



# ZIMCodd

ZIMBABWE COALITION ON DEBT & DEVELOPMENT

## WEEKEND READER - WEEK ENDING 29 NOVEMBER 2019

### Open Contracting: Pathway for Zimbabwe's Economic Recovery

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The public sector occupies a key role in the economy comprising the appropriation of state revenue to purchase goods and to render services productively, while ensuring optimum utilisation of available funds and resources to benefit the inhabitants of the country. In Zimbabwe, challenges of inefficient public service delivery attributed to flawed public sector procurement are key contemporary issues which cannot be ignored.

Public contracting is a trillion-dollar global market run on public money to deliver goods and services for citizens. Openness in this pillar of public finance management can help improve competitiveness, integrity and efficiency of the contracting process. Public contracting is often shrouded in secrecy and restricted public access to information with concerns around

'confidentiality clauses.' Confidentiality clauses obscures vital details from the public and inhibits monitoring of public spending.

### What is Open Contracting?

Open contracting involves the full chain of government deal-making, from concessions of natural resources to procurement of goods, and services for citizens. It starts at the planning stage, covers the process of awarding tenders and implementation of all public contracts. Open contracting is about publishing and using open, accessible and timely information on government contracting to engage citizens and businesses in identifying and fixing problems.

### Why Open Contracting? Some of the benefits accompanying open contracting include:

- Improved public integrity;
- Increased market competition, SME participation, and trust in the

market;

- Creation of new and better feedback loops between government and users;
- Delivery of better value for money for governments;
- Drive higher-quality goods, works, and services for citizens;
- Prevent fraud and corruption;
- and services that ordinary people really care about. Consecutive Auditor General's Reports in Zimbabwe have unveiled huge financial mismanagement amounting to millions and billions of dollars of taxpayers' money in the public procurement process. The 2018 Auditor General's report revealed the following irregularities in public procurement:
  - The Zimbabwe Electricity Transmission and Distribution Company (ZETDC) has not received transformers nine years after making a payment of USD4.9 million to Pito Investments.
  - ZETDC paid USD561 935 Pito Invts in 2016 and has not delivered.



(Source: Internet)

- ZETDC paid ZAR 196 064 in 2016 to York International for gas that has not been received.
- The Grain Marketing Board (GMB) made an advance payment for maize worth \$1,014,163 in 2016 not delivered by August 2019, when the audit was published.
- Air Zimbabwe had unsupported payable balances of at least \$26 million and unexplained variances of \$87 million from amounts confirmed by suppliers.
- Mpilo Hospital made payments to suppliers without valid tax clearance certificates.

In Zimbabwe, it is estimated that 60% of government expenditure is allocated to public procurement, which is significant considering the country is facing liquidity challenges coupled with a lack of balance of payments support. With open contracting, the amounts of money lost in procurement process could have been saved and channelled to other social services needs such as the much-needed drugs and basic medical necessities in public hospitals for the benefit of citizens. The evidence accumulating from countries starting to implement open contracting is promising. In Ukraine, government, business, and civil society have already built a world class, transparent procurement system called Prozorro to rebuild trust with both citizens and local businesses. Prozorro has now run over 26,000 tenders for \$240 million in goods. Apart from

doing this fully openly and fairly, it has helped save an average of 13% on budgeted spending too.

In Slovakia, full publication of government contracts helped expose wasteful spending, fraud and also led to a significant increase in competition for other contracts subsequently, encouraging small businesses and public innovation. Openness pays huge returns on investment. South Korea's transparent e-procurement system KONEPS saved the public sector US\$1.4 billion in costs. It also saved businesses US\$6.6 billion. Time taken to process bids dropped from thirty hours to just two.

There is nothing to lose but everything to gain for Zimbabwe to join other countries implementing open contracting such as Zambia, Mozambique, Malawi, Democratic Republic of Congo (DRC), Kenya, South Sudan, Cameroon and Nigeria. Lessons emerging from the Local Open Contracting Initiative organized by Hivos in collaboration with Africa Freedom of Information Centre (AFIC) on 26 November 2019; demonstrate that open contracting systems are bridging the confidence and trust deficit between government, private sector and the taxpayers. The Procurement Regulatory Authority of Zimbabwe (PRAZ) is currently implementing commendable reforms. The five stated objectives of PRAZ, which are: to ensure that procurement is effected in

a manner that is transparent, fair, honest, cost-effective and competitive; and to promote competition among bidders; and to provide for the fair and equitable treatment of all bidders, leading to procurement contracts that represent good value for money; and to promote the integrity of, and fairness and public confidence in, procurement processes; and to secure the implementation of any environmental, social, economic and other policy that is authorised or required by any law to be taken into account by a procuring entity in procurement proceedings.

These objectives squarely match the objectives of open contracting initiative as such PRAZ can realise these objectives by implementing open contracting principles .

## WHATS HOT!!!

- 1. Chrome ore drives illicit flows**  
GOVERNMENT has been earning in excess of US\$15 million per year in chrome ore exports, but has been losing even more than that as companies smuggle out chrome ore hidden in sand and fail to declare the full amount produced and exported, according to an investigation by this newspaper. ["READ MORE"](#)
- 2. Hre City Council 2020 budget: ZWL1,5 billion allocated to water and sanitation**  
HARARE City Council (HCC) on Tuesday allocated ZW\$1.5 billion to water and sanitation against a total budget of ZW\$5 billion for 2020. ["READ MORE"](#)
- 3. Zimdollar plunges 564% since Feb**  
The Zimbabwe dollar has depreciated by 564% to date since its introduction in February this year due to lack of market confidence and nothing to back it in terms of gold reserves and export earnings. ["READ MORE"](#)
- 4. The case of disappearing pensions and insurance assets**  
The Insurance and Pensions Commission (IPEC) has raised red flag that some players in the insurance and pensions sector could be transferring policyholder assets to shareholders. ["READ MORE"](#)
- 5. Fuel price marginally up**  
Fuel prices have gone up marginally from today (Monday), the country's energy regulator announced yesterday. ["READ MORE"](#)



(Source: Internet) Zimbabwe engages Chinese firm over Beitbridge-Chirundu-Highway