the executive arm of the government] sometimes runs parallel procurements. A case in point is the awarding of a tender to refurbish the de-commissioned Morupule A power plant to Doosan Heavy Industries and Construction in late 2015. The awarding of the tender followed months of controversy after the government and Botswana Power Corporation (BPC) were accused of running a parallel procurement process on the same project (Benza, 2015). It is reported that the “government [read the executive arm of the government] awarded the tender to Doosan Heavy Industries and Construction

under controversial circumstances while BPC<sup>4</sup> was running another tender on the same project” (Sunday Standard Reporter, 2016, p. 4). While the PAADB has remained firmly silent on the Morupule A power plant tender, its silence is telling.

### **Special Procurement**

Due to the sensitive nature of the procurement and disposal of sensitive works, supplies, services and properties, section 63 of the PPADB Act regulates the same. Specifically, subsection 1 provides that “the Board shall establish a Special Procurement and Asset Disposal Procurement Committee” to deal with the “procurement of highly sensitive works, supplies, services and properties, or any combination thereof, however classified for the disciplined services in respect of which strict confidentiality and utmost secrecy may be required for a fixed duration”. While the logic behind the regime of special procurement is not in doubt, there are indications that some of the procurement of the Botswana Defence Force’s (BDF) supplies is not done competitively and that some suppliers, mostly those that are politically-connected, are favoured over others. This does not bode well for Vfm in the sense that the best price-quality bidder who can provide the best value is not selected. The cumulative effect is that the client; government, either procures goods and services at a great cost or acquires goods and services of inferior quality as next illustrated.

The issue of BDF procurement was first raised in parliament on 15 December 2010 through Parliamentary Question No. 3 asked by then MP for Francistown South, Wynter Molotsi. He asked then acting Minister of Defence, Justice and Security, Lesego Motsumi, the following; (i) how many Botswana Defence Force tenders were awarded between 1990 and 2000; and (ii) which companies were awarded tenders to supply between 1990 and 2000; (a) vehicles; (b) uniform; (c) food; and (d) boats; and (iii) who are the directors of those companies (Botswana Parliament, 2010). The Minister gave a breakdown of BDF tenders awarded by then Tender Board, Special Tender Committee and District Commissioner’s offices as follows: 14 companies supplied vehicles, 10 supplied specialised uniform and 87 supplied food. Among the vehicle suppliers was Seleka Springs. In a

supplementary question, Molotsi asked Motsumi how the suppliers got to know about the tenders since the tenders fell under the category of classified procurement. She replied that "*ga ke itse gore ba ne ba itse jang...*" (I do not know how they [suppliers] got to know about the tenders) (Botswana Parliament, 2010, p. 391).

It can be inferred from Motsumi's answer that there was no (still is) no procedure in place that advises the advertising of special procurement and disposal. In the premise, how can VfM in the tendering for special procurement and disposal be ensured? In a related vein, given this situation, how can one be assured that the best suppliers were awarded the special procurement tenders during the period in question? The same question can be asked of the post-2000 period.

The issue of the awarding of special procurement tenders arose again on 10 December 2014 through Parliamentary Question No. 149 asked by then MP for Gabane/Mankgosi, Pius Mokgware. Mokgware asked then Defence, Justice and Security, Shaw Kgati, the following: (i) the number of tenders that were awarded to Seleka Springs from 1980 to 1998 at the Botswana Defence Force and the Botswana Police; and (ii) the value of all the tenders. Kgati answered that there were no tenders awarded to Seleka Springs either by Botswana Defence Force or the Botswana Police during the period of 1980 and 1998. The foregoing answer was in contradiction to the one given by Motsumi on 15 December 2010 in response to Parliamentary Question No. 3. In the subsequent Kgati stuck to his guns saying that "I have not lied to Parliament nor made any cover up for the BDF or anybody..." (Botswana Parliament, 2015a, p. 12). He further went on to expunge from Hansard No. 165 part 2 of 29 February 2010 portions relating to Seleka Springs (Botswana Parliament, 2015b). He contended that "it was erroneous to have indicated that Seleka Springs was a supplier, when in fact it has never been" (Botswana Parliament, 2015b, p. 11). He further stated that "records indicate that Seleka Springs acted as agents of some suppliers to the BDF between 1980 and 1998" (Gaofise, 2015, p. 1). Despite Kgati's denial, on 13 July 2015, former BDF Deputy Commander, Pius Mokgware, told a private radio station, GabzFM, that Seleka Springs indeed supplied the army with equipment (GabzFM, 2015). Furthermore, he stated that the company supplied the BDF with

outdated equipment and that he reported the matter to then army commander, Tebogo Masire, and that no action was taken.<sup>5</sup> Whether Seleka Springs was a BDF supplier (as per Motsumi and Mokgware) or agent (as per Kgati) is immaterial. What is troubling is the way the BDF surreptitiously procured supplies and conflicting answers given by Motsumi and Kgati. On account of the foregoing, it can be argued that there was no VfM award in the army procurement. Also this lends credence to charges that Seleka Springs was favoured over other suppliers (see, e, g., Mmeso, 2015).

Based on the foregoing BDF case and similar others, it can be concluded that there are VfM challenges in public procurement. This is so due to some of the following: time and cost overruns, quality issues, costly procurement and unfinished and/or abandoned failing projects. To illustrate, the Palapye Glass project was liquidated because time and budget targets were not met (Botswana Guardian Reporter, 2013). The Molepolole bus rank is an example of a failing project and it will, most likely, be abandoned for while about 96% of the contract amount has been paid out, completed works are far less than 90% (Segaetsho & Mpuang, 2015). Based on these problems, and moving forward, there is a need for thoroughgoing reforms.

### **INFUSING VfM IN BOTSWANA'S PUBLIC PROCUREMENT SYSTEM**

In days characterised by New Public Governance and chronic revenue stress since the global economic crisis of 2008, the quest for more governance cannot be oversold. Among others, public procurement is a pertinent governance issue and "sound public procurement policies and practices are among the essential elements of good governance" (Rothery, 2002, p. 1). Poor governance of public procurement systems can turn public investments into major political and economic liabilities, hinder development goals and outcomes, and result in additional costs and waste public funds (World Bank, 2012, p. 6). Hence, the reform of public procurement systems is critical in cases where there is sufficient evidence that there are serious VfM challenges. This is true of Botswana, therefore, necessitating public procurement reforms as outlined below.

- (i) *Culture of professional project management*; given the fact that Botswana has a chequered history of project management (see, e.g., Maruapula, 2008; Mathambo, 2015), largely due to a lack of a culture of professional project management, there is a need to cultivate a culture of professional project management. In a majority of cases, there are accidental Project Managers as opposed to career Project Managers. Thus, specialists such as Civil Engineers and Quantity Surveyors find themselves assuming the role of Project Managers. Therefore, there is a need for career Project Managers in the public sector. The University of Botswana offers a Master's programme in Project Management, therefore, the Directorate of Public Service Management (DPSM – the public employer) must consider sending public servants to study this graduate programme.
- (ii) *Cadre of Procurement Managers/Officers*; procuring entities (that is, Ministries and lower bodies like Councils), do not have adequate numbers of professionally trained Procurement Managers and Procurement Officers. In a majority of cases, Supplies Officers double as Procurement Managers and Procurement Officers. Hence, there is a need for the DPSM to partner with training institutions such as the University of Botswana, Institute of Development Management and Botswana Public Service College to develop specialist training programmes for Procurement Managers/Officers.
- (iii) *Penalties and Sanctions*; there is an array of laws, for instance General Orders, Financial Instructions and Procedures and Public Financial Management Act (see Republic of Botswana, 2011) that detail out penalties and sanctions to be visited upon those found guilty of fiscal misdemeanors and crime. Such tools are hardly used on errant officers, for example, see reports of the Auditor General (Republic of Botswana, 2016) and Local Authorities Public Accounts Committee (Republic of Botswana, 2014). Therefore, there is a need to use these tools to punish public officers who are guilty of financial offences such as unauthorised procurement and unjustifiably favouring certain suppliers.

- (iv) *The Performance Information Procurement System (PIPS)*; Botswana should move away from the traditional low-price procurement system and adopt PIPS (e.g., see Kashiwagi, 2011 on PIPS). PIPS is more than a procurement system; it is also a risk management system (Garrison, 2011). If Botswana is not ready to adopt the PIPS, the average bid method can be adopted (see, e.g., Shrestha, 2012 on the average bid method). Some countries, for example Italy and Taiwan, use variations of the average bid method (Ioannou and Leu, 1993) and, therefore, Botswana can learn from these countries.
- (v) *Bench marking and peer learning*; besides reforming internal processes, Botswana can learn a lot through focused bench-marking and peer-learning exercises. Therefore, lessons could be drawn in the region (e.g., South Africa) and beyond (e.g., UK). Of course, there is a need to pay heed to the country-specific peculiarities so that bench-marking and peer-learning do not degenerate into expensive and ineffectual copy-and-paste endeavours.
- (vi) *Continuous improvement*; in terms of wider public sector reforms, the government must consider adopting continuous improvement tools. Examples are Six Sigma, Kaizen and Lean. Admittedly, these tools have a ready application in the private sector where the bottom line is profit maximisation. However, given the fact that the bottom line in the public service is public service maximisation, or VfM as it is the case in public procurement, the public sector can borrow lessons from some of these private sector continuous improvement tools to improve public customer service.

## CONCLUSION

Recent public sector reforms such as New Public Management, New Public Service and New Public Governance have placed governance at the forefront of public discourse. Good governance is regarded as a socially desirable good and it involves constituent elements such as efficient and effective public procurement. It is a

universal truth that public procurement accounts for a very big proportion of public budget outlays, therefore, it is important that there be Value for Money (VfM) in public procurement as manifest in the three Es of management; efficiency, effectiveness and economy. In this regard, Botswana introduced a modern public procurement regime in early 2001 through the passage of the Public Procurement and Asset Disposal Act which created the Public Procurement and Asset Disposal Board. While the system is a marked improvement from the days of the Central Tender Board, there are VfM issues such as time and cost slippages and poor quality projects. These problems are lucidly catalogued by various reports, particularly, PPADB Annual Reports and media briefings. Moving forward in an era characterised by revenue challenges in Botswana since late 2008, and also given the three-year Economic Stimulus Programme [ESP], 2016-2019 (see; e.g., Khama, 2015 on the ESP), there is a need for public procurement reforms. In addition, there is a need to leverage on the benefits of private sector continuous improvement tools such as Lean, Kaizen and Six Sigma.

#### NOTES

1. The *Government Gazette* is a weekly publication and contains: Government notices, Acts, Bills, Statutory Instruments, Tender Notices, *matimela* [stray animals], Notices of Sale, etc. (see <http://www.bookshoponline.gov.bw/gpps-content.php?cid=3>).
2. The government financial year runs from 1 April to 31 March of the following year.
3. The 2014/15 Annual Report is not available at the writing of this paper.
4. The BPC is a state-owned entity which is responsible for the generation, transmission and distribution of electricity within Botswana to areas approved by the Ministry of Minerals, Energy and Water Resources.
5. Mokgware confirmed to the author in a telephonic interview on 22 March 2016 that the news story reported by GabzFM on 13 July 2015, and attributed to him, was a true record of what he told the station.

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