

Innovative Mechanism to Enhance Value for Money Competitiveness: A Lesson Learned from National Audit Office (NAO) and Public Procurement Regulatory Authority (PPRA) The United Republic of Tanzania East Africa.

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Abstract: *This study highlights the potential benefits of the innovative mechanism, including increased profitability, improved market positioning, and a stronger competitive edge. It is a valuable tool for organizations seeking to optimize their investments and resources in pursuit of superior (VFM) competitiveness in today's evolving business landscape dynamic business landscape, organizations strive to optimize their resources and investments to achieve the highest possible value for money (VFM) while remaining competitive, the study introduces an innovative mechanism designed to address the challenge and enhance (VFM) competitiveness. The mechanism integrates cutting-edge technology, data analytics, and strategic decision-making to create a framework that allows organizations to maximize their returns on investments and resources.*

Keywords: *Innovative, Mechanism, Value for Money and Competitiveness.*

Introduction

Procurement is big business. The Government of Tanzania spends about 70% of its national budget yearly on procurement of goods, works, and services, (CPAR Tanzania, 2003). Failure to obtain them cost-effectively can put the achievement of objectives and services at risk. So, it's not surprising that interest F should be directed at how Procuring Entities procure t goods, works, and services that provide Innovative Mechanisms to Enhance Value for Money competitiveness (IME-VFMC).

Public Procurement reforms in Mainland Tanzania started in 1995 when the Government commissioned an international consultant, Crown Agents to undertake a public procurement and supply management study. At the end of this study, it was evident that the public procurement system in Tanzania had serious weaknesses impeding the country's development (Ludovic, 2023). In other words, the system did not support IME-VFMC procurement. These findings marked the genesis of a series of reforms that are continuing to date; aimed at making the system more efficient and effective and thus able to support innovative mechanisms to enhance value-for-money competitiveness procurement. The various reforms that followed saw the coming and going of C-2000, Public Procurement Act No.7 of 2011 and accompanying regulations, CPAR-2013, and most recently the incoming Public Procurement Act of 2011 and accompanying regulations. PPA No.7 2011 became operational on May 1, 2005, and now PPA is an amendment of 2016.

Public Procurement Act No.7 of 2011 as amended 2016 defines public procurement as: "buying, purchasing, renting, leasing, or otherwise acquiring any goods, works or services by a procuring entity spending public funds on behalf of a ministry, department or regional administration of the Government or public body and includes all functions that pertain to the obtaining of any goods, work or services, including a description of requirements, selection, and invitation of bidders preparation and end of contracts" One of the major features of the new Act (PPA 2011) as amended is that it abolished the Central Tender Board, replacing it with a procurement oversight body, the Public Procurement Regulatory Authority (PPRA), and fully decentralized the procurement function to Procuring Entities (PES). The same Act under section 43 has, as one of the basic principles of procurement. "The need to obtain the best Innovative Mechanisms to Enhance Value for Money Competitiveness in terms of price, quality Government of delivery having regards to set specifications and criteria." The other two principles, equality of opportunity and fairness of treatment to all prospective suppliers, contractors, or consultants; coupled with transparency may as well be viewed as supporting blocks of the IME-VFMC principle; although the Act is not explicit on this. These three facilitate the achievement of an innovative Mechanism to enhance value-for-money competitiveness. The innovative mechanism to enhance value-for-money competitiveness may be perceived as the relationship between these supporting blocks. The notion of innovative mechanisms to enhance value-for-money competitiveness is further reinforced by various international agreements to which Tanzania is a signatory. There does, however, remain a very

important question, *what is the Innovative Mechanism to enhance Value for value-for-money competitiveness in the procurement guides it?*

Innovative - Introducing new and creative ideas or methods to improve or solve a problem.

Mechanism - A system or process designed to achieve a specific objective or outcome.

Enhance - To improve or augment the quality, value, or effectiveness of something.

Value for Money - The assessment of whether a product or service provides good quality and benefits relative to its cost

Competitiveness - The ability of an entity (business, organization, etc.) to maintain or improve its position in a competitive environment, often by offering better value, quality, or innovation compared to rivals.

Innovative Mechanism to enhance Innovative Mechanisms to Enhance Value for Money Competitiveness (IME-VFMC)

The Innovative Mechanism to enhance value-for-money competitiveness is defined as the optimum combination of whole-life costs and quality (NAO, OGC UK). It has three e's: Economy: low cost, Efficiency in doing things right, and Effectiveness in the right things (F. Akhlagh 2021). IME-VFMC is therefore not about achieving the lowest and going initial price, but rather achieving the optimum balance between relatively low costs, high productivity, and successful outcomes. Following the decentralization of procurement to procuring entities, departments, agencies, and non-departmental public bodies are responsible for buying determining the goods and services which they need and how they acquire them. As earlier stated, the need to acquire IME-VFMC is one of Tanzania's basic procurement principles, and therefore, all public procurement of goods and services, including works, must be based on the innovative mechanism to enhance value-for-money competitiveness, having due regard to propriety and regularity. This creates a need for criteria that will ensure that they get value for the money they spend.

How IME-VFMC is currently being managed in Tanzania

One of the earliest methods devised as a means to promote Innovative Mechanisms to Enhance value-for-money competitiveness is the award of contracts based on fair competition between suppliers/contractors/ consultants whether local, international, or both. Aside from this, PPA 2011 as amended in 2016 has in-built mechanisms to ensure the innovative mechanism to enhance value-for-money competitiveness. These include:

- Promoting the use of resources in an efficient, effective, and ethical manner;
- . Making decisions in an accountable and transparent manner;
- Mandatory Procurement Audits; The Monitoring Function of the Public Procurement Regulatory Authority (PPRA):
- Mandatory procurement audits;
- The Aggregating of requirements to reduce the cost of procurement; and
- Use of framework contracts. etc

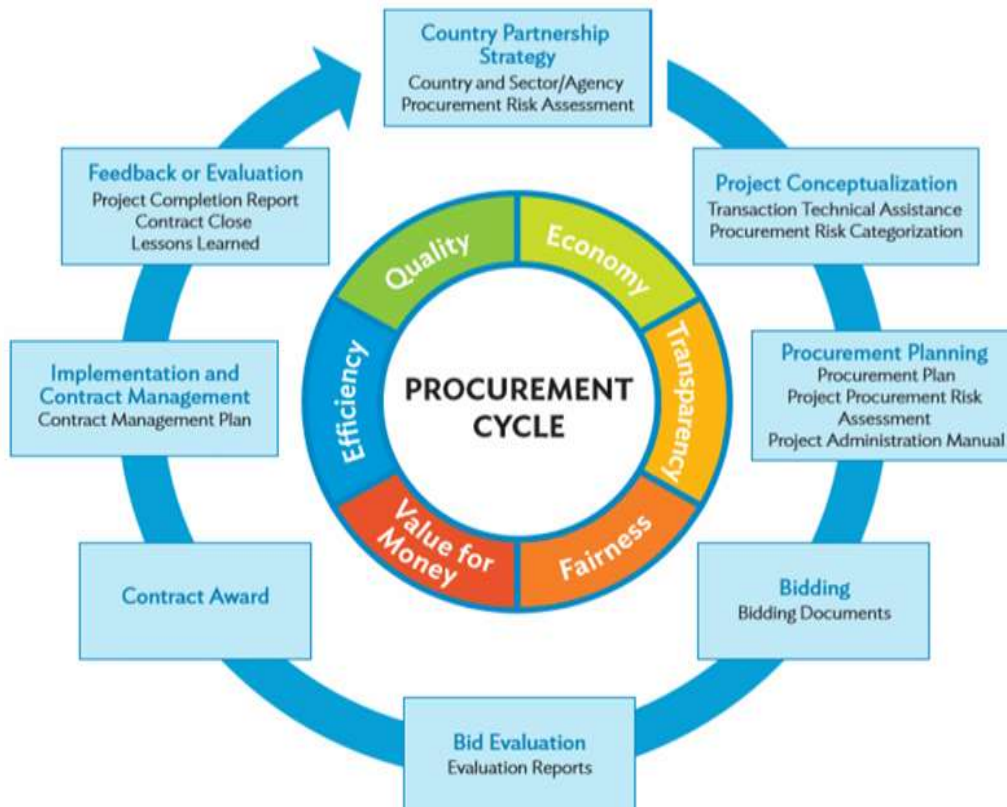
The PPRA has gone a long way in creating an atmosphere in PEs in which the innovative mechanism to enhance value-for-money competitiveness, and procurement can be achieved. The introduction of the checking and monitoring system, a system that ensures that the whole procurement process is screened by the PPRA itself, right from the preparation of the procurement plans through to the very end of the services contract; is one example of such efforts. The checking and monitoring system acts as a sieve for the innovative mechanism to enhance value-for-money competitiveness and allows chaotic situations to be easily identified and dealt with when still in the bud stage.

Another marked effort is the ongoing procurement audits which are conducted to check compliance.

of PEs with the PPA No. 7 of 2011 at the end of which proposals are made on how to deal with non-compliance. This will set a stage for future efficiency and effectiveness in the system which can then be translated to Innovative Mechanisms to enhance Value for Money Competitiveness.

IME-VFMC Assurance at Different Stages of Competitive Procurement

The IME-VFMC principle requires a comparative analysis of all relevant costs and benefits of each proposal/bid throughout the whole procurement cycle (whole-of-life costing). However, checks applied at every stage in the procurement process may go a long way in ensuring that IME-VFMC is at the end point of everything. Figure 1 below shows the typical stages of competitive procurement.



Source: Procurement cycle. ABD, 2018) Downloaded Wednesday, 13, September 2023 05:30 Hrs, Dar Es Salaam.

IME-VFMC should be at the back of the mind of every procurement official right from the word "go"

The Needs Assessment Stage

"Is there a real need?" This is the question that should be asked at this stage. It is probably the most important stage in the procurement cycle because applying innovative mechanisms to enhance value-for-money competitiveness controls in the proceeding stages will not translate into an innovative mechanism to enhance Value for value-for-money competitiveness if the item bought or service sought was not necessary in the first place. At this stage, innovative mechanisms to enhance Value for value-for-money competitiveness may be achieved by selecting the item/service that best meets the need at hand regarding its durability/ sustainability. In cases of large PEs where several similar items are needed in various departments, these needs may be aggregated and purchased collectively to save funds.

The Formulation of specification requirements and preparation of bid documents

Once the need for an item or a service has been confirmed, specifications must be agreed on. At this stage, an initial innovative mechanism to enhance Value for value-for-money competitiveness assessment should be applied. This will help justify why one option should be selected over another. The specifications should be chosen with care to ensure that they suit the precise need for which they are required. The bid documents should clearly state these specifications and to be in the best position to achieve innovative mechanisms to enhance Value for value-for-money competitiveness, the documents must specify logical, clearly articulated, comprehensive, and relevant conditions for participation and evaluation criteria which will enable the proper

identification, assessment, and comparison of the costs and benefits of all submissions on a fair and common basis over the whole procurement cycle.

Invitation to bid, receipt, and opening of the bids

Advertising the bids as widely as possible will ensure wider competition. In the receipt and opening of bids, the documents must not be tampered with in any way that will give a particular bidder/group of bidder's unfair advantage over the others.

The evaluation of bids, awards, and signing of contracts

Here the criteria, terms, and conditions set out in the bid documents must be strictly adhered to. A thorough application of innovative mechanisms to enhance value-for-money competitiveness assessment tools to the preferred bid is recommended at this stage to ensure that it will provide an innovative mechanism to enhance value-for-money competitiveness. This should be made mandatory for projects/purchases involving large sums of money as they present greater risks to the public.

While it is important to conduct an innovative mechanism to enhance value-for-money competitiveness assessment at every major stage of the procurement process, one of the most vital stages is the period before the award of the contract. The results of the value-for-money assessment that is undertaken at the end of the evaluation process determine whether entering into a contract with the preferred contractor/consultant/supplier will deliver improved IME-VFMC compared with other bidders. The innovative mechanism to enhance value-for-money competitiveness assessment is therefore the fundamental tool in deciding whether or not to proceed and award the contract.

The evaluation of contract performance

This stage involves the implementation of controls by the PE that will ensure that suppliers/contractors/ consultants /service providers stick to the terms and conditions of the contract so that the initial aim of initiating the procurement is achieved.

Assessment of Innovative Mechanism to Enhance Value-for-Money Competitiveness

The innovative mechanism to enhance value-for-money competitiveness assessment should not focus only on economy/ cost; i.e. reductions in expenditure and savings in resources. This is certainly the, easiest end at which to start. Effectiveness, on the other hand, raises the most difficult problems, particularly in terms of defining objectives and measuring performance results. The assessment should therefore be holistic and cover all three e's. South Ribble Borough Council (2021) proposes the following factors for consideration:

- The maturity of the market for the property or service sought
- The performance History of each prospective supplier service provider
- The relative risk of each proposal
- The flexibility to adapt to possible change over the Lifecycle of the property or service
- Financial considerations including all relevant direct and indirect benefits and costs over the whole procurement cycle;
- the anticipated price that could be obtained, or cost that may be incurred, at the point of disposal and
- The evaluation of contract options (for example contract extension options)

The innovative mechanism to enhance value-for-money competitiveness assessment techniques are complicated require quality data and should be used after careful reflection. However, since it is always a primary objective in procurement, the methods are worth exploring.

The following is a proposed method of assessment of innovative mechanisms to enhance value-for-money competitiveness in public procurement based on the model proposed for the assessment of innovative mechanisms to enhance value-for-money competitiveness in Public Private Partnership (PPP) projects in EU member Countries. An innovative mechanism to enhance value-for-money competitiveness assessment comprises two key elements; monetary and nonmonetary assessments;

Monetary Assessment of Innovative Mechanism to Enhance value-for-money Competitiveness

This involves a comparison of the cost of the available bid options, expressed in terms of discounted cash flows over the life of the goods/works/services. Under certain circumstances, other quantifiable measures may be used as the basis for a Financial Comparator. The monetary assessment could take one of four forms depending on the characteristics of the project. The four forms of monetary comparison can be summarized as follows:

- **Financial Comparator** - involving a comparison of the cost of the preferred bid with the cost of delivering the project (to the standards set out in the initial output specification) as per the engineer's estimates, or the estimates available to the public body.
- **Best available alternative** - for projects where the costs are difficult to build up or determine, either due to lack of expertise or non-availability of cost databases, the cost of the preferred bid should be compared with the best available alternative costing:
- **Price benchmarks** - involving a comparison of the preferred bid with reliable, comparable, and independent price benchmarks or unit costs (for example, standard costs per volume) and
- **Comparable/similar procurements** - involving a comparison of the preferred bid/proposal with the cost of other comparable projects that were completed

Non-monetary Assessment

It involves a comparison of all the factors that are difficult to quantify in monetary terms but their value to the Government and the wider public is significant Procurement must comply with other Government policies that interact with it.

A Case in point is the need to support poverty eradication as highlighted in the Construction Industry Policy of 2003 in which labor-based or community-based delivery arrangements of projects (especially road projects) are encouraged despite noting that labor-based construction (or maintenance) can be less cost-effective than machine-based construction (or maintenance). The same is also noted for community participation

Therefore, there is a need to balance procurement objectives with the need to create jobs, to harness the benefits of poverty alleviation and community empowerment against the need to deliver works goods, and services in the most cost-effective manner

Generic indicators of innovative mechanism to enhance value-for-money competitiveness a framework

Since innovative mechanism to enhance value-for-money competitiveness procurement is based on life cycle costing, the above-listed measures may only be applied to ensure that IME-VFMC is ultimately achieved. However, sometimes, at the end of the lifetime, of a service, or an item, it may be necessary to quality if an innovative mechanism to enhance value-for-money competitiveness is achieved. This may be especially useful in the case of Audits.

in such a case, it would then be necessary to have a generic framework for measuring innovative mechanisms to enhance value-for-money competitiveness. Frameworks of this nature are best developed at the sector level because IME-VFMC objectives of different sectors regarding different procurements may differ.

Barriers to IME-VFMC Procurement in Tanzania as Per NAO and PPRA

While an innovative Mechanism to enhance value-for-money competitiveness is evidently at the heart of Tanzania's procurement framework, it is not always achieved. The following are some of the barriers to achieving innovative Mechanism to enhance value-for-money competitiveness procurement in Tanzania and probably many other developing countries;

(i) Corruption

Corruption is the top barrier to achieving innovative mechanisms to enhance value-for-money competitiveness procurement in Tanzania.

According to PPA No.7 of 2011 with its Regulations as amended in 2016 noted that corrupt practice means "offering to receive or to solicit of anything of value to increase the action of a public official in the procurement process or contract execution

Corruption affects the efficiency of public spending and donors' resources, creates waste, and ultimately, affects the quality of services and the opportunities they present to improve the quality of life. It has also harmed companies that produce goods and services in this area as it increases operation costs and reduces competitiveness (Director of Combating Corruption (PCCB) in Public Procurement) it is disheartening on the part of taxpayers and deserving masses to get disservice from their government simply because those entrusted with procurement activities abuse their offices and systems, and in other instances, connive with some irresponsible suppliers/contractors/ service providers to rip off the public. This smacks of a lack of patriotism and leads to general slack in the pace of development

(i) Complexity The complexity of procurement

The complexity of procurement needs can make it more difficult to measure whether IME-VFMC is being achieved. Services such as the development of IT-related services and professional advice can be difficult to define precisely or may require considerable feasibility work before a reliable specification can be drawn up; the work may be specialized with only one or two potential suppliers making competition Impracticable.

(ii) Lack of clearly defined criteria for getting off in the long as well as the short term

In the case of goods and services that have a working life over many years, there is a need to ensure they are cost-effective over their whole working life. There's no clearly defined approach to this and especially in today's fast-changing environment, there are no clear means to project the changes that might occur and their consequent cost implications

(Iii) Interference from Authorities

The influence of the involvement of highly placed Government authorities In Public Procurement is often underestimated by the Public due to a false belief that the law is foolproof. The need to deliver on promises to supporters goes as far as influencing the outcomes of a procurement process. The problem is especially rampant in Local Government procurement.

(Iv) Unplanned For/Emergency Procurements.

Despite mandatory requirements to prepare procurement plans before the beginning of the financial year, very few PEs comply with this and when the plans are prepared, they are rarely adhered to strictly. Emergency procurements create loopholes for scrupulous Government Officials to indulge in acts of fraud and corruption unchecked. This is because the procurements are carried out within the shortest time possible such that by the time the public realizes what is going on, it is next to impossible to change anything.

Way Forward

The first step towards achieving innovative mechanisms to enhance value-for-money competitiveness is a responsible attitude towards public procurement. if poverty is to be eradicated and development spread. All Tanzanians are responsible for living up to the spirit and letter of the PPA No. Of 2011 as amended in 2016 and other legal provisions. There is an urgent need for a strong commitment among government officials and politicians to let the law reign

Although procurement is becoming increasingly more complex buying goods and services through competition remains the best way of ensuring that the best combination of whole-life costs and quality is achieved. Nevertheless, it should not be considered the only way Increasingly innovative mechanism to enhance value-for-money competitiveness depends on combining competition with innovative ways of procurement while managing the risks effectively. The wide diversity in the value and type of goods works and services that PES procure means that no single procurement method can ensure a 100% innovative mechanism to enhance value-for-money competitiveness. Aside from what has already been mentioned further improvements in innovative mechanisms to enhance value-for-money competitiveness may be achieved through

- (i) Having clearly defined Innovative Mechanisms to enhance Value for value-for-money competitiveness objectives in procurement in all sectors.
- (ii) Establishing a nationwide strategic planning and budgeting process that embodies the principles of long-term life cycle (10-, 20-, 30-year) strategic planning and budgeting consistent with the. country's policy goals and objectives across various sectors.

- (iii) Enabling through training: heads of PEs alongside Procurement Management Units (PMUs) to focus more effectively on securing overall productivity and Innovative Mechanisms to Enhance Value for Money Competitiveness in public projects, taking into consideration life cycle costing allowing for innovative design, and using discretion and good judgment in evaluating alternative project options;
- (iv) Instituting a new assessment of the potential for Innovative Mechanisms to Enhance value-for-money competitiveness on project options to ensure that the final project choice is the absolute best;
- (v) Reducing the cost of procurement and the time it takes for example, the administrative effort in the preparation of specifications after the need has been identified, issuing and evaluating bids, and taking delivery of the goods ordered. This is the procurement overhead and can typically add between 20 to 60 percent to the cost of buying goods and services (NAO, OGC, UK, and PPRA)
- (vi) Getting more value from money by negotiating improved deals with suppliers/contractors/ consultants (reduced cost and/or better quality)
- (vii) Changing the way bids are evaluated from focusing on the lowest cost to focusing on the best available alternative with due regard to project specifications/objectives; and
- (viii) Improving project, contract and asset management.

If public procurement is to be consciously done to achieve Innovative Mechanisms to Enhance value-for-money competitiveness, procuring entities and structures should at all costs avoid any unnecessary costs: and delays for themselves, and suppliers/service Providers monitor the supply/service contracts and visit them if they stop to provide the expected benefits and ensure continuous improvement in the efficiency of internal processes and systems.

Conclusion

Innovative Mechanisms to Enhance Value for Money Competitiveness is an essential test against which procuring entities must justify a procurement outcome. Price alone is not a sound indicator; procuring entities cannot necessarily get the best Innovative Mechanisms to Enhance Value-for-money competitiveness by accepting the lowest price or bid. Best Innovative Mechanisms to Enhance Value for Money Competitiveness therefore means going beyond the price to get the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

As demonstrated by the paper, Innovative Mechanisms to Enhance Value for Money Competitiveness is subjective and involves qualitative as well as quantitative assessments. Although there are some generic indicators of innovative mechanisms to enhance value-for-money competitiveness critical factors for its achievement differ from sector to sector based on the factors discussed. The onus is now on the Government to see to it that innovative mechanisms to enhance value-for-money competitiveness criteria are set for each sector starting with the more critical ones

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