PPRA
Public Procurement Regulatory Authority

PUBLIC PROCUREMENT REFORM PROJECT

PROCUREMENT, CONTRACT AND PERFORMANCE AUDIT

TANESCO

FINAL REPORT

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LIST OF ACRONYMS/ ABBREVIATIONS

CSP	Certified Supplies Professional
ITB	International Competitive Bidding
KIC	Kilimanjaro International Corporation
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
M/Vs	Motor Vehicles
MW	Megawatts
N/A	Not Applicable or Not Available
NCB	National Competitive Bid
PE	Procuring Entity
PMU	Procurement Management Unit
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PPR	Public Procurement Regulations
PPRA	Public Procurement Regulatory Authority
SO	Supplies Officer
SM	Senior Manager
TShs	Tanzania Shillings
TB	Tender Board
USD	United States Dollars

1 EXECUTIVE SUMMARY

This section of the report highlights the main findings and recommendations of the procurement, contract and performance audit of Tanzania Electricity Supply Company Limited (Tanesco). The assignment involved establishing whether Tanesco complied with the Public Procurement Act 2004, and the accompanying Regulations and other standard documents provided by the PPRA, during January to December 2006 fiscal year. The audit was conducted at Tanesco Headquarters beginning 10th April 2007 for a period of about three weeks.

This section has been divided into subheadings, capturing the main findings of the audit.

Main audit findings:

Status of PMU

Tanesco has established a PMU to comply with section 34 of PPA of 2004; however, the establishment has not been implemented in an orderly and logical manner. For example, the PMU placement is not consistent with PPRA recommendation that PMU should report to the CEO.

It is important for PPRA to help Tanesco to establish a full fledged PMU. A weak PMU at Tanesco appeared to be the main reason for most of the organisation's non-compliance cases.

The Tender Board

Review of the decisions of the Tender Board (TB) indicated that members of the TB did not thoroughly understand and appreciate the public procurement procedures and regulations. Furthermore, the current TB members had not been oriented to public procurement rules and regulations; and the majority of them did not have any prior public procurement experience.

The audit noted instances whereby decisions of the TB were overruled by other organs of Tanesco or Central Government.

PMU staff establishment

PMU staff establishment is not clear especially with the ongoing restructuring following the appointment of the new Managing Director. The exact staff level for PMU had not yet been established by the time when the audit ended. Some of the current PMU staff do not have permanent letters appointment and are unhappy with their current positioning.

Knowledge of PPA2004 and PPR2005

Almost all designated PMU personnel have had an opportunity to be trained about the PPA2004 and PPR2005. But on the other hand, Members of the TB, Heads of User Departments and Managing Director have not had thorough training in procurement laws and regulations.

Internal audit system

Tanesco has an established internal audit directorate which reports directly to the Audit Committee of the Board of Directors. The directorate produces regular audit reports which cover mostly financial matters and do not adequately address procurement

issues. Tanesco internal auditors do not have a bespoke procurement audit checklist to facilitate their work.

Computerisation
Each and every staff in the PMU has a computer and networking of all offices was ongoing during the audit.

Procurement planning
An annual procurement plan covering procurement of goods, works, consultancy services and non-consultancy services was NOT prepared by Tanesco for the year 2006. For the year 2007, however, an attempt was made to prepare it however, during the process of approving it; the new management halted the approval process on the grounds that it needed first to incorporate the new management's priorities. Until 25th May 2007, the new plan had not been revised or approved and there were no signals that it was likely to be approved soon. As a consequence, the procurements at the entity have continued to be conducted without a plan.

Preparation of tender documents
In general terms, bid documents prepared by PMU were in line with the regulations and conformed to templates generated by PPRA. However there were cases of bid documents, especially those prepared by user departments, which had insufficient information and sometimes led to disputes in contract negotiation or execution.

Advertisement of tenders and tender opening
There was no evidence that "General Procurement Notices" were being published to the general public notifying them of forthcoming opportunities, contrary to Reg. 24 PPR2005 (Employment of Consultants).

There was interference by higher authorities in the procedures of the TB. For example, there were cases in which tenders were floated for a shorter period than what is allowed under the law and regulations. In case 3 in this report, it is noted that the Ministry of Energy and Minerals instructed Tanesco to diverge from procurement regulations by directing them to reduce time provided for advertisement for an International Competitive Bidding (ICB) process.

Procurement methods, thresholds and approvals
Administering procurement by ensuring that it is done within acceptable methods and thresholds is a big challenge for Tanesco. There are several instances of single sourcing and non-adherence to single-source applicable thresholds. Section 31 (3) of the PPA2004 require that, for all procurements whose value exceed the limit set out in the regulations, procuring entities should within 14 days, inform PPRA of commencement of the procurement process for such procurements. There was no evidence that Tanesco adhered to this requirement.

Since procurement needs for Tanesco especially in goods and works are high value, it is recommended that threshold limits should be reviewed to develop specific threshold for the organisation, as it applies in the case of Tanroads.

Appointment of Evaluation committees
Evaluation committee members at Tanesco are not appointed by the Chief Executive Officer but by the TB and sometimes by the Chairman of the TB alone. Furthermore,

section 37 of PPA2004 requires that the evaluation committees should report to PMU; this requirement does not appear to be adhered to. There are several instances of non-compliance such as evaluation committees being answerable to user departments or user departments being given the responsibility to coordinate the evaluation process.

Evaluation of tenders

In the year under review, some evaluations were carried out without strictly following the evaluation criteria as communicated to the bidders and as specified in the tender documents. Reg. 90 (4) (Goods, works, non-consultancy services and disposal of public assets by tender) requires the tender evaluation committee to be consistent with the terms and conditions set forth in the tender documents and that such evaluation to be carried out using criteria explicitly stated in the tender documents.

Conflict of interest

In all the 2006 tenders that were reviewed, there was no evidence to show that personal covenant forms/personal declaration forms were at all signed by tender evaluation committee members. Section 37(6) of the Act requires all members of the evaluation committee to sign such documents, declaring that they do not have any conflict of interest in the procurement.

The practice of procurement method or supplier being proposed by the user throws doubts to the independence and objectivity in the procurement process and contravenes section 38 of the Act which calls for independence of functions and roles among organs within a procuring entity. Furthermore, the appointment of the Chairman of negotiation team by TB is not consistent with the law.

Notifications of tender awards

Notifications of tender awards for the whole of 2006 were done by the Managing Director or any other person acting in that capacity. There was however no evidence to suggest that evaluation results were communicated to unsuccessful bidders in all the tenders that the auditors reviewed. Reg. 97 (12) (goods, works, non-consultancy services and disposal of public assets by tender) requires Procuring Entities to publish results of tender awards in the PPRA's Website and Journal, Government Gazette and in at least two newspapers of wider circulation and or any other appropriate media on regular basis; this was not found to be the case at the Tanesco.

Handling of tender negotiations

This review has established that negotiation plans were not prepared and approved as required in section 71 of the Act and Reg. 95 (13, 14). There was no evidence showing that negotiation teams were objectively and properly constituted.

Contract management

Contracts were not executed within the expected periods; however, in the absence of clear records presented to the auditors on contract management it proved difficult to realistically establish the extent of non-compliance. Tender validity periods were not consistently adhered to and sometimes contracts were signed after the validity period and without an extension being sought. Performance guarantees were not requested in some of the contracts that were reviewed.

Handling of complaints/protests

Tanesco does not keep a complaints log or register; as a consequence it was difficult to establish whether there were any complaints related to procurement processes at the entity during the period under review.

Contract splitting

The audit has not noted any instance of contract splitting leading to contravention of Reg. 49 of Public Procurement (goods, works, non-consultant services and disposal of public assets by tender) of 2005.

Record keeping and reporting

The system of filing and record keeping at Tanesco is weak. For example, except for two tenders that had relatively well compiled information, none of the others that the auditors reviewed had their records properly filed, with all the relevant information easily and readily identifiable.

There was no evidence to demonstrate that Tanesco complied with the requirement of notifying PPRA on various procurement processes as stated in the regulations; e.g. during contract awards, procurement of motor vehicles and computers, exceeding threshold limits, etc.

Requisitions and other procurement communications from user departments were made directly to the TB. PMU personnel that were interviewed during the audit did not feel happy with the practice and they said that they have tried to put a stop to it but have not been successful.

User departments/units most often would recommend procurement procedures to be followed for particular tenders, but according to the law, this is a PMU job as per section 35 (g) of PPA2004.

Purchase of M/Vehicles and Computers

There was no M/Vehicle procured during 2006 however, Tanesco was not aware of the requirement that they are required to get specifications for procurement of motor vehicles from PPRA. They were also not aware in the case of computers that they needed to get specifications from PPRA every time they want to procure computers and related tools/ equipments.

Cost of administering procurement processes

During 2006, Tanesco collected the equivalent of Tshs. 63,430,000 from sale of tender documents to bidders. On average, one bid document is sold at Tshs. 100,000. Tanesco divides the cost of administering a procurement process into advertisement cost, allowances payable to evaluation team members and those payable to TB members. During 2006, Tanesco spent a total of Tshs. 103,425,000 as allowances payable in various stages of tender management process of which Tshs. 8,725,000 was paid to evaluation committee members and Tshs. 94,700,000 was paid as sitting allowances to TB members during tender board meetings. It was estimated that about 70% of Tanesco publication cost would go to procurement related advertisements, i.e. Tshs. 353,678,561.

Issues noted in Quotations

Quotations are not handled under PMU but by the purchases department. It is proposed in this report that all issues related with procurement (including the current purchases unit) and as required in the law should be brought under PMU.

Prices and payment process for goods, works and services

The assessment on pricing has been complicated with the fact that auditors were not availed with payment data for a list of sampled suppliers they had randomly picked. It was therefore difficult to ascertain as to whether suppliers were promptly paid or not.

Recommendations for improvements:

We recommend that:

General:

- PPRA work closely with Tanesco management to ensure that a proper PMU structure is designed and implemented at Tanesco. Proper implementation of PMU at the Tanesco will help the organisation address most of its procurement challenges. The new structure of the organisation should make it clear that PMU reports directly to the Managing Director.

- PPRA and Tanesco should explore options for using procurement agents especially in high value and complex procurements until such time when procurement capacity within Tanesco has been substantially developed and chances for interferences from higher government authorities have been mitigated.

- PPRA should work with Tanesco to review procurement thresholds applicable to Tanesco to address high value nature of most Tanesco procurements, especially in works and goods.

- Review of the law to give more independence to PPRA as regards its powers to institute legal actions for those not complying with the law.

For PPRA:

- PPRA should facilitate training in procurement regulations for Board of Directors, Managing Director, members of TB and heads of all user departments especially on how the various groups are affected by the provisions of the procurement law and regulations and how to ensure there is regulatory compliance. For example, PPRA should make it mandatory for newly appointed TB members to undergo induction course on procurement rules and regulations, preferably within one month following their appointment.

- PPRA should train procurement officers on how to prepare and use procurement plan and provide emphasis about the value of the tool for effective management of procurement processes. If properly implemented, procurement planning is likely to reduce rampant emergency procurements at Tanesco.

- The central government through Tanesco parent ministry should be advised by PPRA to understand its limits in procurement process to reduce persistent interference in the procurement affairs of Tanesco.

- PPRA should prepare an internal audit procurement processes checklist and share it with internal audit directorate of Tanesco. Procurement internal audit training could be organised to bring together internal auditors from other procuring entities, a forum that could be used to discuss various mechanisms for enhancing internal controls in organisations through a strong internal control procurement management system.

- PPRA should prepare reporting formats for all statutory reporting requirements in the public procurement law. The reporting formats should also be accompanied by a checklist of reports that PEs are expected to prepare periodically. PPRA should also guide PEs as to what kind of procurement processes that entities should have approvals from the Authority. For example; PPRA should officially inform the entities that they ought to get specifications from PPRA whenever they want to procure computers and motor vehicles.

For Tanesco:

- The new PMU should start seriously to improve procurement record keeping system. Options for computerising some of the procurement processes geared at improving record management and communications need to be explored. Tanesco should in addition, arrange to provide training to all its procurement officers on database management.

- Appointments of evaluation committee members and negotiation teams should be in accordance with the procurement regulations.

- Tanesco should inform PPRA every time they use uncompetitive procurement methods and exceed allowable thresholds in the procurement regulations.

- PMU should quickly start preparing and submitting monthly procurement progress reports to the TB.

- Tanesco should increase its level of transparency in the procurement processes e.g. publish contract awards, inform unsuccessful bidders about contract awards, and reduce use of procurement methods which are not promoting competitiveness as recommended in the procurement act.

2 INTRODUCTION AND BACKGROUND

2.1 Introduction

This audit is one of a series of 40 procurement, contract and performance audits being carried out by PPRA with support from Millennium Challenge Account (MCA) through USAID. The audit is focusing government Ministries, Departments, Agencies, Parastatal organisations and Local Government authorities. The MCA was created by the US Government Act of Congress and is being administered by the Millennium Challenge Corporation (MCC). The MCA provides grants for programs to reduce poverty and promote sustainable economic growth to countries that have adopted sound policies. It is a component of the U.S. government's approach to promoting global development.

The objective of Tanzania's MCA Threshold Plan is to reduce corruption in half the country's local government authorities and central government agencies and Parastatals. The plan emphasizes prevention, oversight, and deterrence of corruption. In general, this objective will be accomplished by enhancing the capacity of the media, engaging citizen groups, strengthening the role of Parliament in Tanzania, and through sustained political support at senior levels of Government. Tanzania's MCA Threshold Plan comprises of four components which each emphasize prevention, oversight, and deterrence of corruption. These include;

1. Build the non-governmental sector monitoring capacity;
2. Strengthen the rule of law for good governance;
3. Establish a Financial Intelligence Unit; and
4. Curb corruption in public procurement.

The Public Procurement Reform (PPR) Project will focus on Component Four: Curb Corruption in Public Procurement. Corruption in public procurement occurs at various stages—from project inception to execution. In the design stage, for example those responsible for preparing a statement of requirements may overstate or exaggerate project components to increase potential corrupt earnings. They may also manipulate the project design to benefit particular suppliers, consultants, contractors, and other private parties. During the procurement stage corruption occurs through insufficient or inadequate advertising or extensively short bidding time to favour certain bidders; misuse of legal and administrative requirements; and use of inappropriate bidding procedures. Finally during the implementation stage corruption can occur while making contract amendments or payments in favour of the executing firm. Focusing the anti-corruption initiatives in one area normally moves corruption into another stage. Kilimanjaro International Corporation Ltd (KIC) has been awarded a two-year firm fixed price performance based contract to support the Tanzania Public Procurement Reform initiatives under the MCC Threshold Program funding.

This audit is mainly about assessing compliance of TANESCO with the laws and regulations governing public procurement in Tanzania i.e. Public Procurement Act 2004 (PPA2004) and Public Procurement Regulations 2005 (PPR2005) when undertaking procurement activities.

2.2 TANESCO background information

Tanzania Electric Supply Company Limited (Tanesco) is a parastatal organisation under the Ministry of Energy and Minerals created in 1964. It is a parastatal organisation as defined in the Public Procurement Act, 2004 (PPA2004), (Section 3) and is further specified in Government notice No. 97 & No. 98 published on 15th April 2005 vide Regulations made under Section 88 of the PPA2004. The company has the responsibility for generation, transmission, distribution and sale of electricity to Tanzania mainland and bulk power supply to the islands of Zanzibar. The distribution of power in Zanzibar and Pemba is the responsibility of Zanzibar Electricity Corporation (ZECO).

Tanesco's generating facilities are categorised into hydroelectric and thermal plants with a total installed capacity of 959MW of which 561MW are hydro and the remaining 398MW are thermal (diesel and natural gas). Installed capacity as of 31st December 2006 was as indicated in the table below:

Table 1: Tanesco Power Generating Capacity

SN.	*Source*	*Capacity (MW)*
	Current hydro and thermal plants	
1	*Kidatu Hydropower plant*	*204*
2	*Kihansi Hydropower plant*	*180*
3	*Mtera Hydropower plant*	*80*
4	*New Pangani Falls Hydropower plant*	*68*
5	*Hale Hydropower plant*	*21*
6	*Nyumba ya Mungu Hydropower plant*	*8*
7	*IPTL Thermal Plant (Diesel)*	*100*
8	*Songas Thermal Plant (Gas)*	*182*
9	*Isolated diesel power plants*	*54*
	Sub-total (current hydro and thermal)	897
	Emergency Power Plants	
10	*Aggreko (installed)*	*40*
11	*Dowans Holdings – ex-Richmond Development Corporation (Installed)*	*22*
	Sub-total (Emergency)	62
	Total Installed Capacity	***959***
	Power plants in progress	
12	*Alstom Power rentals for Mwanza- installation by end of 2007*	*40*
13	*Wartsila Gas Plants at Ubungo and Tegeta*	*145*
14	*Dowans – equipments have arrived and in process for installation*	*80*
15	*Siemens – gas/diesel plant, permanent installation at Ubungo*	*30*
	Total (Potential additional power)	***357***
	Total likely power capacity by end of 2007	***1,136***

2.2.1 The organisation's current ambitions

Tanesco's management works under the Board of Directors which has nine members. Until November 2006 when the new Managing Director was appointed by the Board of Directors, Tanesco was under a management contractor, Net Group Solutions. The management support services contract to Net Group Solutions effectively ended on 31st December 2006. The new management is now re-organising the institution to ensure that it is well set up to realise the mandates of the organisation.

Tanesco vision:
To be an efficient and commercially focussed utility supporting the development of Tanzania.

Tanesco Mission:
To generate, transmit and supply electricity in the most effective, competitive and sustainable manner possible.

To realise its vision, Tanesco aspires:

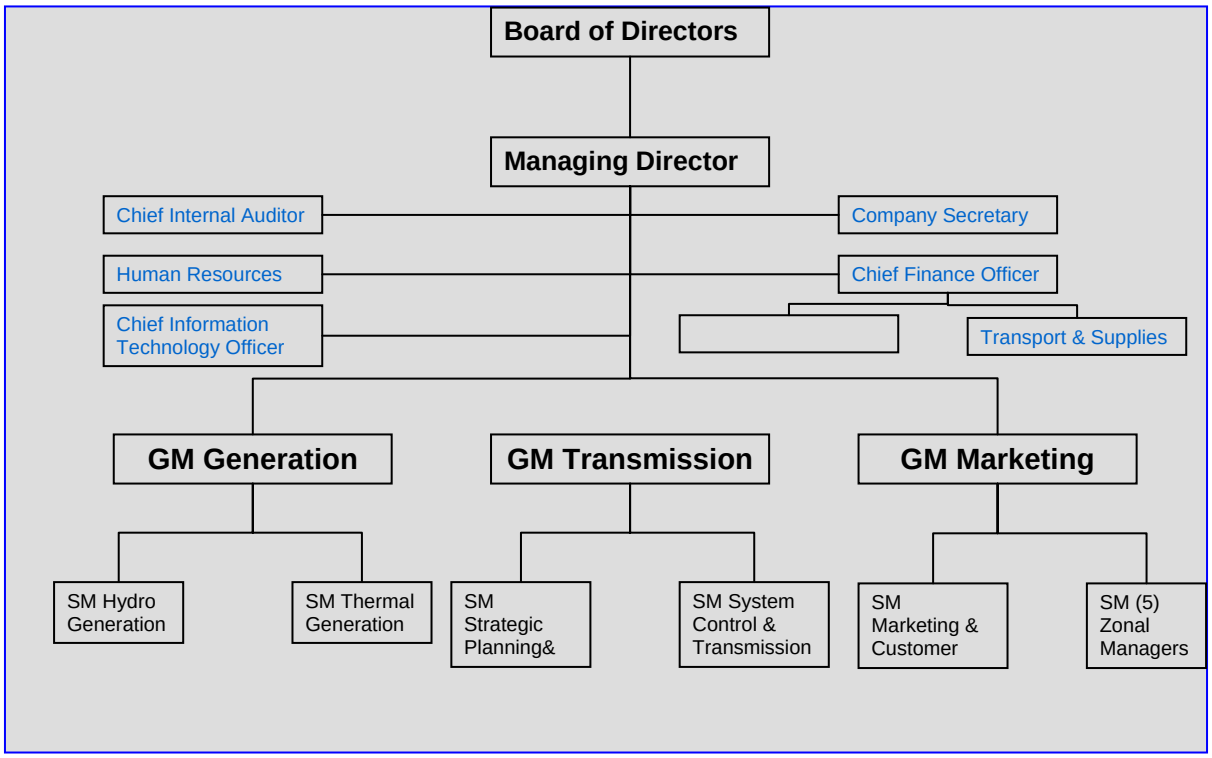
- To ensure financial viability through revenue improvement and reduction of energy losses
- To increase customer satisfaction by putting in place processes that meet customer care needs
- To enhance employee satisfaction through competitive employment package and good working environment
- To support the National Energy Policy through appropriate company policies
- To accelerate the pace of electrification for economic growth
- To increase generation capacity so as to avoid load shedding

2.2.2 Organisational restructuring

On 2nd April 2007, Tanesco issued a circular to all employees advising them on the new changes planned for the organisation and a new organisation structure. The new changes generally, reflect the ambitions of the new top leadership at the organisation towards efficiency need to meet customer's expectations and to accord them respect operate with business mindset and ensure profitability for the organisation. The circular through issue no. 36 highlights some of the changes with effect from 1st May 2007 to be:

- A new organisation structure (next page)
- The Directorate of Privatisation has been dismantled as the government no longer has the intention of privatising Tanesco
- The Directorate of Supplies and Transport ceases to be a directorate and now reports directly to the Chief Finance Officer
- The Directorate of Security will now report to the Company Secretary
- From now on, all senior management posts shall be open for competition from outside the organisation and contracts issued shall be performance based on a three year basis
- Tanesco seeks to decentralise some of its functions to the regional centres, a result of which, 402 staff at the headquarters shall be transferred to the regions and retain only 330 at the headquarters. There shall not be any retrenchment.

Figure 1: Tanesco new organisation structure:



Source: Tanesco 2007

3 APPROACH AND METHODOLOGY OF THE AUDIT

3.1 Audit objective

The purpose of this audit is to assist PPRA in carrying out procurement, contract and performance audits for procurement activities conducted during the year 2006 at Tanesco. It is important to note that Tanesco's financial year, runs on a calendar year basis, i.e. January to December.

The audit sought to determine whether the procedures, processes and documentations for procurement and contracting by tender were in accordance with the provisions of the PPA 2004, its regulations and the standard documents prepared by PPRA and that procurement carried out achieved the expected economy and efficiency (value for money for the allocated resources), and the implementation of contracts conformed to the terms there of.

3.2 Scope of audit

This audit primarily covered procurement processes carried out in the fiscal year 2006, for goods, works and consultancy services. Overall, the intention was, to review at least 50% of all procurement activities. Annex 1 to this report summarises a list of 17 tenders that were reviewed out of the 123 said to have been initiated at Tanesco during January to December 2006. In addition, the team reviewed procurement processes through quotations at Tanesco, a process which is currently handled outside the PMU establishment.

3.3 Audit Methodology

The audit team for this assignment was made up of two KIC procurement auditors. The assignment was conducted over a period of three weeks at Tanesco headquarters.

The procurement audit approach was tailored to meet the objectives of this assignment. Audit methodology was based on the following key elements:

- Thorough briefing of audit team members, detailed planning and tailoring of checklist for use by the entire audit team;
- Responsiveness to changes that arise during the assignment;
- Working closely with Tanesco management in the process of obtaining necessary information for the audit and clarification of issues pertaining to the audit;
- Quality control reviews by the team leader to ensure that quality and productivity were maintained at all the times;
- Taking stock meetings, once a week with other audit team members to share experience , laying down action points and deciding on the way forward; and
- Maximizing efficiency and effectiveness through sound project management

The audit started at Tanesco on 10th April, 2007 with a meeting between the auditors and the General Manager-Support Services together with the Head of Supplies and Transport department who is also the Secretary to the Tender Board (TB). The auditors provided a brief of the purpose of the assignment and that they would be working at Tanesco for at least two weeks. They also held another meeting with a wider

management team to discuss about the nature of the audit work and various implications linked to the assignment; participants to the meeting brought together the heads of internal audit, finance, supplies and transport, human resources and general manager support services at Tanesco. Tanesco management acknowledged to have received a letter from PPRA regarding the assignment and that they were happy to see procurement experts visiting them with the intention of helping the organisation sort out its procurement challenges.

During the meeting, the General Manager-Support Services asked the heads of departments to provide all the necessary facilitation to the audit team, in particular, to provide them with all procurement information that they require and introduce them to all relevant officials within the organisation to facilitate the audit work. The list of Tanesco officials that were met during the audit is attached to this report, Annex 2.

Tanesco allocated one of its PMU staff to work with the auditors. However, information flow to the auditors was rather slow, patchy and only picked a slight improvement towards the last days. The auditors reviewed bids and related documents, internal and external audit reports, as they were made available to them and interviewed some Tanesco staff, as appropriate. The auditors also visited few goods delivery points and work stations for verifications. To carry out the audit, the auditors used an audit checklist prepared and approved by PPRA as modified by KIC (Annex 5). In carrying out the audit, care was taken to ensure that issues as noted in the terms of reference were addressed.

3.4 Limitations of audit work

The audit focused at the procurement processes of Tanesco for the year January – December 2006 in accordance with the Public Procurement Act 2004 and its Regulations of 2005. The scope of audit work was however restricted by the matters referred to in the paragraphs that follow below.

Generally, there was slow pace in providing information to the auditors despite the fact that Tanesco had assigned one PMU staff to dedicate all her time for the audit work. Furthermore, lack of transparency was evident during interactions with some of the procurement officers. For example, the request made regarding procurement of M/Vehicles for 2007 was not heeded – for which it is proposed that PPRA make a follow up assessment of the situation.

Poor procurement record keeping complicated the audit work by making document retrieval slow and patchy. Data relevant for a particular procurement was impossible to access at one central point. Procurement information was scattered all over the entity because user departments are widely involved in some procurement processes even in stages which should in principle be handled by PMU.

In the absence of a procurement plan and the patchy nature of the records at the entity, the auditors are not certain as to whether the list of procurement processes provided by Tanesco is complete and reliable. Given the volume and value of procurement activities at Tanesco, four weeks of two auditors' time would have been ideal.

4 AUDIT FINDINGS, CRITERIA AND RECOMMENDATION

4.1 Procurement Capacity at Tanesco

4.1.1 Status of PMU and Tender Board

Procurement Management Unit (PMU)

Tanesco has established a PMU to comply with section 34 of PPA of 2004; however, it has not done that in an orderly and logical manner as recommended by PPRA, the Regulator. It appears that the establishment of PMU at Tanesco was more for compliance reasons than intentions to see it working effectively. It was noted that most functions that PMU is supposed to undertake by law have not been handed over to it as they are still been carried out by user departments.

In the old Tanesco organisation structure (ending April 2007), PMU as a unit, was under the Head of Supplies and Transport and was not reporting directly to the Managing Director. Members of the PMU had been appointed to their respective positions temporarily; most of them were on temporal status for over a year by the time the audit was going on.

As it was in the old organisation structure and as it is now in the new organisation structure, the Head of Supplies and Transport is the Secretary to TB. There is an official letter of appointment of the Head of Supplies and Transport to the TB, as Secretary. The head of PMU is not Secretary to the TB as recommended by PPRA. In the old organisation structure the Head of Supplies and Transport was reporting to the General Manager, Support Services; however, under the new organisation structure, he is reporting to the Chief Finance Officer. In both cases the independence of the PMU within the organisation is impaired pursuant to section 38, of the PPA2004 which calls for the independence of functions and powers between various organs within a procuring entity i.e. Managing Director, Tender Board, PMU, User Department and Evaluation Committee.

In the Supplies and Transport organisation chart, annex 3, it is noted that some of the procurement personnel who are involved in local and international purchases are not included in PMU despite the fact that they handle activities directly linked to procurement functions such as processing quotations and preparation of bid documents. This is contrary to Section 35 of the Act which requires PMU to manage all procurement and disposal by tender activities of the procuring entity including preparation of tender and contract documents and recommend procurement and disposal by tender procedures.

It was also noted that the user departments more often are the ones that recommend the procurement method to be used and would be the ones to influence the firm to be single sourced. There are several cases where the user departments were asked by the TB to coordinate the evaluation process. Additionally, it was noted that the user departments when making requisitions, would forward it directly to the TB instead of PMU as required in the regulations.

The Tanesco PMU does not produce procurement monthly progress reports to the Tender Board pursuant to section 35 (o) of the Act. In addition, there is no systematic

monitoring infrastructure of the procured items making it difficult to establish the current status of awarded contracts.

It is very important that PPRA helps Tanesco to establish a fully fledged PMU. It was evident during the review that, a weak PMU at Tanesco was the main reason for most of the organisation's non-compliance cases. It is also recommended that the current Tanesco PMU and Purchases sub-department be merged into one, staffed to an appropriate level to create a new PMU, which shall then report to the Managing Director. These changes should then be reflected in the new Tanesco organisation structure. The head of the new PMU should be appointed by the Managing Director from amongst procurement specialists at the organisation.

The Tender Board

The TB is in existence and has eight members as proposed in the Procurement Act, 2004 and the Regulations, 2005. The TB runs for three years and all its members are appointed by the Managing Director. The current TB was installed with effect from 12th March 2007. The Secretary of the TB is the head of Supplies and Transport. All members of the Tender Board are required to sign personal covenant forms soon after their appointment and they all complied with this requirement.

Review of the decisions of the TB indicates that its members do not thoroughly understand and appreciate the public procurement law and regulations. The recently appointed members of the TB have not been oriented to public procurement laws and regulations; and the majority of them do not have any prior procurement experience. With a TB which is not properly inducted on laws and regulations governing procurement activities, there is a very big risk for the TB to make wrong judgements.

Table 2: Members of Tanesco Tender Board

Name	***Designation at Tanesco***	***Role in the TB***
1. Mr. William Geofrey Mhando	*General Manager, Distribution*	*Member*
2. Mr. Deklan Patrick Mhaiki	*General Manager, Transmission*	*Chairman of TB*
3. Mrs. Subira Elizabeth Wandiba	*General Manager, Support Services*	*Member*
4. Mr. Nicolas Obuya Suke	*Director, Supplies and Transport*	*Secretary TB*
5. Mrs. Anita Francis Chengula	*Director of Finance*	*Member*
6. Mr. Stephen Peter Mabada	*General Manager, Generation*	*Member*
7. Mr. William Durnford Speanch Magambo	*Director, Privatisation*	*Member*
8. Mr. Godson Ezekiel Makia	*Company Secretary*	*Member*

The audit also noted instances of decisions of the TB being overruled by other organs. Case 1 below makes the point. Sometimes decisions such as approving a procurement method which are supposed to be made by the TB, are taken by the Board of Directors. The case reinforces the need for enlightening members of TB and Board of Directors on

procurement issues soon after they have been appointed. Furthermore, the role of Board of Directors in procurement, especially for Parastatal organisations, needs to be clarified.

Case 1: Emergency Power Supply – Richmond Development Company LLC

With regard to tender PC 010/2006 for Emergency Power Supply from Rental Gas Based Generating Plant of 100MW in Dar es Salaam, the Tender Board at its meetings held on 28th and 29th March 2006 disqualified all bids and decided to re-tender to 8 bidders who submitted bids and in addition included 5 new firms in the power rental business following non-responsiveness of the previous 8 bidders. But on 4th April 2006 the Chairman of the Tender Board received instructions from the Board of Directors in response to directives from the Government to re-call all 8 bidders and get clarifications for the submitted bids with the purpose of finding a possible bidder that could deliver thermal plants successfully. This was a clear interference with the tendering procedures and was not consistent with the public procurement procedures. The Tender Board decided to abide by the instructions after its advice was overruled by higher authorities. To record the event the TB minutes of 10th April 2006 read..."at 16:20hours while the discussions were proceeding, a notice was brought to the Tender Board by the Company Secretary that the Board Chairman has directed to suspend the tender process with immediate effect until further notice"

Also, even after TB recommended that Tanesco should not be part of a contract of a procurement process it had not seen through, it was overruled and it ended up signing a contract with a contractor (Richmond Development Company LLC[1]) it had initially established conclusively that it was non-responsive to the bid requirements and was unable to deliver the services required.

4.1.2 Staff establishment and qualifications

PMU staff establishment

The PMU staff establishment at Tanesco is not very clear especially with the ongoing restructuring following the appointment of the new Managing Director. The current staff level according to the Head of Supplies and Transport is 9 personnel (Annex 4). However, it is important to note that, some of the members interviewed and claimed to be in PMU, do not have any official appointment letter or responsibility in the PMU.

Those appointed albeit some of them temporarily are only five:

- Mwita Wangwe – Procurement Engineer
- Zainab Daran – Principal Supplies Officer (supposedly head of PMU)
- Rehema Makweta – Supplies Officer
- Ambokile Swilla – Supplies Officer
- Jason Katule – Procurement Engineer

It was also observed that when the Secretary to the Tender Board is not in the office for whatever reason and therefore unable to attend TB meetings, he would appoint the Head of Transport section to act as Secretary to the TB on a consistency basis. The Head of Transport section is neither a member of PMU nor procurement professional.

[1] The Tanesco evaluation report labelled the submission as the poorest technical proposal among those submitted; in particular, the company did not demonstrate any previous experience in similar projects

The practice is carried out repeatedly despite the fact that PMU has adequate number of qualified procurement specialists to play the role.

Qualifications of staff

At the moment, all the five personnel appointed to PMU are well qualified academically as demonstrated in Annex 4. Despite the good qualifications held by the procurement personnel, the level of procurement service delivery at Tanesco leaves a lot to be desired. It was confirmed by the procurement staff during interviews that PMU is not properly utilised by the organisation and most often than not, their advice is ignored. Some processes and decisions that would normally be handled by PMU, at Tanesco are carried out by other units. This has been noted in several tenders that the auditors reviewed. The PMU personnel know the procedures to follow but they are not listened to when they provide their professional advice.

Procurement records are not properly arranged, filed and stored. It is important that PPRA prepares training programmes of all PMU staff on how to record and keep procurement related information and sensitive procurement staff about the need for a proper recording system of procurement processes.

4.1.3 Knowledge of PPA2004 and PPR2005

Almost all the designated PMU personnel have had an opportunity to be trained on the PPA2004 and PPR2005 except one. But on the other hand, members of the Tender Board, heads of user departments, Managing Director and the Board of Directors have not had a thorough training on procurement rules and regulations.

During interviews with some of the Tanesco personnel, it was picked as a general recommendation that knowledge of procurement rules and regulations should be provided widely and adequately to Tanesco management team, TB, heads of user departments and Board of Directors.

4.1.4 Procurement manual

Tanesco has a procurement manual prepared in line with PPA2004 and PPR2005. The manual is not in the custody of PMU but is in purchases department; none of the PMU staff had a copy of the manual when enquired. Tanesco management approved the Procurement Manual in August 2005 but it does not appear that the document is applied in the administration of procurement activities. The auditors reviewed the procurement manual and are confident that the document captures the basic and important issues to facilitate compliance to the public procurement law and regulations. Given the procurement practice at Tanesco, it is evident that the manual is not used as a guiding reference to administer procurement activities.

4.1.5 Internal audit system

By and large, Tanesco has an effective internal audit unit which reports directly to the Managing Director administratively and to the Audit Committee of the Board of Directors, functionally. The internal audit unit produces regular audit reports which however do not adequately address procurement issues.

Tanesco internal auditors do not have a bespoke procurement audit checklist to facilitate their work. Lack of adequate procurement audit tools is reflected by scanty procurement issues in internal audit reports.

The interview that the audit team had with the Tanesco Director of Internal Audit indicated that, the audit unit is overstretched and understaffed. During the audit period, there were only 8 internal auditors to audit 24 Tanesco regions throughout the country. The understaffing in the internal audit unit has been mentioned as the main reason for not addressing all internal control issues in particular procurement internal control processes. The Director of Internal Audit contended that the focus for Tanesco has most often been revenue audit as it is the main area prone to losses.

There is a strong need for Tanesco internal auditors to be properly trained in Public Procurement Act 2004 and its Regulations 2005. Furthermore, it is strongly recommended that PPRA assist the internal audit unit in preparing a checklist to monitor procurement related internal control issues. PPRA could also prepare a standardised internal audit manual tailored to meet procurement issues and share it with procuring entities.

4.1.6 Computerisation and office space

Computerisation does not seem to be a problem at Tanesco as each and every staff in the PMU and in other units within Supplies and Transport department has a computer and networking of all offices was ongoing during the audit. Like in other government institutions, the procurement system at Tanesco is largely running manually and the available computers are used mostly as word processors or calculators.

With the presence of a computerised infrastructure, the new PMU may need to prepare a computerised database of preferred suppliers from which it could pick for single source, restricted tendering or direct contracting.

The current office space slated for procurement personnel is not considered adequate given the requirements and nature of procurement activities.

4.2 Procurement procedures, processes and documentation

4.2.1 Procurement planning

An annual procurement plan covering procurement of goods, works, consultancy services and non-consultancy services was NOT prepared for the year 2006. For the year 2007, however, an attempt was made to prepare a procurement plan for the organisation. During the process of approving the procurement plan, the new Tanesco management halted the approval process because it needed first to incorporate the new management's priorities. Until 25th May 2007, the new plan had yet to be approved and there were no signals that it was likely to be approved. So the procurements at the entity have continued to be carried out without a plan.

Section 36 (2) of the PPA2004 requires user departments to prepare work-plans in line with the approved budget and submit to PMU to facilitate the preparation of the procurement plan. There was no evidence that such work plans were prepared at Tanesco.

The absence of a procurement plan is manifested by the high level of emergency procurements at Tanesco. In the absence of a properly prepared and executed procurement plan, each and every procurement activity turns out to be "an emergency". And indeed, this is widely practised at Tanesco and contravenes Section 45 (a) of PPA2004 which discourages the use of emergency procurements and Section 59 (1) of the Act which calls for use of competitive tendering. Of the procurement processes that were reviewed only 29 percent were done on a competitive basis, the rest were through either single source, direct contracting or restricted tendering.

4.2.2 Preparation of tender documents

In general terms, bid documents prepared by PMU are in line with the regulations and conform to templates generated by PPRA. However there are cases of bid documents prepared but without sufficient information, a consequence of which, sometimes lead to disputes during contract negotiation or execution, Case 2. It was noted that such documents are prepared by users outside PMU system. In PC/LP/007/06 for the Construction of 15 MVA 33/11KV AT TANZANIA Oxygen, the bidding documents that were used were not the standard PPRA documents and were prepared by user department.

Case 2: Procurement of Gas based 100MW Power Generating Plant

Minute 241/TB/5/05: Procurement of Gas based Emergency Power Generating Plants of 60MW and 40MW at Ilala.
Two bidders, Renco SPA and Warsila Oy, were found to be responsive in respect of this Tender PC/09/2006. Warsila Oy did not quote for workshop while Renco did quote for it at US$ 150,000 which nevertheless had asked for in the tender document (page132). For comparison purposes, the US $ 150,000 was applied to Warsila to arrive to the total adjusted price of M/s Wartsila Oy of US $ 78,817,551 and M/s Renco SPA US $ 97,340,934". In the course of audit it was noted that during contract negotiations with Warsila Oy, a proposed figure of € 605,000 for workshop and € 50,000 for earth switch gear had been introduced and agreed. No explanation was provided as to why M/s Warsila Oy did not initially quote for the workshop when it submitted its proposal as required in the bid documents. Later on, the quotation of US$ 605,000 was found to be too high and the Board of Directors decided to drop the workshop requirement.

However, later, the Board of Directors learned that the workshop was necessary and decided to single source M/s Warsila Oy following the recommendations of Tanesco management. The new workshop cost as contracted became € 870,000 in addition to €50,000 of Earth Switch Gear and € 57,500,000 for the plant. The total contract value to M/s Warsila Oy now stood at €58,420,000.

4.2.3 Advertisement of tenders and tender opening

Advertisement

There was no evidence that "General Procurement Notices" was communicated to the general public, contrary to Reg. 24. of the PPR2005 (Employment of Consultants) which requires a procuring entity intending to procure services of consultants to give a press release to the print media containing general project information. The regulation further

requires that same information be posted in the website and procurement journal of PPRA.

It was found that in general terms, tender advertisements are done up to 29% through different media especially in newspapers. Additionally, none of the consultancy opportunities that were reviewed had been advertised in any media. Also, there was no advertisement done of tender results to bidders.

On the basis of 2006 procurements, Tanesco gives bidders 25 days from the day of tender advertisement to tender submission date. The average number of bidders participating in one tender is 17 out of which 4 would be responsive.

The audit team noted clear evidence of persistent interference by higher authorities in advertisement procedures of the TB. In case 3 below, it is seen that the Ministry of Energy and Minerals instructed Tanesco to diverge from procurement regulations (PPR2005) by directing them to reduce time provided for advertisement for an International Competitive Bidding (ICB) process. According to the public procurement rules and regulations, approval rights for advertisement are vested with the TB and no retrospective approval is allowed.

Case 3: Advertisement for 100MW Power Generating Plant

> *Minute: 81/TB/02/2006 dated 22/02/06: PC/009/2006 –Generating Plant 100MW Wartisila Oy*
> *"The Ministry of Energy and Minerals directed TANESCO to press advertise Public International Competitive Bidding (ICB) with bidding period of ten (10) days only. PPRA was requested for a waiver of the 45 days advertisement requirement but PPRA advised for International shopping regardless of value limit due to emergency. The government was informed of the PPRA advice but insisted on 10 days bidding period". The TB was also informed that advertisement was already sent to the local newspapers prior to TB meeting so that it could appear the next day on 23rd February, 2006 without fail or else severe consequences would fall upon respective officials as per Ministry of Energy and Mineral's directive.*

The price for purchasing bid documents was not consistently shown in bid advertisements. This practice contravenes Reg. 81 (f) of PPR2005.

Tender opening

Reg. 89 (15) of the PPR2005 (Goods, works, non-consultancy services and disposal of public assets by tender)requires the TB to prepare for its own records, minutes of tender opening, including the information disclosed to those present in accordance with sub-regulation (10). By and large, tender opening is consistent with the instructions to bidders, in the sense that tenders are opened on the dates that were communicated to the bidders. However, the minutes of tender opening did not have adequate information e.g. they did not indicate whether late bidders during submission were rejected or not.

Pursuant to Reg. 89 (4) (Goods, works, non-consultancy services and disposal of public assets by tender) on receipt of the tender, the envelopes shall be entered in a special register in the order in which they arrived. The reviewed tenders register indicated compliance to this requirement.

Tendering Period

There are cases whereby, tenders were floated for a shorter period than what is allowed under the law. In two of the International Competitive Bidding, PC/09/2006 and PC/10/2006 bidders were given only 10 days to submit their tenders instead of the 45 days stated in the regulations. on average, Tanesco gives 25 days to bidders to submit their tenders. Furthermore, the time of processing tenders at Tanesco is very long and usually goes beyond the time indicated the regulations. Table 2 is a summary of the duration that the Tanesco takes from the time of tender opening to contract signing. In general terms, it takes Tanesco 84 days to process submitted tenders and award a contract. In some worst cases, e.g. tender number PC/121/2006, the contracting delay was 261 days over and above the normal 37 days from the tender opening day.

Table 3: Example of delays in procurement processes

Procurement process number	*Actual number of days from tender opening to contract award*
PC/LP/276/2006	*48*
PC/LP/006B/2005	*125*
PC/LP/007/2006	*153*
PC/LP/144/2006	*92*
PC/034/2006 (a)	*115*
PC/034/2006 (b)	*103*
PC/009/2006	*99*
PC/121/2006	*298*

4.2.4 Procurement methods, thresholds and approvals

Administering procurement by ensuring that it is done within acceptable methods and thresholds is a big challenge for Tanesco. Generally, only in 47% of procurements would procurement methods as stipulated in PPA2004 and its regulations be used. There are several cases of single sourcing because of urgency and emergency nature of Tanesco services but most often due to poor planning. Although single sourcing is one of the methods allowed under the law, the way it is applied at Tanesco is not compliant to the legal requirements. It is surprising that in practice, after a procuring method has been approved by the TB, the case for urgency and emergency disappears. Most often, the procurement method would be proposed by user departments who would have names of preferred suppliers in their dock. In cases 4 and 5 noted below, the user insisted that the procuring method to be applied be single source and in Case 5 the supplier “must” be GBP; at the same time, the threshold allowable was exceeded.

Thresholds were also exceeded in the following single source procurements, PC/LP/121/2006, PC/LP/276/2006, and OP/38/2006. Section 31 (3) of the PPA2004 require that, for all single source procurements whose value exceed the limit set out in the regulations, procuring entities shall within 14 days, inform PPRA of commencement of the procurement process for such procurements. There was no evidence at Tanesco to suggest that the requirement was adhered to.

Case 4: Board of Directors was requested to approve procurement method

Single sourcing approval was requested from the Board of Directors with Board Paper No. 2490. The quotation by Wartsila Oy exceeded the single source threshold set by PPRA, i.e. Tshs 500,000,000. Management advice to the Board of Directors to deliberate and approve single sourcing does not comply with PPR2005 and contravenes PPA2004.

Continuous use of single source or direct contracting procurement methods has most often contributed to bidders quoting high prices for their services, e.g. Case 5.

Case 5: Direct Contracting, Nyakato Project

There was a request for direct contracting to M/s GBP (T) Ltd in PC/LP/385/2006 for procurement of fuel tank erection works for Nyakato Project. Notice was submitted to the Tender Board meeting held on 12th December 2006 at an estimated budget of Tshs 42,000,000. The invited supplier submitted a proposal of USD 115,000. It was deliberated by Tender Board to cancel the tender because the quoted price was far from the budget. It was decided TANESCO to use her own tank stationed at Nyakato power station with the capacity of 480,000 litres storage capacity, with a difference of 20,000 litres from the proposed one. With proper planning, the Tanesco tank would have been thought of, in the first place.

In case 6 below the speech of the President was the basis that was considered to opt for single source procurement. East African Cables Ltd was single sourced and awarded a contract at a value of USD 1,367,406 through LPO dated 19th July 2006. Contract executed up to 17th April 2007. It is noted that despite the fact that the arguments for single sourcing are questionable, allowable thresholds as set in the procurement regulations were not adhered to.

In tender PC/LP/276/06 for the Supply of Fuel to MWANZA 40MW Rental Plant, an approval for single sourcing by the TB on 20th October 2006 was granted. M/S GBP Ltd was contacted and asked to submit their bid not later than 23rd October 2006.The bid was received and opened at the TB meeting held on 25th October 2006. The Tender Board meeting approved a contract of USD 16,016,520 to M/s GBP (T) LTD. This was a clear violation of thresholds limits, i.e. Tshs. 500,000,000; and PPRA was not informed.

Case 6: A user building a case for single source

When building the case for single sourcing for PC/121/2006 (Supply of O/H conductors and LV service cables), the Tanesco Regional Manager wrote in an email:

"On Saturday 27th May, 2006, his Excellency, the President of Tanzania inaugurated a low cost housing scheme being funded by PPF (Parastatal Pension Fund) under the Ministry of Finance. One of the speeches read by the Chairman of The Board of Directors of PPF, Mr Gray Mgonja claimed that the scheme is facing serious setback due to lack of power. During his reply speech, the President took much time to explain that TANESCO was not doing much in expanding its business because of monopoly; they are sitting in the office waiting for customers to come instead of following them. He said it was disappointing to hear frequent complaints about TANESCO and it was high time TANESCO changed the way it was working. He eventually ordered that the houses at Kiseke should be electrified immediately"

Several instances of recommendation for single source, direct contracting or restricted tendering procurement methods were noted at Tanesco; the justification for choosing the method was often not convincing. The most often provided reason for choices for the non-competitive methods was urgency and emergency. However, scrutiny of the entire process from procurement to contract execution failed to justify the choices of methods made. For example, soon after the method had been approved by TB, the urgency of the matter ceased. In Case 7 below, there is clear evidence that there was no justification for restricted tendering; it is indeed difficult to comprehend as to why it had to take 9 more months to process procurement of goods that were needed as a matter of urgency.

Case 7: Restricted tendering because of urgency

In tender PC/LP/006B/05 for the Supply of Staff Uniforms the method used was Restrictive Tendering because of urgency for the supplies; approval for Tender Notice was granted on 7th February 2006 by the Tender Board; Invitation for restricted suppliers issued on 25th May 2006; Uniforms were received on 16th February 2007 and Approval was granted to M/s Micky Garment and Manufacturing Company for Tshs 73,656,000.

4.2.5 Appointment of Evaluation committees

Evaluation committee members at Tanesco are not appointed by the Chief Executive Officer but by the TB and sometimes by the Chairman of the TB alone (e.g. in PC/007/2006). Sec.37 (2) of the Act states that, the membership of the evaluation committee shall be recommended by the PMU, and approved by the Chief Executive Officer.

At Tanesco, the TB or its Chairman would normally pick a name from an “approved list” of evaluators (about 70 in total). This approach is neither consistent with the requirement of the Act nor regulations. The approach does not indicate how evaluators who are not Tanesco employees and not in the list of approved evaluators would be picked when need arise. The list has not been changed since the new CEO got into office and there is no evidence that he is aware of the practice or whether the practice has been sanctioned by him. In addition, there was no evidence that the “approved list” approach had been approved by PPRA.

Furthermore, section 37 of the PPA2004 requires the evaluation committees to report to PMU; this requirement does not appear to be the case at Tanesco as there are several instances of evaluation committees being answerable to user departments and sometimes user departments being given the responsibility to coordinate the evaluation process by TB, e.g. Case 8 below. Section 38 of PPA2004 calls for independence between various functions within the procuring entity i.e. PMU, User Department, TB, CEO and Evaluation Committee. When the evaluation committee is answerable to user departments, its independence is compromised.

Case 8: Users asked to coordinate tender evaluation

"The Notice for tender PC/007/2006 for construction of 15 MVA 33/11KV at Tanzania Oxygen Sub-station was approved by TB meeting held on 3rd February 2006. The substation was needed on emergency to improve power supply to Tanzania Oxygen and other factories in the vicinity. Bids were opened by Tender Board meeting held on 5th May 2006.The same were forwarded to Director of System Control and Transmission on 10th May 2006 for coordination of evaluation process. On expiring of 30 days mentioned on Third Schedule of the Public Procurement (Goods, Works, Non Consultancy Services and Disposal of Public Assets by Tender) Regulations, 2005-Government Notice No. 97; being the maximum period for evaluating a tender up to notification of award. The user department was contacted for submission of the evaluation report through memo No. DST/MP/PMU/9/8 dated 7th August 2006. To date with 115 days having elapsed, bid security will be expiring in few days to come, that is 29th August 2006, with the above milestones clicking, the user has not yet submitted the evaluation report to the Tender Board for deliberation and further directives "

4.2.6 Evaluation of tenders

Some tender evaluations were carried out without strictly following the evaluation criteria communicated to the bidders and as specified in the tender documents. Sometimes evaluation criteria were twisted subjectively. Reg. 90 (4) of PPR2005 (Goods, works, non-consultancy services and disposal of public assets by tender) requires the tender evaluation committee to be consistent with the terms and conditions set forth in the tender documents and that such evaluation to be carried out using criteria explicitly stated in the tender documents.

In Case 2, evaluation criteria that were communicated to bidders were not strictly adhered to during the evaluation process. If the criteria had been strictly observed, the tender could have been awarded to another company and most likely, at a cheaper contract value.

It was also noted that in tender number PC/LP/007/2006 for the construction of 15 MVA 33/11kv at Tanzania Oxygen, the evaluation process had been carried out by the user department; section 36 of PPA2004 allows user departments to provide input with technical evaluation of tenders received as required by PMU. In the same tender, bidding documents used were not the standard PPRA documents.

Although to a smaller scale, there were instances of some evaluation team members who did not sign evaluation reports in the year under review e.g. tender number PC 02/2006, PC/09/2006 and PC/10/2006.

The average percentage of rejected tenders, before the award or declared 'null and void', was 24% overall, 17% for procurement of goods, 33% for works and it rose to 50% for procurement of consultancy services.

4.2.7 Conflict of interest

In all the tenders that the audit team reviewed, there was no evidence to suggest that personal covenant forms/personal declaration forms were at all signed by tender evaluation committee members. Section 37(6) of the Act requires all members of the

evaluation committee to sign the code of ethics, declaring that they do not have any conflict of interest in the procurement.

Also practiced widely at Tanesco were single source or direct contracting methods of procurement and most often selection of procurement methods were decided by users. Reasons given for single source were sometimes not convincing and suggested bias by those involved in the process. It was difficult to comprehend as to why procurement method or supplier was proposed by the user while in contravention with the regulations. The regulations require that procurement methods selection be done by PMU and then approved by TB. Both cases 8 and 9 demonstrate the user playing the role of PMU.

User departments being coordinators of evaluation process is a practice which casts doubt on objectivity of the evaluation process and contravenes section 38 of the Public Procurement Act which calls for independence of functions and roles among organs within a procuring entity. Coordination of the evaluation process is the function of PMU, section 35 of the PPA2004.

Appointment of the chairman of negotiation team by TB is not consistent with the provisions of the procurement law. To give the team independence from the TB, the law requires that members appointed to the negotiation team appoint one member among themselves as chairman.

Case 9: User proposing a supplier

In the Procurement of Geotechnical Survey of Emergency 100MW Gas based power generating plants, the General Manager Generation vide memo Ref. GMG/26 dated 31/03/2006 recommended BICO of the University of Dar es Salaam to be single sourced to carry out the assignment. The TB approved the recommendation and BICO were asked to submit a proposal (technical and financial). The request was done by user directly to the TB instead of to PMU. One argument used was the urgency of the consultancy; however, after the approval of the method, it took a month before BICO were actually invited to submit a proposal. The bid was opened on 4 May 2006 and contract awarded on 4th July 2006, two months later.

In PC/LP/119/2006 for consultancy services for Ubungo Expansion Refinancing – Single Source procurement method was recommended by user department to be used to recruit Firestones Africa (Pty) Ltd. PC/LP/9/2005 for Power Supply to Bugarama Ilogi township – the request for proposal and submission of offer were both executed outside the tender board procedures. The contract was awarded much later and it has recently been cancelled.

4.2.8 Notifications of tender awards

In line with section 33 (f) of PPA2004, notifications of tender awards for the whole of 2006 were done by the Managing Director or other persons acting in his capacity. There was no evidence to suggest that evaluation results were communicated to unsuccessful bidders in all the tenders that the auditors reviewed.

There was no evidence that Tanesco published tender awards for the year 2006. Reg. 97 (12) of PPR2005 (goods, works, non-consultancy services and disposal of public assets by tender) requires procuring entities to publish tender awards in the PPRA's

Website and Journal, Government Gazette and in at least two newspapers of wider circulation and or any other appropriate media on regular basis.

4.2.9 Handling of tender negotiations

This review has established that procurement negotiation plans were not prepared as required in section 71 of the Act and Reg. 95 (13, 14). There was no evidence showing that negotiation teams were properly constituted during the period under review. We noted for example that, negotiation team chairman was appointed by the TB instead of by other members of the negotiation team, as required by Reg. 95 (11) of PPR2005. Negotiation teams were not being formed in line with Reg.95 (7), which requires that the names of those proposed for negotiations to be recommended by PMU.

4.2.10 Contract management

Most contracts at Tanesco are not executed within the expected periods; however, in the absence of clear records presented to us on contract management it proved difficult to realistically establish the extent of poor contract management.

Tender validity periods are not consistently adhered to and sometimes contracts were signed after validity period and without extension of the period. For example; in tender number PC/034/2006 for the supply of computers, stationeries, UPS and printers, the contract was signed after bid validity period. Bid validity expired on 28th February 2006 whilst contract was signed on 7th March 2007 a period of 103 days from the bid opening date. Pursuant to Reg.96 (3) the award is supposed to be done within the period of the tender validity.

Sometimes performance guarantees are not requested; e.g. in tender PC/10/2006, performance guarantee was not part of the contract and when the contractor failed to deliver, the procuring entity was left with no option but to go with what the contractor preferred. Even with liquidated damages having been applied, it proved difficult for the organisation to recoup the amount arising from the liquidated damages.

There was no evidence to show that inspection teams were being appointed when need arose pursuant to Reg. 127 of the Public Procurement Regulations 2005. Furthermore, there was clear evidence in lack of thorough contract management procedures during the year under review. Incidences of agreeing to carryout assignment without agreeing the price and uncontrolled change orders were manifested during the audit, e.g. Case 10 below.

Case 10: Change orders and work done without fee agreement

The site where Wartsila Oy is installing the 100MW thermal plant has a sub soil condition made up of cohesive clay and of varying plasticity shrinkage and it sometimes swells. The soil condition necessitated the adoption of a foundation depth of 3m to 3.5 m. The depth called for an extension of the project period for four more weeks and cost was to be agreed after a thorough valuation. Wartsila Oy was allowed to continue with the excavation without actual cost payable to them had been established and agreed. Until when the audit team left the scene, Tanesco and Wartsila had not yet agreed the cost for excavation despite the fact that the excavation exercise had been completed.

Another change order in addition to excavation was in respect of a New 220 KV, a bar protection system (DP/CPE/EPC – 100MW dated 22/02/07) which cost the company € 123,650.

During the year 2007, Tanesco procured a motor vehicle from Diamond Motors Ltd on single source basis following a 2005 TB approval (29 November 2005). The payment of Tshs. 33,346,485 was done to Diamond Motors on 16th April 2007. Tanesco did not give clear reasons as to why it had to take more than a year after the decision had been done for the car to be finally bought and paid for. The example indicates laxity in project management and execution.

4.2.11 Handling of complaints/protests

Tanesco does not keep a complaints log or any other form of complaints register; as a consequence it was difficult for the audit team to establish whether there were any complaints related to procurement, contract or performance processes during the year under review. None of the interviews that we had with procurement staff at the organisation indicated any evidence of protests raised against the organisation's tendering procedures. As a result it has become difficult to establish the capacity of Tanesco in handling complaints/ protests.

4.2.12 Contract splitting

On the basis of the information that was made accessible to the audit team, there was no evidence to suggest tendency of contract splitting at the organisation which could have lead to contravention of Reg. 49 of Public Procurement (goods, works, non-consultant services and disposal of public assets by tender) of 2005.

4.2.13 Record keeping and reporting

The system of filing and record keeping at Tanesco is weak. For example, except for two tenders that had relatively been well compiled, none of the others reviewed had their respective records properly filed, with all the relevant information easily and readily identifiable. The two tender files that were found to be in a relatively good shape had been requested for review by several government agencies previously which contributed to their better shape.

There was no evidence to demonstrate that Tanesco notified PPRA on a consistence basis when awards were made at the entity. Regulation 21of the PPA2004 requires that "where an award of contract is made, the secretary to the tender board shall notify the

Authority[2] stating who has been awarded the contract, the contract amount and the date when the award was made".

Organisational reporting lines which portray independence between various organs within Tanesco were not satisfactorily observed. Requisitions and other procurement communications from user departments were made directly to TB through Secretary to the TB. Regulation 34(7e) of PPR2005 for goods, works etc requires the Chief Executive Officer not to delegate to a sub-division of the procuring entity functions of the PMU such as preparation of reports required for submission to the TB or Chief Executive Officer. Whereas there is no evidence to show that such delegation has been made, it is a common practice at the entity for user departments to communicate directly to the TB.

Reg.40 (5) of PPR2005 for goods, works, etc requires that after tenders have been received and evaluated the PMU should furnish to the TB, in sufficient time for its review, a detailed report, on the evaluation and comparison of the tenders received, together with the recommendations for award and such information as the TB shall reasonably request – the practice at the Tanesco is for the user department/unit to inform the TB through its secretary of the evaluation results. The PMU staff that we interviewed did not feel happy with the practice and they said that they had tried to put a stop to the practice but have been ignored.

Users most often would recommend to TB procurement procedures to be followed for particular tenders, according to the law however, this is a PMU job as per PPA 35 (g).

There was no evidence that the PMU did prepare monthly reports to the TB as per PPA 35 (0). During the interviews with some PMU staff, it appeared as though they were not aware of such a requirement. This is yet another reason for the need to train and provide more awareness to PMU staff about various procedures of the procurement law and regulations.

4.3 Purchase of M/Vehicles and Computers

The terms o reference required the audit team to review the procedures that Tanesco follows when procuring M/vehicles or computers and in particular whether they get specifications from PPRA. There was no M/Vehicle procured during 2006 however, Tanesco is not aware of the requirement that they should be getting M/vehicle specifications from PPRA. They are also not aware that they need to get specifications from PPRA every time they want to procure computers and related tools.

Tanesco PMU staff as well as Head of Supplies and Transport stated that they were not aware that they had to get specifications from PPRA whenever they wished to procure either Motor Vehicles or computers and related equipments. Indeed, none of the reviewed procurements indicated that such a requirement is complied to. It is understood that Reg. 60(2) of PPR2005 for goods, works, etc requires the ministry responsible for matters related to computers and other related information technology services to prepare detailed and acceptable schedule of requirements and specifications and make it available to PPRA for use by the procuring entities when procuring ICT related items. In the procurement of computers, PC/034/2006, specifications for computers were not sought from PPRA. Reg. 30 (2) of PPR2005 states that the PPRA should liaise with the

[2] The Authority in this regard is the PPRA

ministry responsible for matters related to electrical, machinery and mechanical engineering to produce standard specification documents for use by the procuring entities. Both of these two sections indicate that procuring entities are expected to get the specifications from PPRA.

In addition to not getting specifications from PPRA, in Case 11 below, the proposal for urgency procurement was done by user departments on 20th July 2006 and approved by TB 25th July 2006. Although the main reason that was urgency need for the computer equipments, the delivery was done six months later, on 16th February 2007.

Case 11: Purchase of equipments and printers

PC/LP/199/06-PURCHASE OF COMPUTERS AND PRINTERS
Request of procurement from Director of Information System (DIS) with Ref No. DIS/GEN/19 dated 20th July 2006 to the Chairman of Tender Board.
The letter partly read "Coast Region (Tanesco) was officially established in December 2005. Among other things, the Regional Manager was required to establish a fully operating office since then. As preparation of the office are in the last stage, the Regional office will require the above mentioned computers and its accessories for use in the billing system, prepayment system and other business supporting system (e.g Accounting, Materials Management and other Administrative work) for the region. The equipments are required on urgency basis and we kindly request the Tender Board to approve Selective Tendering."

4.4 Issues noted in Quotations

At Tanesco, issues of quotations are not handled under PMU but under the purchases department. It is being proposed in this report that all issues related to procurement processes should be brought under PMU. It will be good if the re-establishment of PMU at Tanesco takes into account the need to merge purchases functions into PMU in line with the law. The merging would allow the functioning of all procurement issues under one roof.

4.5 Prices and payment for goods, works and services

The assessment on pricing has been complicated with the fact that payment data for a list of sampled suppliers they had randomly picked was not easily and readily availed. Furthermore, contracts for some of the tenders were also not available; as a consequence, it could not be ascertained as to whether suppliers were promptly paid or not.

4.6 Revenue and cost of administering procurement processes

During 2006, Tanesco collected the equivalent of Tshs. 63,430,000 from sale of tender documents to bidders. On average, one bid document is sold at Tshs. 100,000.

The cost of administering a procurement process is normally divided into advertisement cost, allowances payable to evaluation team members and those payable to TB members. Tanesco normally pays each member of the TB Tshs. 100,000 per TB meeting. It also pays Tshs. 25,000 to each evaluation committee member for each tender that is being evaluated. During 2006, Tanesco spent a total of Tshs. 103,425,000 as allowances payable in various stages of tender management process of which Tshs.

8,725,000 was paid to evaluation committee members and Tshs. 94,700,000 was paid as sitting allowances to TB members during tender board meetings. Table 3 below provides a breakdown of the cost. During the same year, 2006, Tanesco TB met 95 times to deliberate on various procurement issues.

The cost incurred by Tanesco to publish tenders was difficult to realistically establish as there was no systematic way of tracking the information. However, it was estimated that about 70% of Tanesco publication cost would go to procurement related advertisements. The total cost of publication for the year 2006 was Tshs 505,255,087; making the cost of publishing procurement related information about Tshs. 353,678,561.

Table 4: Tanesco procurement processing cost during 2006

Month	Tender Board Allowances	Evaluation Committee Allowances	Tender Board Meetings during the month
January	8,500,000	575,000	8
February	8,800,000	600,000	13
March	12,500,000	875,000	12
April	8,500,000	325,000	7
May	3,900,000	525,000	5
June	7,200,000	450,000	3
July	6,200,000	825,000	9
August	6,200,000	875,000	6
September	9,400,000	1,250,000	8
October	10,200,000	725,000	11
November	8,800,000	1,100,000	8
December	4,500,000	600,000	5
Total	**94,700,000**	**8,725,000**	**95**

Source: Tanesco Staff Debtors Section

Information necessary to determine the cost incurred to prepare bid documents was not readily made available to the procurement auditors.

4.7 Tanesco Performance indicators table[3]

The table below presents Procurement Performance Scores of Tanesco by using indicators for monitoring procurement activities prepared by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). Due to lack of reliable data, the table has not been fully completed but it is believed, as the record keeping situation at Tanesco gets better more and more indicators could be scored and an inter-entity comparison could be feasible.

SN	*INDICATOR*	*Category*	*Score*
1	***Tender advertisements***	*Overall*	*29%*
	This indicator measures the percentage of	*Goods*	*33%*

[3] Procurement performance of Tanesco by using indicators for monitoring procurement activities prepared by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and the indicators are contained in OECD Round Table Report which PPRA have adapted for use. N/A in the table stands for Not Available or Not Applicable

SN	INDICATOR	Category	Score
	tenders the procuring entity advertised to bidders through different media out of all procurements made.	*Works*	*33%*
		Consultancy	*0%*
2	***Advertisement of tender results***	*Overall*	*0%*
	This indicator measures the percentage of tender results which were advertised by the procuring entities to bidders through different media.	*Goods*	*0%*
		Works	*0%*
		Consultancy	*0%*
3	***Time for preparation of bids (days)***	*Overall*	*25*
	This Indicator measures the average time from tender advertisement to the deadline for submission of tenders.	*Goods*	*25*
		Works	*N/A*
		Consultancy	*N/A*
4	***Bidders participation in the tender***	*Overall*	*17*
	This indicator measures the average number of bidders participating in every tender advertised by the procuring entity (those who bought bid document).	*Goods*	*19*
		Works	*7*
		Consultancy	*N/A*
5	***Responsive tenders***	*Overall*	*4*
	This indicator measures the average number of tenders which complied with the requirements of the tendering documents.	*Goods*	*4*
		Works	*3*
		Consultancy	*3*
6	***Procurement method***	*Overall*	*47%*
	This indicator measures the percentage of procurements where procurement methods as stipulated in PPA 2004 and its Regulations were used.	*Goods*	*50%*
		Works	*67%*
		Consultancy	*50%*
7	***Time for processing submitted tenders (days)***	*Overall*	*84*
	This indicator measures the average time from tender opening to the contract award.	*Goods*	*91*
		Works	*121*
		Consultancy	*39*
8	***Rejection of tenders***	*Overall*	*24%*
	This indicator measures the percentage of rejected tenders before the tender award, or declared null and void	*Goods*	*17%*
		Works	*33%*
		Consultancy	*50%*
9	***Bidders complaints resolution***	*Overall*	*N/A*
	This indicator measures the percentage of tenders with complaints that after the review the results were changed or modified.	*Goods*	*N/A*
		Works	*N/A*
		Consultancy	*N/A*
10	***Contract variations and time extension***	*Overall*	*8%*
			N/A
	This indicator measures the percentage of the additional price or time in contract implementation.	*Goods*	*8%*
			4months
		Works	*N/A*
			N/A
		Consultancy	*N/A*
			N/A
11	***Dispute resolutions***	*Overall*	*N/A*
	This indicator measures the percentage of contract whose disputes were not resolved.	*Goods*	*N/A*
		Works	*N/A*
		Consultancy	*N/A*
12	***Contract Implementation***	*Overall*	*N/A*

SN	INDICATOR	Category	Score
	This indicator measures the percentage of contracts which have been implemented as per contract documents, resulting in full and acceptable performance	*Goods* *Works* *Consultancy*	*N/A* *N/A* *N/A*
13	***Late payments***	*Overall*	*N/A*
	This indicator measures the percentage of contracts whose payments were delayed contrary to contract agreement.	*Goods* *Works* *Consultancy*	*N/A* *N/A* *N/A*
14	***Incomplete records***	*Overall*	*100%*
	The indicator measures percentage of contracts/tenders found without or with incomplete records	*Goods* *Works* *Consultancy*	*100%* *100%* *100%*
15	***Margin of Preference***	*Overall*	*N/A*
	The indicator measures percentage of tenders in which the margin of preference was applied.	*Goods* *Works* *Consultancy*	*N/A* *N/A* *N/A*
16	***Exclusive Preference***	*Overall*	*N/A*
	The indicator measures percentage of tenders which are eligible for exclusive preference but the provision was not applied.	*Goods* *Works* *Consultancy*	*N/A* *N/A* *N/A*
17	***Complaints processing period***	*Overall*	*N/A*
	The indicator measures percentage of complaints processed within the time limit.	*Goods* *Works* *Consultancy*	*N/A* *N/A* *N/A*

4.8 Recommendations for improvements

We provide below here our general opinions for bringing about improved procurement management system at Tanesco. Specific recommendations are implied in the relevant provisions of the procurement law and its regulations to which all those involved at any stage of the procurement life cycle are required to adhere to.

We recommend that:

General:

- PPRA work closely with Tanesco management to make sure that a proper PMU structure is designed and implemented as soon as possible. Proper implementation of PMU at the Tanesco will help the organisation address most of its procurement challenges. The new structure of the organisation should make it clear that PMU reports directly to the Managing Director.

- PPRA and Tanesco should explore options for using procurement agents especially in high value and complex procurements until such time when procurement capacity within Tanesco has been substantially developed and interference from higher government authorities have been mitigated.

- PPRA should review procurement thresholds applicable to Tanesco to address high value nature of most Tanesco procurements, especially in works and goods.

For PPRA:

- PPRA should facilitate training in procurement regulations for Board of Directors, Managing Director, members of TB and heads of all user departments especially on how the various groups are affected by the provisions of the procurement law and regulations and how to ensure there is regulatory compliance. PPRA should make it mandatory for newly appointed TB members to undergo induction course on procurement rules and regulations, preferably within one month following their appointment.

- PPRA should train procurement officers on how to prepare and use procurement plan and provide emphasis about the value of the tool for effective management of procurement processes. If properly implemented, procurement planning is likely to reduce rampant emergency procurement at the organisation.

- The central government through Tanesco parent ministry should be advised by PPRA to understand its limits in involvement in procurement process to reduce persistent interference in the procurement affairs of Tanesco.

- PPRA should prepare an internal audit procurement processes checklist and share it with the internal audit directorate at Tanesco. Procurement internal audit training could be organised to bring together internal auditors from other procuring entities, a forum that could be used to discuss various mechanisms for enhancing internal controls in organisations through a strong internal control procurement management system.

- PPRA should prepare reporting formats for all statutory reporting requirements in the public procurement law. The reporting formats should also be accompanied by a checklist of reports that PEs are expected to prepare periodically. PPRA should also guide PEs as to what kind of procurement processes entities should have approvals from the Authority. For example; PPRA should officially inform the entities that they are expected to get specifications from PPRA whenever they want to procure computers and motor vehicles.

For Tanesco:

- The new PMU should start seriously to improve procurement record keeping system. Options for computerising some of the procurement processes geared at improving record management and communications need to be explored. Tanesco and/or PPRA should in addition, arrange to provide training to all procurement officers on database management.

- Tanesco should inform PPRA every time they use uncompetitive procurement methods and exceed allowable thresholds in the procurement regulations.

- PMU should quickly start preparing and submitting monthly procurement progress reports to the TB.

- Tanesco should increase its level of transparency in the procurement processes e.g. publish contract awards, inform unsuccessful bidders about contract awards, and reduce use of procurement methods which are not promoting competitiveness as recommended in the procurement act.

5 ANNEXES

Annex 1: Summary of findings in individual tenders sampled

SN	Tender	Summary of issues in the tender
1	*PC/10/2006 for Emergency Power Supply from rental Gas Based Generating Plant of 100MW*	• *Procurement plan was not prepared for the tender – tender treated as emergency procurement but advertised internationally* • *There was no cost estimates for the bid* • *The cost of administering the tender process was not adequately documented* • *No evidence that tender notices and bid documents were approved by the tender board* • *26 companies bought the tender documents but only 8 tendered* • *Bid opening was initially 13.03.2006 but was later extended to 20.03.2006 on request from some of the bidders* • *Time lapse between bid opening to contract award, 95 days* • *Bid validity was up to 19 May 2006, 60 days from the bid submission day* • *There was no request to extend bid validity, contract was signed 23 June 2006 – 35days after bid valid deadline* • *Evaluation team was not appointed by CEO but by TB* • *Personal covenant forms/bid declaration forms were not signed by evaluation personnel* • *12 members were appointed by the TB to carry out evaluation for the submitted tenders* • *The bid evaluation process was not done strictly following the criteria that were stated in the bid documents e.g. bid security requirement was waived, revision of weighted scores to 60% technical and 40% commercial. The evaluation was to be redone with the second one with substantial flexing of the evaluation criteria* • *Tender Board does not act very independently, several interferences from the Tanesco Board of Directors* • *Tanesco cancelled the tender since all the 8 firms were not responsible to the terms of reference and the government was already interfering with the procedures* • *Ministry of Energy and Minerals recalled bid documents submitted by all the 8 bidders from Tanesco so that it processed them itself – the process which eventually came up with Richmond Development Company LLC. The Tanesco*

SN	Tender	Summary of issues in the tender
		evaluation process, before it was abandoned, had indicated Renco SPA of Italy and Real Energy of UK as more relatively responsive to the bid requirements than Richmond Development Company LLC respectively. • *Negotiations with Richmond was carried out under a Government Negotiation Team, which was appointed by the ministry* • *Tanesco Board was ordered by the Ministry of Energy and Minerals to sign the contract despite Tanesco initial resistance especially after the process that brought the winner was handled outside Tanesco procurement process* • *Contract between Tanesco and Richmond Development Company was signed in strange circumstances, at night and at the ministry of Minerals and Energy with some contractual issues protecting the client having been ignored as there was no room for Tanesco to review the draft contract (the Company Secretary does not know who drafted the contract) e.g. No performance bond, etc. the power rental agreement is for two years at $0.0499/kwh of 100MW i.e. the capacity price is 34.60565 US$ per KW per month, calculated as, 0.0499 (US$/kWh)x24(hrs)x365(days) x 95% (availability factor)/ month* • *Contract between RDC and Tanesco did not provide for re-assignment of the contract to Dowans but subcontracting arrangement however political influence forced Tanesco to waiver from principles of the contract* • *Indemnification agreement was reached requiring Dowans Holdings SA to take all liabilities of Richmond Development Company LLC* • *Since Richmond failed to honour the agreement, liquidated damages started to apply beginning 2nd February 2007 at US$ 10,000 per day, the official commercial operating date (150 days since the letter of Credit was issued). There is no agreement between the parties as to how the amount would be claimed from Dowans Holdings.* • *Performance guarantee was withdrawn from the requirements list by the Government during the negotiation period with Richmond Development Company LLC against Tanesco wishes of having it stay.* • *Advance payment of US$ 15million has already been paid to Dowans and all the plants to generate*

SN	Tender	Summary of issues in the tender
		100MW have already arrived and are now in the process of being installed at Ubungo. • *There are proposals now that the power plants be sold to the Government after the 2 year lease period*
2	*PC/001/2006 for the Supply of Fuel and Lubricants for Power Stations and Motor Vehicles*	• *There was no procurement plan for the tender* • *There was no cost estimates for the bid* • *There is no evidence that a general procurement notice was issued in this tender* • *No evidence that tender notice was approved by the Tender Board* • *Personal covenant forms were not signed by evaluation team members* • *BP and TOTAL submitted most competitive proposals and were recommended for contract award of BP (Tshs. 10,360,588,552.95) and TOTAL (Tshs. 18,072,167,445.38)* • *Tender Board (minutes of 04.07.2006 – 326/TB/7/06) resolved to cancel the tender on the grounds that the GoT had changed fuel tax structure which would have affected the pricing of the tenders. Also, TOTAL, one of the awarded firms for the supply of fuel and lubricants had not performed well in the previous contracts*
3	*PC/002/2006 for Supply of Fuel and Lubricants for Thermal Power Stations and Motor Vehicles*	• *Procurement method applied was selective tendering whereby 8 firms that had applied in the previous cancelled tender were invited (PC/001/2006)* • *There was no cost estimate for the bid* • *Approval for selective tendering was requested and granted by the TB* • *The cost of administering the tender process was not adequately documented* • *There is no evidence that the TB approved tender documents* • *There was no clarification meeting held about the tender* • *4 of the 8 firms invited did submit their bids, there was no evidence that late bidders were rejected or otherwise as there was no tender opening minutes* • *Evaluation team was not appointed by CEO but by TB* • *Evaluation team did not sign covenant/ personal declaration forms* • *Some of the evaluation team members did not sign evaluation reports* • *Bid submitted by Ms BP Tanzania Ltd did not have copies of business licence and VAT registration, however the evaluation committee decided to*

SN	Tender	Summary of issues in the tender
		retrieve the documents from the previous submission by BP (PC/001/2006) • *Time lapse between bid opening to contract award, 173 days* • *Ms Total Tanzania Ltd was the lowest priced bidder for the supply to some of the power stations but was not recommended because they had performed poorly in the previous contract with Tanesco; however, on the basis of the evaluation criteria prepared by Tanesco they performed well. TB in its meeting of 21.07.2006 resolved to award them contract for the supply of fuel only for those bids were no other company had applied and for motor cycles to be awarded if they are the lowest evaluated – this is a clear breach of procurement rules, Tanesco should instead have put a criteria which leads to elimination of companies performing poorly in its previous contracts.* • *Of the four contracts awarded, there were only 2 copies of contract negotiations; one for TOTAL and the other for GBP. The contract negotiation minutes for BP and Engen were not made accessible.* • *There were no execution documents or reprots for evaluating implementation of the four contracts to GBP, TOTAL, Engen and BP*
4	*PC/LP/119/2006 Consultancy Services for Ubungo Expansion Refinancing*	• *There was no procurement plan* • *There was no cost estimates/ budget for the bid; in general, Tanesco does not prepare budgets for bids* • *Single source procurement method was approved by the TB and applied* • *The cost of administering the tender process was not adequately documented* • *10 days between issuance of tender and submission deadline* • *Evaluation team was not appointed by CEO but by TB* • *Bid declaration forms not signed by evaluation team members* • *Minutes of contract negations were prepared and approved by tender board* • *Contract signed with Fieldstones Africa Pty of RSA for US $ 199,750; date of contract signing 18.07.2006; 40days from bid opening to contract signing* • *No evidence that copy of contract was sent PPRA* • *No evidence of protest raised directly against the tender,*

SN	Tender	Summary of issues in the tender
		• *Time lapse between bid opening to contract award, 39 days* • *Contract was cancelled on 29.03.2006 by the new Tanesco CEO stating in the cancellation letter that Tanesco will be ready to meet any contract related encumbrances*
5	*PC/LP/191/2006 for the Statutory Audit of Tanesco for the Financial Year 2006*	• *No procurement plan* • *Requisition from the user departments sent directly to TB instead of PMU* • *Tender cost estimates were not prepared* • *The cost of administering the tender process was not adequately documented* • *Selective tendering was used whereby a few reputable firms listed under the National Audit Office (NAO) were invited to submit a proposal, NAO approved the shortlist* • *Only 3 of the 5 invited audit firms submitted their proposals i.e. PwC, KPMG and Deloitte& Touché* • *Evaluation team on this tender was not appointed by CEO but by TB* • *Personal covenant forms/ declaration forms were not filled by evaluation team members* • *Evaluation criteria were twisted during the evaluation exercise* • *PwC scored the best technical scores and financially were the cheapest; they were recommended for the award of the contract* • *NAO changed her mind via letter of 30.10.2006 and decided she was now going to carry out the audit herself. The law gives NAO right to carry out statutory audits of all public institutions* • *In a letter to Tanesco (DB.36/487/01) of 2nd May 2007, NAO informed the management of Tanesco that NAO was working jointly with PricewaterhouseCoopers to conduct the audit; PricewaterhouseCoopers is a firm that Tanesco had initially picked to carry out the audit for 2006 financial year.* • *No evidence that unsuccessful consultants were notified that their proposals lost or that the tender under Tanesco had been cancelled*
6	*PC/LP/276/2006 Supply of fuel to Mwanza 40MW Rental Plant at Nyakato Power Station*	• *No procurement plan for the year 2006* • *Personal covenant forms were not signed* • *Evaluation team appointed by TB instead of CEO* • *Approval was done by TB for **single sourcing**, however, threshold allowed under the law was exceeded* • *Contract amounting to USD 16,016,520 issued for a two months supply order*

SN	Tender	Summary of issues in the tender
		• *Copy of the contract was not sent to PPRA as required* • *No performance guarantee submitted by GBP to Tanesco* • *Contract signed on different days, GBP signed on 27th November 2006 while TANESCO signed on 7th December 2006* • *Time lapse between bid opening to contract award, 48 days*
7	*PC/LP/121/06 for the Supply of O/H conductors and LV Service Cables*	• *No procurement plan for 2006 Financial year* • *Evaluation team appointed by TB instead of CEO* • *Personal covenant forms not signed by evaluation team members* • ***Single Sourcing** as proposed by user from M/s East African Cables Ltd approved by TB; justification was President speech* • *Bid security in the Bidding Document requires 2.5% but Bidder did not submit bid security, Tender Board advised to waive it because no withdrawal expected* • *Single source threshold under Third Schedule of 2005 Regulations exceeded.* • *No contract prepared instead, LPO N0. 200002399 for USD 1,367,406 dated 19th July 2006* • *Time lapse between bid opening to contract award, 92 days* • *Execution time was agreed to be within 90 days, observed up to 17th April 2007 delivery was still in progress – up to the day of the review 272 days had gone without complete delivery of the goods*
8	*PC/LP/144/06 for the Supply of Tyres, C/W Tubes and Flaps*	• *No procurement plan noted for 2006* • *Restrictive Tendering was requested by user and approved by TB* • *The contract was award to M/s SuperDoll Trailer Manufacturing at Tshs 142,546,170 and M/s Diamond Motors Tshs 31,725,000* • *Tender rejected due to price increase* • *No Bid security required in the Bidding Document and therefore bidders easily pulled out* • *Time lapse between bid opening to contract award, 92days*
9	*PC/007/2006 for Construction of 15MVA – 33/11KV at Tanzania Oxygen Sub-station*	• *No procurement plan was prepared* • *ICB method was used* • *Selection of Evaluation Committee done by Chairman of Tender Board* • *There was no evidence that evaluation team members signed personal covenant forms* • *Evaluation process was coordinated by user*

SN	Tender	Summary of issues in the tender
		department on request by Secretary to the Tender Board • *Evaluation report submitted on 14th September, 2006 but it is dated 6th of July, 2006* • *No Standard Bidding Document issued, the user department prepared a Bidding Document using own old document* • *Contract was awarded to M/s China National Electric Wire and Cable Imp/ Exp Corporation for USD 963,632 and contract was signed on 1st March 2007 to M/s China National Electric Wire and Cable Imp/Exp Corporation.* • *Time lapse between bid opening to contract award, 153 days*
10	*PC/LP/006B/2005 for Supply of Staff Uniforms*	• *No procurement plan was prepared* • ***Restricted Tender** to six bidders* • *Evaluation team not appointed by CEO* • *Evaluation team did not sign personal covenant forms* • *Approval to issue invitation notice was granted by Tender Board on 7th February 2006. Actual invitation effected on 25th May, 2006 – more than two months later.* • *Enough time for Competitive Tendering but TANESCO opted for Restrictive Tendering Process.* • *Only one company namely M/s Micky Garment and Manufacturing Company submitted bid.* • *Sample submitted differs with Tender Document requirement.* • *M/s Micky Garment and Manufacturing Company awarded with Tshs 73,656,000.00* • *No contract traced, but only LP0 No. 2000002679-1 dated 1st December,2006 seen* • *Uniforms were received on 16th February 2007; tender opened 9th June 2006; which challenges the reasoning behind restricted tendering on the basis of urgency.* • *Time lapse between bid opening to contract award, 125 days*
11	*PC/LP/385/06 for Fuel Tank Erection works at Nyakato project*	• *No procurement plan was prepared* • *Personal covenant forms were not signed by evaluation team members* • *Evaluation team was not appointed by CEO* • *Request for procurement from the user insisted on **Direct Contracting*** • *No Bid Security mentioned in the Bidding Document*

SN	Tender	Summary of issues in the tender
		• *TANESCO estimated the cost of erection work of Fuel Tank to Tshs 42,000,000 but the single sourced bidder quoted USD 115,000* • *Noted that TANESCO has a tank for storage capacity of 480,000 at Nyakato Mwanza which is close to two days storage demand* • *Notification of cancellation of the tender seen though effected beyond bid validity period.*
12	*PC/LP/290/05 for the of KIUTA business System Cash receipt*	• *No procurement plan* • *Evaluation team not appointed by CEO but by TB* • *Personal covenant forms were not signed by evaluation team members* • *Evaluation report was not signed by the evaluation team members* • ***Single sourcing** method used in procurement* • *Contract negotiation not undertaken* • *No contract signed under this tender, LPO was issued and executed on 24th March 2006 to M/s National Printing Company Ltd* • *Time lapse between bid opening to contract award, 30 days*
13	*PC/LP/069/06 for the Supply of 5,100 bags of cement*	• *Procurement plan was not prepared* • ***Restricted Tendering** process was proposed by Acting Secretary of Tender Board, who is not member of PMU* • *Six companies were notified directly* • *No evidence of that Restrictive Tendering method request was tabled in Tender Board meeting.* • *The restricted companies did not buy the Bidding Document.* • *Deadline date not specified anywhere* • *M/s Pentagon awarded a contract at Tshs 71,280,000* • *No contract was signed instead LPO was issued, as a result, there are no delivery terms agreed* • *By the time KIC auditors left Tanesco, only 200 bags had been delivered and no body is sure when the final consignment is expected* • *Time lapse between bid opening to contract award, 94 days*
14	*PC/LP/199/06 for the Purchase of 21 Personal Computers, 21 uninterruptible Power Supply, 4 dot-matrix Printers, 8*	• *No procurement plan prepared* • *Director of Information System requested Restricted Tendering process instead of PMU; it is not the responsibility of the user department to specify the procurement method for speeding the procurement process. The reason that was provided for restrictive tendering was urgency requirement of the ICT equipments*

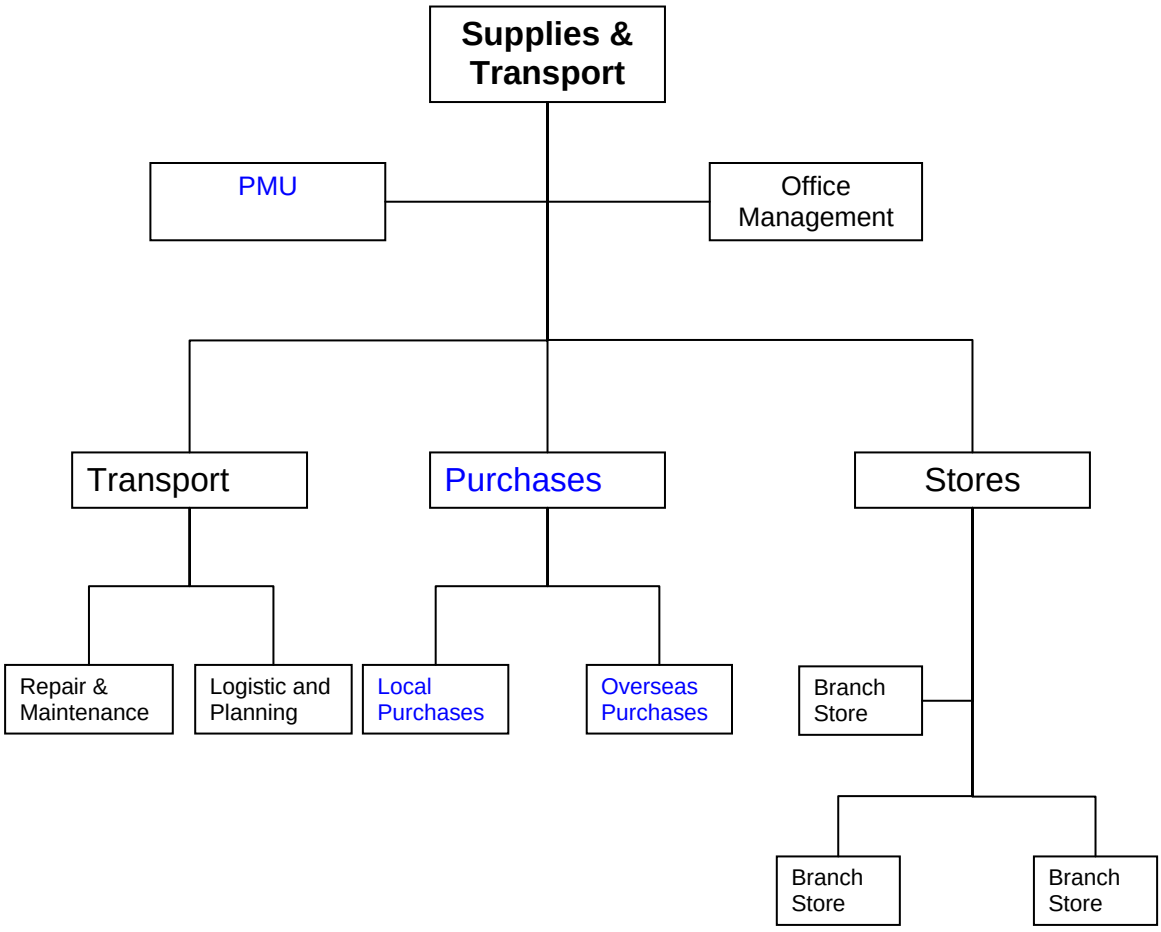
SN	Tender	Summary of issues in the tender
	LaserJet Printers and 1 Generic Printer	• *Tanesco did not get and use specifications from PPRA as required. Tanesco contend that they do not know that they are required to get the bid docs from PPRA.* • *Six companies were supplied with Bidding Documents, only three submitted their quotations.* • *Contract signed in different dates, Bidder signed on 18th October 2006 whilst TANESCO signed on 30th October 2006.* • *Contract executed on 16th February,2007* • *Time lapse between bid opening to contract award, 33 days* • *No copy of contract sent to PPRA regarding this tender*
15	*PC/034/2006 for Supply of One part Computer Stationery, computers, Smart UPS, Desktop Printers, Swipe Card reader/writer*	• *No Procurement Plan* • *Evaluation team not appointed by CEO but TB* • *Contract signed after Bid Validity period; bid security expired on 28th February 2007 and contract signed on 07th March 2007 (SoftTech), 21st March 2007 (Darworth).* • *Some bidders were dropped by mistake during preliminary evaluation stage* • *Re- evaluation report recommended M/s Soft-tech Tshs 150,976,962.00 for two lots and Darworth Tshs 20,000,520 instead of Tshs 98,192,380 initially awarded to Computer Connections ltd.* • *Goods delivered on 27th April,2007* • *Time lapse between bid opening to contract award, 115 days*
16	*PC/009/2006 for Procurement of Gas based Power Generating Plant of 100MW at Ubungo*	• *No procurement plan* • *ICB but advertised with Ministry of Energy and Minerals instruction of ten days bidding time.* • *Alternative bids were issued after cancellation of the first bid, reason given was to have all 100MW at Ubungo instead of the previous proposal of 40MW at Ilala and 60MW at Ubungo* • *Readout price-Wartsila Oy USD 73,913,375 Renco SPA USD 69,911,455* • *Evaluation team members appointed by TB, members did not sign personal covenant forms* • *Adjustment for heat rate effected on the evaluation report of the Alternative bids to Renco SPA for 15 years but there was no adjustment applied to other bidders. The applied rate was USD 25million. This contravenes Section 67(1) of PPA 2004. Moreover the criteria were to assess the heat rate for the first year and not for 15 years.* • *Scope of work as far as Workshop building is concerned dictated by the bidder M/s Wartsila Oy*

SN	Tender	Summary of issues in the tender
		contradicting the Bidding Document • *Soil investigation revealed need for extra works, which called for extension of 4 weeks of completion. Although the work has already been carried out by Wartsila, the cost for the services has not been agreed between the two parties.* • *Contract was awarded to M/s Wartsila Oy at €57,550,000 after contract negotiation, this cost excludes cost for workshop and storage building, land enforcement and a New 220 KV for bar protection system* • *New 220 KV has – bar protection system cost $123,000* • *There is no evidence that bidders that lost the bid were communicated to* • *Time lapse between bid opening to contract award, 99 days*
17	*OP/38/006 Supply and Installation of Maintenance Workshop for Ubungo 100MW Plant Power Generation*	• *Procurement plan was not prepared* • *Evaluation team not appointed by CEO but TB* • *Noted Workshop and Store buildings were part of the requirement of Tender No. PC/009/2006. Management made a request to Board of Directors without revealing the fact that PC/09/2006 required building of workshop.* • *Request for **Single Sourcing** to Board of Directors through paper No. 2490, request was approved by the Board of Directors* • *Amount asked for single sourcing exceed threshold set by PPRA i.e. Tshs. 800,000,000* • *Bid security not submitted by bidder, instead asked for the use of security of PC/009/2006. The said security expired on 11th July 2006* • *The tender now has been changed to Change Order number 3 of the tender PC/009/2006 awarded to Wartsila Oy. It is not clear as to why the handling of the installation of a workshop has been changing faces from the beginning of the award of PC/009/2006* • *Time lapse between bid opening to contract award, 89 days*

Annex 2: List of people met at Tanesco

SN	Name of staff	Position
1	Mrs. Subira Elizabeth Wandiba	General Manager – Support Services
2	Mr. Godson Ezekiel Makia	Company Secretary
3	Mr. Albogast L.P. Chami	Manager - Procurement
4	Mr. Nicolas Obuya Suke	Secretary to Tender Board
5	Ms. Rehema Makweta	Supplies Officer
6	Eng. Wangwe Magige Mwita	Procurement Engineer
7	Ms. Zainab Ally Darani	Principal Supplies Officer
8	Mr. Ambokile Enock Swilla	Supplies Officer
9	Eng. Jililima	Project Engineer
10	Mr. Masota	Supplies Officer
11	Mr. Sproza Masaburi	Supplies Officer
12	Mrs. Anita Francis Chengula	Director of Finance
13	Mr. Ben Mushi	Director of Internal Audit
14	Mr. Simon Simpilu	Head of Human Resources
15	Eng. Emmanuel Manirabona	Senior Electrical Engineer- Projects
16	Felista Rhoda Mwasajone	Admin Assistant – bids register

Annex 3: Supplies and Transport Departmental Chart



It is recommended in this report that the highlighted blue boxes above be merged into one to form a new PMU which should then report directly to the Tanesco managing Director.

Annex 4: Procurement Staff qualifications

Name of staff	Qualifications	Remarks
Nicolaus Suke	• *Currently pursuing MBA evening classes* • *Advanced Diploma in Materials Management* • *CSP* • *20 years supplies and procurement working experience with Tanesco*	• *Has NO letter of appointment to PMU* • *Appointed Secretary to the Tender Board* • *Trained in PPA04 and Regulations 2005*
Rehema Makweta	• *Advanced Diploma in Materials Management* • *CSP* • *Procurement officer – Tanesco since May 2006* • *Supplies officer – Tanesco since 1996*	• *Trained in PPA04 and Regulations 2005* • *Has letter of appointment to PMU, on temporal basis*
Manda Steven Shauri Ammi	• *BSc. Engineering* • *Procurement engineer – Tanesco since October 2006 to date* • *Station engineer – Tanesco Nov. 1999 – August 2006*	• *Has NOT been trained in PPA04 and Regulations 2005*
Wangwe Magige Mwita	• *BSc. Civil Engineering* • *Procurement engineer - employed Tanesco since 1994* • *Has attended several training on procurement and is widely exposed on procurement issues*	• *Trained in PPA04 and Regulations 2005* • *Has letter of appointment to PMU, on temporal basis*
Zainab Ally Darani	• *Advanced Diploma in Materials Management* • *CSP* • *Ag. Principal Supplies Officer – since March 2006* • *14 years as a supplies officer within Tanesco*	• *Trained in PPA04 and Regulations 2005* • *Has letter of appointment to PMU, on temporal basis*
Ambokile Enock Swilla	• *Advanced Diploma in Materials Management* • *CSP* • *Employed by Tanesco since 1991 as supplies officer*	• *Trained in PPA04 and Regulations 2005* • *Has letter of appointment to PMU*
Jason Katule	• *MSc. Hydropower Development* • *BSc. Civil Engineering* • *Over 14 years at Tanesco in project management, contract administration, and since 2007, procurement engineer*	• *Has been trained in PPA04 and Regulations 2005* • *Has No letter of appointment to PMU*
J.M.	• *Advanced Diploma in Materials*	• *No information*

Name of staff	Qualifications	Remarks
Mwalilino Albogast Lelo Chami	*Management* • *CSP* • *MBA, BA Economics* • *CIPS* • *Procurement Manager –heads local and overseas purchases department* • *Over 20 years supplies professional experience at Tanesco*	*provided* • *Has NOT been appointed member of the PMU*

Annex 5: Volume of Procurements at Tanesco during 2006

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
1	N/A	Emergency moving of 45MVA transformer at the working area- Ubungo Power Station	Single Sourcing	Works	USD:12,000	
2	N/A	Clearance and Installation facilitation of 45/90MVA transformer and accessories EX-India	Single Sourcing	Works	TZS:33,795,300.00	
3	PC/001/2006	Supply of industrial diesel oil and gas oil for both Power stations and motor vehicles	Public	Goods	NA	Cancelled refer PC/PMU/002/2006
4	PC/007/2006	Construction of 15MVA, 33/11kV Substation at Tanzania Oxygen	Public	Turnkey project	TZS: 1,158,301,823.00	
5	PC/006B/2005	Supply of staff uniforms for year 2005/06	Restricted	Goods	TZS:73,656,000.00	
6	PC/LP/005/2006	Supply of low voltage current transformers	Restricted	Goods		
7	PC/LP/004/2006	supply of overhead conductor 150 mm2 ACSR dingo (bare)	Restricted	Goods	TZS:141,900,000.00	
8	PC/006/2006	Third Party agents for selling luku tokens	Public	Non Consultancy	NA	
9	OP/07/2006	Supply of emergency spares for ABC generating set at Songea Power Station	Single Sourcing	Goods	EUR:5,094.90	
10	PC/003/2006	Pre qualification of Contractors for supply of new and service of fire extinguishers	Public	Non-Consultancy services	N/A	
11	PC/004/2006	Pre qualification of Contractors for fumigation services	Public	Non-Consultancy services	N/A	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
12	PC/LP/290/2006	Supply of Kiuta Business System Cash receipts	Single Sourcing	Goods	TZS:17,550,000.00	
13	PC/LP/045/2006	Supply of tools and equipment for Load shedding exercise	Restricted	Goods	TZS:9,600,000	
14	PC/009/2006	Procurement of gas based emergency power generating plants of 100MW at Ubungo	Public	Turnkey project	TZS:91,366,925,000.00	
15	PC/010/2006	Proposed 100MW rental Power Supply Project	Public	Turnkey project		cancelled
16	PC/LP/065/2006	Construction of security fence at Kinyerezi Plot No.1 Block "D"	Restricted	Works	TZS:134,167,320.00	
17	N/A	Soil compaction works at Ilala Substation for installation of 45/90MVA, 132/33 kV transformer	Direct contracting	Works	TZS:30,222,585.60	
18	N/A	procurement of consultancy services for the 100MW emegency Power Plants to be installed at Ubungo and Ilala Power Station	Direct contracting	Consultancy	EUR:531,380	
19	PC/008/2006	prequalification for installation testing and commissioning of one 2500KVA Diesel generating set at Kigoma	Public	Turnkey project		
20	N/A	Consultancy services for geotechnical investigation and topographical survey for installation of emergency gas based 100MW generating plant	Single Sourcing	Consultancy	USD:90,385.39	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
21	PC/LP/075/2006	Purchase of 240mm2 copper conductor bare for Ilala sub station	Single Sourcing	Goods	TZS:8,640,000.00	
22	PC/LP/348/2006	Reconditioning of cylinder heads for Lindi Power Station and casting Trash Rack Rollers hale Hydro Plant	Restricted	Works	TZS:28,450,000.00	
23	OP/09/2006	Supply of 1.5million Luku magnetic tokens	Single Sourcing	Goods	USD:36,045.00	
24	N/A	Renting of former NBC Zonal offices on Block A Plot No.4 at Tumbi Kibaha for TANESCO Coast region offices	Direct contracting	Non-Consultancy services	TZS:66,371,400.00	
25	PC/LP/066/2006	Supply of two electronic boards (cards) for measuring generator/network voltage for Pangani Hydro Plant.	Restricted	Goods		
26	PC/LP/069/2005	Supply of 5,500 bags of cement for long service award for Dar es Salaam staff	Restricted	Goods	TZS:71,280,000	
27	OP/11/2006	Supply of h.v. ammeter and telescopic hot stick	Restricted	Goods	TZS:18,498,624.01	
28	PC/LP/074/2006	supply of office stationery	Restricted	Goods	TZS:60,650,000.00	
29	PC/LP/091/2006	supply of computer servers and smart ups	Restricted	Goods	TZS:67,151,250.00	
30	RFPNO.119/2006	Consultancy services for Ubungo expansion refinancing cost	Single Sourcing	Consultancy	USD:199,873.38	
31	PC/005/2006	Provision of health services to employees and their dependants for year 2006/2007	Public	Non Consultancy		

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
32	PC/LP/114/2006	Re construction of fencing wall between TANESCO and TANROAD compound at ubungo, Dar es salaam.	Restricted	Works	TZS:14,702,880.00	
33	N/A	Urgent repair of the caterpillar generating set at Mtwara	Single Sourcing	Works	TZS:10,538,492.00	
34	PC/LP/121/2006	supply of overhead conductors and LV services cables	Single Sourcing	Goods	TZS:1,768,630,268.52	
35	OP/10/2006	Supply of on load tape changer for masaki and sokoine Substations.		Goods		
36	OP/13/2006	Supply of operating mechanism type BLG1002A for Morogoro substation		Goods		
37	PC/LP/120/2006	Supply of 850 GCI iron sheets for long service award within Dar es Salaam	Restricted	Goods	TZS:14,637,000.00	
38	PC/013/2006	Prequalification of contractors for heavy equipment	Public	Non Consultancy		
39	OP/15/2006	Supply of filters elements for ABC generating set for Songea P/Station.	Single Sourcing			
40	PC/012/2006	Service of reconditioning electromechanical single and three phase meters	Public	Non Consultancy		
41	PC/LP/144/2006	Supply of tyres c/w tubes and flaps	Restricted	Goods	TZS:174,271,230.00	
42	PC/021/2006	Rural Electrification in Ukerewe and Simanjiro Districts	Public	Turnkey project	SEK:45,538,498.00	
43	N/A	Procurement of ACSR 150mm2 dingo conductors for Tegeta - Bagamoyo Project	Single Sourcing	Goods	TZS:366,360,000.00	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
44	PC/LP/191/2006	Appointment of auditor for year 2006 accounts	Public	Consultancy		Cancelled
45	PC/022/2006	prequalification of electrical contractors	Public	Non Consultancy		
46	PC/PMU/001/2006	Supply of Kiuta Business System Cash receipts	Single Sourcing	Goods	TZS:17,550,00.00	
47	PC/014/2006	Third party agents for selling LUKU coded tokens in Coast region	Public	Non-Consultancy services		
48	PC/015/2006	Third party agents for selling LUKU coded tokens in Ilala region	Public	Non-Consultancy services	N/A	
49	PC/016/2006	Third party agents for selling LUKU coded tokens in Kinondoni North	Public	Non-Consultancy services	N/A	
50	PC/017/2006	Third party agents for selling LUKU coded tokens in Kinondoni South	Public	Non-Consultancy services		
51	PC/018/2006	Third party agents for selling LUKU coded tokens in Temeke region	Public	Non-Consultancy services	NA	
52	PC/PMU/002/2006	procurement of fuel for thermal power stations and motor vehicles.	Restricted	Goods	TZS: 40,894,191,662.46	
53	PC/LP/174/2006	supply of 100v, 70sqmm 4core armored copper cable 200m	Restricted	Goods	TZS:14,400,000.00	
54	PC/LP/199/2006	Supply of computers and printers	Restricted	Goods	TZS:77,135,424.80	
55	PC/PMU/004/2006	Maintanance of on load tapchanger	Restricted			
56	PC/PMU/003/2006	Procurement of surge arrestors and earthing resistor	Restricted			

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
57	PC/PMU/009/2006	Consultancy services for 330kV transmission line from Iringa, Dodoma, Singida to Shinyanga	Restricted	Consultancy		
58	PC/LP/170/2006	Supply of furnitures for Coast region	Restricted	Goods	TZS:16,728,000.00	
59	N/A	Supply of auto CAD electrical 2007 full version	Single Sourcing	Goods	EUR:5520	
60	PC/LP/181/2006	Shifting of transformer electric panel and submarine cable	Restricted	Works	TZS:2,412,000.00	
61	PC/019/2006	Guarding TANESCO Premises and installations in various regions	Public	Non Consultancy		
62	OP/18/2006	Supply of leads for meter test benches at Kurasini meter workshop	Restricted			
63	PC/LP/179/2006	Procurement of poles for construction of 33Kv line from Tegeta to Kitopeni - Bagamoyo	Restricted	Goods		
64	PC/LP/032/2006	Supply of nickel cadmium batteries	Restricted	Goods	TZS:13,584,000	
65	PC/LP/182/2006	Procurement of onload tapchanger, earthing and voltage transformers	Restricted	Goods		
66	PC/LP/176/2006	Repair of 15MVA, 132/33Kv Transformer at Tabora	Restricted	Works		
67	PC/026/2006	Supply of nickel cadmium batteries for various stations	Public	Goods	TZS:698,188,920.00	
68	PC/LP/184/2006	Supply of lubricating oil for Songea and Masasi	Restricted	Goods		
69	PC/LP/206/2006	Re construction of existing cash office at Umeme Park building	Restricted	Works	TZS:12,378,240.00	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
70	PC/LP/201/2006	Procurement of call centre facility services	Single Sourcing	Non Consultancy		
71	PC/LP/200/2005	Purchase of nickel cadmium batteries for Liwale Kilwa masoko, and Lindi Power Stations	Restricted	Goods		refer PC/026/2006
72	OP/20/2006	Supply of updated software for CMC 156 omicron at protection workshop				
73	OP/024/2006	Procurement of emegency 40MW diesel powered generators				
74	PC/LP/211/2006	Procurement of server for capturing data for customer average interruption duration index and regional statistics	Restricted	Goods		Approved for Public tendering(refer PC/027/2006)
75	PC/023/2006	Electrification component fro supply and installation of 33Kv, distribution transformers and low voltage networks - Project 211	Public	Turnkey project		
76	PC/LP/269/2006	Renovation of Ilala control building	Restricted	Works		
77	PC/LP/238/2006	Supply of fuel for Ubungo and Mbeya P/Station	Restricted	Goods	USD:754,670.00	
78	PC/LP/239/2006	Supply of soft water for Ubungo Power Station	Restricted	Goods	TZS:10,400,000.00	
79	OP/25/2006	Emergency Supply of Power from Diesel based Generation Plant Mwanza	Restricted	Works	USD:21,900,000	
80	PC/024/2006	Supply, installation, testing and commissioning of diesel generators at Ludewa and Mbinga Districts	Public	Turnkey project	EUR:5,345,470.00	
81	PC/LP/302/2006	Power supply to Bugarama Ilogi Township	Restricted	Works	TZS:17,016,145.00	
82	PC/028/2006	Printing and supply of wall calendars and dairies for year 2007	Public	Goods	TZS:34,300,000.00	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
83	PC/LP/256/2006	Supply and servicing fire extinguishers in various TANESCO regions	Restricted	Non Consultancy		
84	PC/LP/257/2006	Procurement of fumigation services	Restricted	Non Consultancy		
85	PC/033/2006	Procurement of fuel storage tanks and civil works for electrification project at Ludewa & Mbinga.	Public	Works		
86	PC/034/2006	Supply of computers smart UPS desktop printers, one part computer stationery and swipe card reader/writer	Public	Goods	TZS:171,496,961.00	
87	PC/LP/277/2006	Supply of 1000V, 70mm2 x 4 core copper cable lugs	Restricted	Goods	TZS:11,748,000.00	
88	PC/031/2006	Supply of office stationery and computer consumables for year, 2007	Public	Goods		frame work contract
89	PC/032/2006	Printing company forms	Public	Goods	TZS:67,807,320.00	
90	PC/LP/221/2006	procurement of office furniture for Kurasini Central Stores	Restricted	Goods		
91	PC/LP/217/2006	Procurement of disc insulators for maintanance of transmission line	Restricted	Goods		Approved for public tendering (refer PC/036/06)
92	PC/LP/175/2006	Procurement of overcurrent relays and SF gas	Restricted	Goods		
93	OP/23/2006	Procurement of Power quality analysers complete with accessories	Restricted	Goods		Approved for public tendering (refer PC039/06)
94	PC/LP/246/2006	Procurement of blue colour silica gel	Restricted	Goods		Approved for public tendering (refer PC041/06)
95	PC/LP/276/2006	Supply of Diesel to Mwanza 40MW Rental Power Plant at Nyakato	Single Sourcing	Goods	USD:16,016,520.00	

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
96	OP/22/2006	Repair of busbar and circuit breaker modules at Iringa 220kV substation				
97	OP/38/2006	Supply and install maintanance workshop for ubungo 100MW Plant	Single Sourcing	Turnkey project	EUR:1,084,111	
98	PC/LP/324/2006	Reinforcement of D10 osterbay feeders and sokoine/city centre inter connector	Restricted			
99	PC/040/2006	Purchase of photocopy machine	Public	Goods		
100	PC/035/2006	Supply of general hardware materials				
101	PC/LP/333/2006	Procurement of Television, electric cookers and refridgerators for long service award		Goods		
102	PC/LP/301/2006	Repair of reyrolle protection relays				
103	PC/LP/320/2006	Supply of tyres complete with tubes and flaps				
104	PC/037/2006	Prequalification of garages				
105	PC/LP/350/2006	Procurement of new cartridge fuses, cut - out and ring main unit	Restricted	Goods		
106	PC/045/2006	Maintanance and servicing air conditioning units installed at Umeme Park building	Public	Non Consultancy		
107	OP/01/06	Installation, data management and production of wind report for mafia wind measuring station	Single Sourcing	Works		
108	PC/LP/385/2006	Procurement of contractor for fuel erection at Nyakato	Restricted	Works		Cancelled

Name of the Procuring Entity: TANZANIA ELECTRIC SUPPLY COMPANY LIMITED						
SINo.	Tender/ Contract No.	Tender/Contract Name	Method of Procurement	* Category	Contract Amount in Tshs	Remarks/ Comment
109	OP/033/2006	Purchase of LUKU magnetic tokens cards	Direct contracting	Goods		
110	PC/LP/379/2006	Supply of computers server for use in iScala accounting system	Single Sourcing	Goods		
111	OP/37/2006	Supply of spares for Perkins generating sets at Lindi P/Station	Restricted	Goods		
112	OP/29/2006	Supply of major overhaul and running spares at Ikwiriri and Kilwa	Public	Goods		
113	PC/030/2006	Rehabilitation of Hale Tanga 132kV and Nyumba ya Mungu Kiyungi Kia transmission line	Public	Works		
114	PC/LP/387/2006	Supply of fuel and oil filters for generating set No.10 ABC engine		Goods		
115	OP/30/2006	Supply of running spares for rolls royce generating sets at Liwale P/station				

* Goods/Works/Consultancy/Non-Consultancy/Disposal of Assets.

Annex 6: Terms of Reference for Procurement, Contract and Performance Audits

a) Review the capacity of respective Procuring Entities (PEs) with specific emphasis to the Tender Boards (TBs) and Procurement Management Units (PMUs) in handling procurements,

b) Determine whether the PE prepares the annual procurement plan and adheres to it. Assess the rationale for any deviation from the procurement plan,

c) Determine whether proper and neutral specifications / Terms of Reference are prepared in each assignment. Regarding procurement of computers and vehicles, check whether the specifications are obtained from PPRA in accordance with the PPA 2004,

d) Obtain confirmation that relevant approvals were granted by the appropriate authorities (including donors, Accounting Officers and Tender Boards),

e) Ascertain if proper and appropriate bidding documents are used in each assignment, this will include checking the appropriateness of method of procurement used and whether the evaluation criteria were clear and non-discriminatory,

f) Determine whether there was openness, transparency and fairness in the whole procurement process, this will include checking whether the tender had been advertised, whether queries were clarified and circulated to all bidders and whether enough time was provided to bidders to prepare their bids,

g) Assess the procedure for receiving, opening of tenders, and proper keeping and maintenance of records and documents,

h) Check whether tenders evaluations were conducted in accordance with the evaluation criteria specified in the bidding documents and determine whether the decisions by Tender Boards were appropriately implemented,

i) Determine whether negotiations were carried out in accordance with the PPA 2004 and its regulations , letters of awards were issued with competent authority, contract agreements were duly signed by competent authority, and copies of the contracts were distributed to relevant authorities in accordance with the PPA 2004 and its regulations,

j) Check whether the submissions of reports to PPRA as well as other relevant information are in accordance to PPA 2004 and its regulations,

k) Check whether the review of complaints if any were carried out in accordance with the PPA 2004 and its regulations,

l) Verify, to the extent possible, whether Goods, Works, Consultancy and non-Consultancy services were supplied/ completed according to the required

specifications and technical standards and conduct an analysis on the value for money,

m) In the light of deficiencies, identify possible improvements in the procurement procedures and processes, and tendering and contracts documents prepared by PPRA and make recommendations,

n) Assess the effectiveness and/or rationale of contracts administration issues particularly on the: variation orders and/ or contract addenda; extension of time / time overrun; contracts termination; price fluctuations; payment delays; and dispute resolutions. Identify deficiencies if any and make recommendations for improvements,

o) Make surveys or interviews to bidders who participated in the procurement s to get their perception on the procurement process for selected procurements for each entity;

p) Determine the respective cost of tendering for each procurement including the cost of preparing tendering documents, the costs for tender board and evaluation committee meetings; and advertisements costs. Determine also the income obtained from selling the tender document;

q) Assess the procurement performance of each PE by using indicators for monitoring procurement activities prepared by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).