



**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



A STUDY ON COST CONTROL IN PUBLIC PROCUREMENT

A Case study of Air Ticketing and Construction of Buildings

**A REPORT OF THE CONTROLLER AND AUDITOR GENERAL OF
THE UNITED REPUBLIC OF TANZANIA**

March, 2014

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PREFACE

The Public Audit Act No. 11 of 2008, Section 28 authorizes the Controller and Auditor General to carry out Performance Audit (Value-for-Money Audit) for the purposes of establishing the economy, efficiency and effectiveness of any public expenditure or use of public resources in the MDAs, LGAs and Public Authorities and other Bodies which involves enquiring, examining, investigating and reporting, as deemed necessary under the circumstances.

I have the honour to submit to His Excellency, the President of the United Republic of Tanzania, Dr. Jakaya Mrisho Kikwete, the report on the study on Cost Control in Public Procurement in MDAs and LGAs.

The report contains conclusions and recommendations that directly concerns the Ministry of Finance (Paymaster General); Government Procurement Services Agent, Tanzania Civil Aviation Authority; Public Procurement Regulatory Authority; President's Office-Public Service Management; Ministry of Foreign Affairs and International Cooperation; Ministry of Natural Resource and Tourism; and Prime Minister's Office-Regional Administration and Local Government Authority.

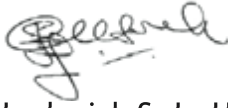
The MDAs and LGAs which were involved in this study were given the opportunity to scrutinize the factual contents and comments on the draft report. I wish to acknowledge that the discussions with the visited MDAs and LGAs have been very useful and constructive.

My office intends to carry out a follow-up at an appropriate time regarding actions taken by the MDAs and LGAs in relation to the recommendations in this report.

In completion of the assignment, the office subjected the report to the critical reviews of the following experts namely, Mr. Christopher Mageka (Procurement Specialist), and Eng Paul Basondole (Consulting Engineer), who came up with useful inputs in improving this report.

This report has been prepared by Ms. Esnath Nicodem, Mr. Deusdedit Muhono, Mr. January Kinunda under the supervision and guidance of Eng. James Pilly and Ms. Wendy Massoy. I would like to thank my staff for their inputs in the preparation of this report. My thanks

should also be extended to the entities reviewed for their fruitful interactions with my office.

A handwritten signature in dark ink, appearing to read 'L. Utouh', with a stylized flourish at the end.

Ludovick S. L. Utouh
Controller and Auditor General,
Dar es Salaam.

March, 2014

LIST OF ABBREVIATIONS AND ACRONYMS

APP	Annual Procurement Plan
BoQ's	Bill of Quantities
CAG	Controller and Auditor General
CAP	Chapter
CQ	Competitive Quotation Method
CSO	Civil Society Organisations
CUIS	Common Used Items and Services
DC	District Council
D by D	Decentralization by Devolution
FGD	Focus Group Discussion
GCC	General Condition of Contract
GDS	Global Distribution System
GN	Government Notice
GPSA	Government Procurement Service Agency
IATA	International Air Transport Association
ITT	Instruction To Bidders
LGA's	Local Government Authorities
LGCDG	Local Government Capital Development Grant
LPO	Local Purchasing Order
MC	Municipal Council
MDA's	Ministries, Departments and Agencies
MFAIC	Ministry of Foreign Affairs and International Cooperation
MoF	Ministry of Finance
MNRT	Ministry of Natural Resource and Tourism
MTEF	Medium Term Expenditure Framework
NAOT	National Audit Office of Tanzania
NCC	National Construction Council
No	Number
PE's	Procuring Entities

PMO-RALG	Prime Ministry office - Regional Administration and Local Government
PMU	Procurement Management Unit
PO-PSM	President's Office - Public Service Management
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PPPD	Public Procurement Policy Division
PPR	Public Procurement Regulation
PPRA	Public Procurement Regulatory Authority
Reg.	Regulation
SME's	Small Medium Enterprise's
TC	Town Council
TCAA	Tanzania Civil Aviation Authority
VFM	Value For Money

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EXECUTIVE SUMMARY

Public procurement is one of the essential elements in the today to day activities of any country. It is a tool from which the government is able to procure in a way that promotes value for money and make sure that it obtains the best prices and cost effective expenditure within the government. However, there have been some concerns from various stakeholders that public procurement undertakings are designed in a way that does not take into account “value for money” concerns.

For the year 2012/2013, the reports¹ indicate that about TZS 37 billion was used to cater for air travel across all Ministries. This is a quite significant amount that has brought about the concern in carrying out this study. On the other hand, construction of public buildings in LGAs is another area where a concern has been raised that LGAs are being overcharged when procuring works.

The objective of the study is to examine whether MDAs and LGAs have appropriate and working mechanisms in place with the view of controlling costs in public procurement.

The study focused on procurement of air ticketing, from a selection of ministries, whilst on the part of construction, the study focused mainly on a sample LGAs in projects where construction was done by contractors.

The main actor is the Ministry of Finance (MoF) (Paymaster General), which has the overall responsibility of regulating costs and authorizing payments resulting from daily government procurement operations. Information was also collected from Government Procurement Services Agency (GPSA) because of its role in public procurement whereas Public Procurement Regulatory Authority (PPRA) and Tanzania Civil Aviation Authority (TCAA) were involved due to their regulatory roles on public procurement in the country. Four ministries, including the MoF, and seven LGAs were selected as case studies for procurement of air travel services and works respectively.

1. Reports on government expenditure generated from EPICOR, 2012/2013

The team of auditors used the information covering three financial years, 2010/2011, 2011/2012, and 2012/2013.

The study, through document reviews, interviews and focus group discussions came up with the following findings:

The Procuring Entities (PEs) did not adequately and accurately plan for air travel for government officials. The figures allocated in the Annual Procurement Plans (APPs) are not reflective of the actual air travels that take place within the year. About 45 percent of the implemented projects were not budgeted for and about 47 percent were not included in the respective Annual Procurement Plans.

Most of the contracts sampled had inadequate drawings contributing to inaccurate engineers' estimates, variations, exaggerated quantities and significant changes during the implementation. These influenced costs of the projects, quality of works and timeliness in completion of the works. Insufficient funds were set aside for the projects leading to implementation of projects in phases at LGAs. The phases were not always predetermined at pre-contract stage.

Evaluation teams in LGAs were not selected appropriately and evaluation reports reflected poor judgments on the part of the evaluation teams. Correction of arithmetic errors in the BOQs and summations are common but were not accurately considered in the final analysis and calculation of award values of the respective evaluated contracts.

Participation of bidders was limited because LGAs preferred using competitive quotations whose notices were only advertised through public notice boards within the localities. Important contract clauses for most of LGAs on insurance, performance securities, liquidated damages, as-built drawings, interest rates and advance payments were made either non applicable or missing in the contract documents exposing the LGAs to litigation and unforeseen costs during contract implementation.

There was no consistency in the rates of service fees for air tickets from 2011/12 to 2013/14 which were issued by GPSA. Each year had its own service charge rates which were not clear. Service fees charged by the airline agents deviated materially from the rates set and approved by GPSA.

Invoices raised by the agents to PEs did not have the necessary breakdowns showing respective elements such as air ticket fares, taxes and service fees. Air travel agents were usually picking higher ticket price rates even when low price options were available for the same class of service. There was tendency of public officials to select routes and airlines during booking which prevents the agents from selecting the alternative routes and airlines which are less costly. PEs are not cost conscious as such are not effectively using their travel agents to lower their air travel costs.

The projects were not adequately supervised and monitored giving rise to unsatisfactory quality of works. Payments were certified without verification and re-inspection of the works and site meetings were not conducted. In all visited PEs, project documents which were supposed to be kept under care of the PMU were largely missing.

TCAA did not take adequate measures or put in place control mechanisms for regulating charges and rates in the area of air ticket despite being entrusted with the obligation to regulate charges. Framework contracts prepared by GPSA did not take on board important parameters like flexibility of travel dates that affect ticket prices.

Based on the above findings and objective of the study, it was concluded that actors in procurement do not adequately address issues of cost control although the procurement procedures prescribed in the law provides guidance for safeguarding public resources against unnecessary overspending.

Thus, public procurement is generally characterized by the following concerns: Unrealistic plans, budgets and cost estimates are common to all PEs; Selection of service providers is characterized by inadequate competition and monopoly of some service providers; Service providers are not adequately supervised and payments to contractors and service providers are made without prior verification of the work done or service delivered; and Regulatory bodies do not adequately address issues of cost control in public procurement.

Those issues are partly caused by: Inadequate information from PEs to Regulatory bodies; Tools and methods deployed by PPRA cannot decisively detect issues of corruption; PEs do not engage in direct

negotiations with suppliers with a view to get better deals; PCCB is not adequately equipped to investigate issues of procurement; and inadequate guidance for standardisation of processes across government departments when handling issues of similar nature.

Above conclusions led us to recommend the following to the Government.

PPPD should revisit various government circulars which provide guidance for procurement of works, goods and services with a view to minimize unnecessary costs. These include policies and regulations for acquisition of fuel, air ticketing, consultancy services and construction of government buildings. This will help in avoiding issues like: Paying for business class tickets for an official travelling in domestic or international flight where the planes do not have such class of service; Going for business class without consideration of distance (length of flight); Allocation of 10 litres of fuel for every government car assigned to a government officer per day regardless of the rated fuel consumption of the car and the distance this car covers in a day; and Repeated costs for designing buildings of similar nature whenever a need for a new one arises due to lack of standardization of government buildings.

The Paymaster General should ensure that PPPD sufficiently executes a coordinating role and provides due guidance to PEs in order to adequately protect government interests. PPPD should consider use of direct negotiations with suppliers and service providers (covering reduced prices and better terms such as improved service for the same price). Also PPPD should develop and implement at National level more and better monitoring, detection, analysis, and reporting technology to fight fraud and corruption, and make these available to MDAs and LGAs. Furthermore the government should harmonise the laws to enable PPD to oversee procurement activities at all levels of government, i.e. Central Government and Local Governments.

The Government needs to strengthen capacity of governance institutions such as PCCB and PPRA in carrying out investigations focusing on procurement corruption in public institutions. In line with this: The PCCB should consider conducting more investigations related

to procurement issues; and PCCB should also consider conducting risk profiling of PEs regarding potential malpractices in procurement. This can be done through collection of public procurement data in a manner that is explicitly driven by the objective to prevent, detect and investigate corruption in public procurement.

GPSA should identify critical items that cost the government heavily and establish a mechanism for monitoring them, e.g. procurement of air tickets.

The government need to explore the possibility of automating public procurement systems through implementation of Integrated Procurement Management System (IPMS) with a view to reduce procurement cycle time, reduce administrative costs and improve service delivery.

PPRA and internal audit functions should develop and implement adequate tools and methods for evaluations and audits to provide signal for the presence of corruption. The performance reviews, audits and evaluations conducted by PPRA should focus more on the substance of projects rather than checking procedural compliance. This can be done through performance-based monitoring and evaluation. The focus in the evaluations needs to cover planning (preparation), the actual procurement, and implementation stages.

There is need to enhance sharing of information and intelligence on public procurement at national level, between MDAs and with central governance institutions such as PCCB, PPRA and GPSA (e.g. PCCB may use reports from PPRA). This will help enhance oversight in public procurement.

The governance institutions should invest in good functioning systems for whistle-blowers, including devising a robust mechanism for the protection of whistle-blowers.

CHAPTER ONE

INTRODUCTION

1.1 Background information

The element of cost consideration is crucial in the area of public procurement as it helps ascertain the level of cost effectiveness in every procurement activity. Section 58 (2) of the Public Procurement Act, 2004 requires that all procurement and disposal of public properties to be conducted in a manner that maximizes competition and achieve economy, efficiency and attain value for money.

Consideration of cost control is of importance for procurement entities at various levels of the procurement processes. Entities in preparation of their annual procurement plans are expected to use the market intelligence and spend analysis to estimate costs of each package in order to determine the type of procurement method to use.

Cost estimates of items requires the exercise of due care. When the process is handled casually, an entity may end up under-estimating the cost of what is to be procured rendering the procurement process ineffective due to under budgeting. The reverse of this situation is to make the estimates so high that the PE may not obtain value for money.

Procuring entities are expected to strive to achieve the best value for money in terms of price, quality and delivery having regard to set specifications and criteria².

It is therefore evident that, the government incur huge expenditure on procurement of works, goods and services in development projects as well as on recurrent expenditures. **Table 1.1** below shows the amounts of funds set aside for procurement purposes in the national budget during the period under review.

2. Public Procurement Act No. 9 of 2011, Section 47(c).

Table 1.1: Budget allocation for procurement for years 2010/2011 and 2011/2012

Financial Year	Total budget (TZS trillion)	Budget for procurement (TZS trillion)
2010/2011	11.61	4.5 ³
2011/2012	13.53	4.3 ⁴

Source: PPRA Annual Performance Reports, 2011/2012 and 2012/2013

1.2 Indication of the problem

There have been concerns by the Public and Parliamentarians regarding overpricing of goods, works and services procured by the government by suppliers, contractors and service providers. The main outcry is that government institutions are being overcharged as compared to other entities or individuals procuring the same goods, works and services.

The procurement law⁵ provides for the standard approach on how procurement planning should be carried out and designed. Key aspects portrayed in these legal provisions include rational planning, avoidance of emergence procurement and aggregation of the PEs requirements wherever possible as well as forecasting the requirements for goods, services and works as accurately as possible and prioritizing procurement activity based on availability of funds.

It has been noted that significant amount has been spent in procuring air tickets for government officials' travels as well as constructions of public buildings. For the year 2012/2013, the reports⁶ indicate that about TZS 37 billion was used to cater for air travel for both LGAs and MDAs. Expenditure in the construction of public buildings was about TZS 88 billion for LGAs and TZS 63 billion for MDAs⁷.

Based on the above, the CAG therefore has decided to conduct a study on whether there is adequate cost control in public procurement undertakings in the country.

3. Records from about 81% of the PEs, Ref. PPRA Annual Performance Evaluation Report - 2011/2012.

4. Records from about 80% of the PEs, Ref. PPRA Annual Performance Evaluation Report - 2012/2013.

5. Section 45 of the Public Procurement Act, 2004 and Regulation 46 (5) and (6) of the Public

6. Reports on government expenditure generated from EPICOR, 2012/2013

7. Reports on government expenditure generated from EPICOR, 2012/2013

1.3 Design of the Study

1.3.1 Objectives of the study

The objective of the study was to examine whether MDAs and LGAs have appropriate working mechanisms in place with the view of controlling costs in public procurement.

1.3.2 Questions that guided the study

The study was designed by using the questions that focused on the implementation of price control procedures by procuring entities, monitoring and actions taken by responsible authorities to safeguard the procuring entities against overpricing of goods, works and services they procure. The four questions that were asked are as follows:

Question 1: Do the Procuring Entities adequately plan for their procurement undertakings?

Question 2: Are the service providers selected with due regard to control of costs of acquiring the services?

Question 3: Do the Procuring Entities supervise the service providers with a view to control costs?

Question 4: What are the actions taken by PEs and regulatory bodies in ensuring cost control in public procurement undertakings?

1.3.3 Scope of the Study

The study examined the information from various sources including four ministries, seven LGAs and three regulatory authorities as follows:

For air tickets, the Ministry of Foreign Affairs and International Cooperation; Ministry of Natural Resources and Tourism; President's Office-Public Service Management; and Ministry of Finance were selected.

For construction, seven LGAs namely Kinondoni Municipal Council, Ilala Municipal Council, Bahi District Council, Kilombero District Council, Kibaha Town Council, Bagamoyo District Council, Morogoro Municipal Council were selected.

Four Ministries were selected on the basis of their expenditures on

procurement of air tickets. The LGAs were selected to represent townships, districts and municipalities.

Information was also collected from Tanzania Civil Aviation Authority, Public Procurement Regulatory⁸ Authority and Government Procurement Services Agency. In order to establish trend of cost control in procurement of air ticket and in construction public building the study covered a period from 2010/11 up to 2012/13.

1.3.4 Assessment Criteria

Questions were designed based on the four key parameters as indicated hereunder:

Planning and benchmarking

According to PPR the PEs are supposed to establish and update procurement estimates and benchmarked prices before floating the tenders (PPR

46 (5) and (6)). This includes Procurement Plans (PPR 46(9)).

Tendering

The PEs are supposed to:

- Select appropriate procurement methods- Reg. 46(10).
- Use framework contracts to procure goods, works, services that are required continuously over a set period of time.
- Use pre-determined selection criteria during tender evaluation (Regulation 90(4)).
- Use competitive tendering: the successful tenderer shall be the tender offering the lowest evaluated cost (Reg. 59(1)).
- Consider tender estimates (Reg. 46 (8)): Tender can be rejected if the tender or proposal involve costs that are significantly higher than original budget provisions or estimates-Section 54(s).

Supervision and Contract Administration

The PEs are supposed to:

- Pay the service provider based on satisfactory performance Reg. 123 (2).
- Ensure that service providers are remunerated or paid no more than appropriate compensation they deserve for services

⁸. Public Procurement Regulations of 2005

rendered (Reg. 101 (3)).

Actions taken by PEs and regulatory bodies (GPSA and TCAA)

GPSA is supposed to:

- Manage framework contract agreements for common use items, works and services; and maintain a register of suppliers for common use items services and works (GPSA Establishment Order).
- Monitor and evaluate performance of MDAs and LGAs on the use of framework contracts and prepare reports to that effect (GPSA Establishment Order).

TCAA is supposed to regulate rates and charges (Refer **Section 2.2.2**)

PPRA is supposed to monitor and report on the performance of the public procurement systems in Tanzania and advice on desirable changes (Refer **Section 2.2.2**).

1.4 Methodologies

The study used several methodologies during the process of data collection. The aim was to obtain both relevant and reliable data that would answer the questions so as to achieve the set out objectives.

1.4.1 Interviews

Interviews were conducted with various officials including:

- Heads of PMU and PMU officials of the selected MDAs and LGAs so as to obtain information on how they manage procurement of goods, services and works with particular attention to control of costs in their respective PEs;
- Budget holders/User department such as staff in the offices of LGAs engineers and staff from Directorate of Administration the Ministries visited;
- PPRA Officials for seeking information on various issues regarding price and cost controls in public procurement, Monitoring and evaluation on pricing by PEs;
- GPSA officials to obtain information regarding arrangement of procurement of common use items and services with particular attention to control of costs in their respective PEs; and
- TCAA to obtain information related to setting in place strategies and mechanisms that address matters of price

and price regulations in particular to the areas of air travel ticketing.

1.4.2 Document reviews

Various documents were reviewed in order to obtain information to answer the questions.

1.4.3 Focus Group Discussion

The team applied focused group techniques to capture the intended data and to provide a more comprehensive understanding of the study under question.

1.4.4 Site visits and Inspections

Site visits and Inspections were conducted to determine the existence of the identified projects and verify some quality and quantity aspects. The site visits however were limited to visual verifications, and analysis of ‘as built drawings’, and reported complaints. Short and superficial tests of functional performances and measurements of items actually implemented as against the BoQs was conducted.

1.5 Data Validation Process

The MoF and PMO-RALG and other selected entities in this study where data was collected, were given an opportunity to go through the findings of the study and draft report in order to examine its contents from a factual point of view and correctness of the same. They confirmed that the information given in the findings was correct.

1.6 Structure of the Report

The remaining part of this report covers the following:

Chapter Two presents the description of key stakeholders and their responsibilities in public procurement activities which directly or indirectly influences procurement in public institutions in Tanzania.

Chapter Three presents the findings, conclusion and recommendation on of the study based on the questions regarding planning for procurement air travel ticketing in MDAs and construction of public building in LGAs.

Chapter Four presents the findings, conclusion and recommendation of the study based on the questions regarding selection of service providers and contractors.

Chapter Five presents the findings, conclusion and recommendation of the study based on the questions regarding supervision during service provision and contraction.

Chapter Six presents the findings, conclusion and recommendation of the study based on the questions regarding action taken by regulatory bodies in addressing issues of cost control.

Chapter seven and eight present overall conclusion and recommendations respectively based on finding in chapters 3,4,5 and 6. The recommendations are addressed to respective actors in public procurement undertakings in the country.

CHAPTER TWO

PUBLIC PROCUREMENT SYSTEM DESCRIPTION

2.1 Introduction

This chapter provides a description of the procurement system in Tanzania, which embodies elements of cost control.

2.2 Institutional Framework

2.2.1 Legislations

Public Procurement in Tanzania was governed by the Public Procurement Act of 2004 (PPA) and its regulations of 2005. This law was replaced by PPA of 2011 and Regulations of 2013 with effect from December 2013. The PPA is applicable to all procurements financed by public funds; however Local Government procurement is regulated by the Local Government Finance Act 1982 as amended from time to time. The Act sets out a Public Procurement System which aims:

- To ensure that procurement is conducted in a fair and transparent, accountable and competitive manner.
- To contribute towards the creation of sound economic climate in Tanzania, and
- To increase participation by the Tanzania Private Sector.

2.2.2 Key Players in Procurement Processes in Tanzania

These are actors expected to work collaboratively with other government departments with specific technical expertise in the works, goods or services being procured. In this study, such departments include:

Procuring Entities (PEs)

These include public bodies such as Ministries, Departments, Agencies, state-owned enterprises responsible for procurement under the defined thresholds. In the procurement of common used items and services, the PEs are expected to follow guidance from GPSA.

Within the PEs there are various actors who independently take part in various activities along the procurement process.

These include PMUs, Tender Boards, user departments and Accounting Officers.

Ministry of Finance

The Ministry of Finance has the overall responsibility of overseeing procurement issues in the country. Their role includes policy formulation, monitoring and evaluation of the policy implementation.

Government Procurement Services Agency (GPSA)

This is an executive agency of the Ministry of Finance, established under the Executive Agency Act No. 30 of 1997 as amended through Government Notice No. 235 of 7th December 2007 as amended by Government Notice No. 133 of 13th April 2012. The role of GPSA is to ensure availability of secure and quality procurement services to the government and non-government institutions in a sustainable and cost effective manner with a mission of providing effective and efficient procurement services to the government and non - government institutions.

GPSA is expected to implement the system for procurement of Common Use Items and Services (CUIS) by PEs to provide an efficient, cost effective and flexible means to procure goods, works and services that are required continuously or repeatedly over a set period of time.

The legal mandate for GPSA to operationalise the system is provided by section 51 of the Public Procurement Act No. 21 of 2004 (PPA 2004); whereby PEs are required to procure from GPSA where financial resources are exclusively provided by Tanzania public institutions. Furthermore, regulation 57(2) and (3) require GPSA to arrange for procurement of Common Used Items and Services (CUIS) by PEs through framework contracts and to publish on quarterly basis within the financial year in the official gazette, the authority website and in the local newspapers the names of items available on the stores catalogue and names of suppliers awarded framework contracts.

Public Procurement Regulatory Authority (PPRA)

The Public Procurement Regulatory Authority (PPRA) is a regulatory body established under the Public Procurement Act CAP 410 of 2004. The Authority is charged with regulatory functions and vested with

oversight powers and responsibilities on all public procurement activities carried out by all public bodies in Tanzania. The functions of the Authority are as follows;

- i) To monitor and report on the performance of the public procurement systems in Tanzania and advise on desirable changes;
- ii) To advise the Government, local government, authorities and statutory bodies on procurement principles and practices; and;
- iii) To administer and enforce compliance on procurement processes with the provisions of the act, regulations, and guidelines issued under procurement act.

The Public Procurement Regulatory Authority (PPRA) conducts monitoring of compliance of procuring entities. Therefore, it produces annual performance evaluation reports which show performance of procuring entities.

Public Procurement Appeals Authority (PPAA)

This is the appeals authority established under the Public Procurement Act CAP 410 of 2004 with the role of hearing, deciding and determining the public procurement litigations brought about by the PEs or the suppliers.

Tanzania Civil Aviation Authority (TCAA)

The authority performs the following functions:

- i) To issue, renew, vary and cancel air service licenses;
- ii) To establish standards for regulated goods and regulated services;
- iii) To establish standards for the terms and conditions of supply of the regulated goods and services;
- iv) To regulate rates and charges; and
- v) To make rules for carrying out the purposes and provisions of this Act.

National Construction Council

The NCC is responsible for promoting construction industry development, planning and coordination, technical advisory services, monitoring of standards and regulations, technical audit services, settlement of construction disputes, information services, training,

and research and technology development. NCC also promotes and monitors the development and implementation of standards, regulations and codes of practices on all matters related to the construction industry⁹.

The council is entrusted with the role of, monitoring and evaluating the performance of the construction industry as well as promoting quality management in the construction industry. Its roles in construction industry also include trainings and developing construction standards.

Financiers:

The building projects in the local government are financed by own source¹⁰, development partners (i.e. through LGDG, LGCDG, etc.), and the Treasury.

PMO-RALG:

PMO-RALG guides the LGAs in implementing various policies formulated by the government through other sector ministries. It acts as a link between the LGAs and the sector ministries.

Contractors and Service Providers

Contractors are responsible for the actual construction of the buildings, whereas service providers offer the services to the procuring entities.

Other sector ministries

Sector ministries formulate policies and provide technical expertise, supervision and guidance to various government entities including the LGAs.

Public Procurement Appeals Authority (PPAA)

The PPAA gives ruling over complaints from the aggrieved parties in procurement undertakings if they decide to lodge their dissatisfaction.

The system of procuring air tickets can be best represented by looking at the key stakeholders in the area of air travel ticket as stipulated in **figure 2.1**.

9. NCC (Amendment) Act, No. 25/2007 Section 4 (g), (i) & (j)

10. Funds obtained through the Council's own collections.

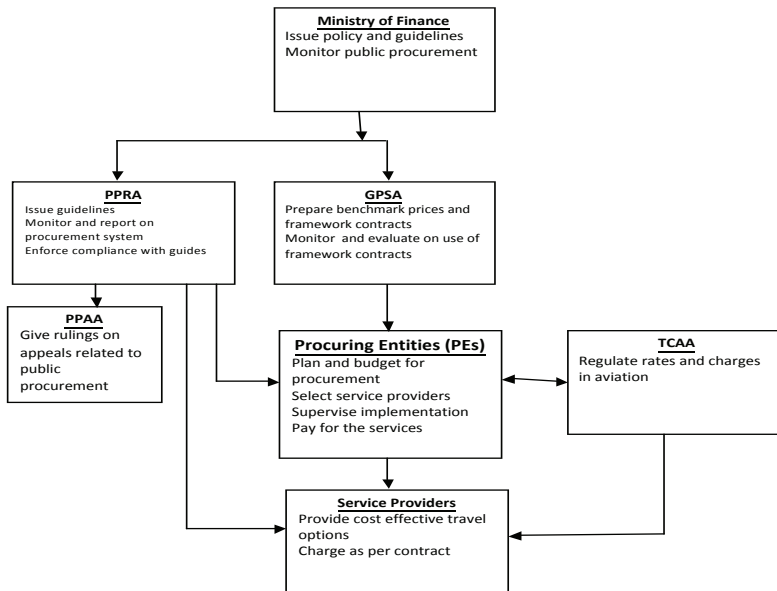


Figure 2.1: Actors in the procurement of air travel services

The system of procurement of works and the links between various actors in the procurement processes is illustrated in Figure 2.2 below:

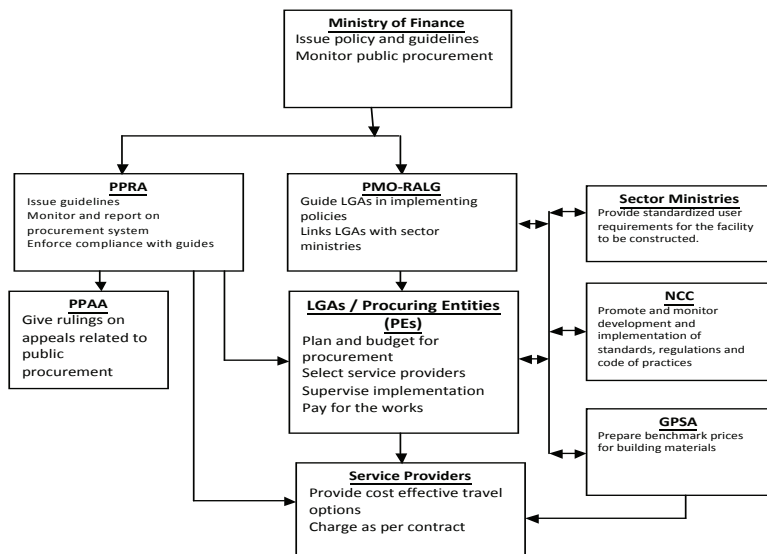


Figure 2.2: Graphical presentation of actors¹¹ in construction of public buildings in LGAs

11. In issues of construction, GPSA has started with fixing the prices of building materials. They have not done any regulation of the rates in the Bills of Quantities.

2.3 Processes

2.3.1 Plans and budgets

The PEs are required to plan for their expenditures in their annual procurement plans as the procurement law requires. Thus, the PEs are expected to have in place detailed and accurate estimates of their expenditures in the air travel services for each financial year.

2.3.2 Selection and approval of air travel agents by GPSA

Through Procurement¹² of common use items and services, GPSA invites all airline agents to submit bids for provisions of airline services to public sector. GPSA through evaluation committee scrutinizes the potential service providers based on the stipulated assessment criteria. Focus is based on legal, financial, human resource and professional capability and service charges offered. Successful service providers enter into framework contract agreements for provisions of services with procuring entities. Only the service charges for local and international air transport are taken into consideration whereas fare is expected to be determined by market forces. The assumption is that there is adequate competition among airline companies.

After agreement has been signed with approved airline agents, the PEs are expected to use only the approved service providers.

2.3.3 Framework Contract/agreement and Contract Execution by PEs

When there is need for someone to travel, the PMU within the respective PE selects any of the agents approved by tender board to deal with. The PEs are supposed to request for services by sending call-off orders to three agents. The travel agents are required to reply within three working days, with a quotation of prices. Then PE will select the agent offering the best price to provide the services.

2.3.4 Benchmark Price

A benchmark price refers to a standard price established by GPSA or a PE for the purpose of analyzing whether the price offered by suppliers, contractors and service providers are fair and reasonable.

In a free market economy nothing is self-evident, thus it is the duty of procuring entities to search for information about the prices of

12. Public Procurement Regulation GN 97, 2005 sec.57 (2)

items to be procured from various sources in order to obtain value for money. The required information may be obtained from:

- Government agencies like GPSA, NBS, Chamber of Commerce, Fair Competition Commission, etc;
- Previous prices charged for the same products;
- Exhibitions;
- Embassies;
- Brochures;
- Market prices, research reports and approved annual estimates;
- Business Journals; and
- Directory issued by various suppliers.

2.3.5 Procurement of air travel tickets in public sector

An airline ticket is a document, issued by an airline or a travel agency, to confirm that an individual has purchased a seat on a flight on an aircraft. This document is then used to obtain a boarding pass, at the airport. Then with the boarding pass and the attached ticket, the passenger is allowed to board the aircraft. There are two sorts of air travel tickets, paper tickets (coupons) and electronic tickets (e-ticket), the common tickets nowadays are electronic tickets.

There are three categories of booking classes namely; first classes, business classes and economy classes. In each of these classes there are some other categories depending on various factors such as flexibility, cost and the available space.

2.3.6 Procurement of Works (Construction of Public Buildings)

The Construction Industry is described under the National Construction Policy of 2003 whereby Section 1.1, in particular, describes it as a sector of the economy that transforms various resources into constructed physical economic and social infrastructure necessary for socio-economic development.

The viability and competitiveness of domestic construction enterprises is important to obtain best prices, optimization of the role of all participants and stakeholders through process, technological, and institutional enhancement and through appropriate human resource development.¹³

13. National Construction Industry Policy, 2003, section 1.3

Decentralization by Devolution on Building Projects

Accordingly, due to the above, some of the Building projects selected in this study are directly linked to D by D policy whereas, the funds were directly sent to Wards/Villages councils/committees and payments to contractors was directly made by these committees/councillors upon verifications and measurement as well as recommendations of the respective local government's Engineer.

Figure 2.3 presents the procurement process in Tanzania.

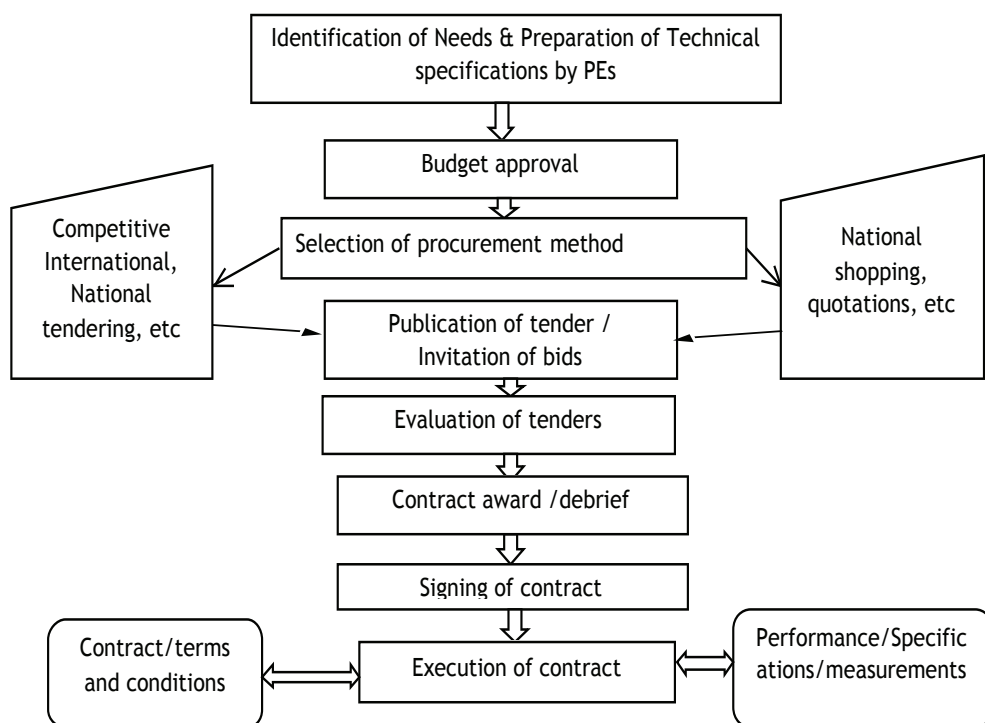


Figure 2.3: Generic graphical presentation of procurement process

CHAPTER THREE

PLANNING FOR PROCUREMENT

3.1 Introduction

In this Chapter, we present findings that are related to actions of the PEs during planning stage which influences control of costs in respective procurement undertakings. The findings are based on the **Researchable Question 1** as shown in **Section 1.3** of this report.

3.2 Planning and Benchmarking for Air Travel

3.2.1 *PEs do not prepare specific and accurate estimates relating to air travel*

The study found out that the PEs did not have specific and accurate estimates relating to air travel costs for respective years. Interviews held with PMUs revealed that the PEs do not have benchmarks in place in respect of specific air travels. The only benchmark in place is the amount provided for in the budget and APPs although not all travels are specified in the APPs. This is contrary to Public Procurement Regulations¹⁴ which requires each PE to forecast its requirements as accurate as it is practicable with particular reference to its activities already programmed in its annual work plan.

Based on the review of files in all PEs in this study, there were no evidence to suggest that there were reviews and updates of estimates and forecasts prior to engaging the service providers as required by Regulations¹⁵ 53 (1) and (3).

3.2.2 *PEs do not carry out market price research and maintain up-to-date database or records*

Interviews with officials in all the selected ministries and a review of files showed that, there were no databases, own market research records and no consultation seeking for relevant prices from other bodies. The only price benchmarks that were found to be in place were the APPs and budgets which were not accurate enough.

3.2.3 *The actual expenditure did not match with the APPs*

Review of files, APPs and annual budgets showed that air travel

14. Regulation 46(5) and (6) of the PPR, GN 97 of 2005

15. Regulation 53 (1) and (3) of the PPR, GN 97 of 2005

details contained in the APPs did not match with the annual budgets and the actual expenditure (see **Table 3.1**). In addition, APP for air ticketing lacked important information for implementation and control purposes in their plans for the respective years: These include but not limited to:

- Anticipated number of travelling officials;
- Respective timing of travel;
- Destinations; and
- Ticket class of service.

Table 3.1 indicates the variance between the benchmarks (APPs) and the actual payments done. The big differences were a result of inadequate planning which did not fully take into account the air travel requirements during the year. For instance, in all three financial years under review PO-PSM did not include air travel in their APPs, although significant expenditure was incurred in respect of the same.

Table 3.1: *Estimates in the APPs against the actual air ticket expenditure for the years 2010/11-2011/12*

Ministries	Amount shown on APP for (TZS Millions)	Total Expenditure (TZS Millions)	Deviation (TZS Millions)	Deviation (%)
MoF Vote 21	290	2,806	2,516	868
MoF Vote 50	458	2,055	1,590	348
MNRT	530	586	55	10
PO-PSM	Not included ¹⁶	6,453	-	-
MFAIC	9,592	18,522	8,930	93

Source: APPs and actual costs of air tickets as per EPICOR, 2009 to 2012.

3.2.4 Mismatch between the trends in the plans and trends in actual expenditure

Review of budget and expenditure records showed that, the expenditure trend on air travel at the MFAIC, which recorded the highest expenditure among the ministries reviewed, has been increasing over the three years. However, in their plans the trends did not reflect the observed increase. For instance, the planned expenditure at MFAIC dropped from TZS 5 billion in 2011/2012 to about TZS 1 billion in 2012/2013 whereas the actual expenditure

16. PO-PSM did not include air travel in their APPs for all the 3 years.

increased from TZS 11 billion to 15 billion (see Chart 3.1 (a) to (e)).

Charts 3.1 (a) - (e): Differences between Estimates (as per APPs) and actual expenditures for the 5 votes from 4 ministries

Chart 3.1(a) MoF - Vote 21

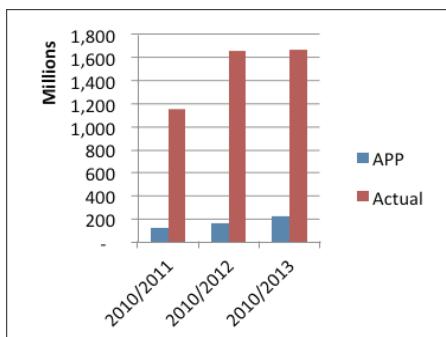


Chart 3.1 (b) MoF - Vote 50

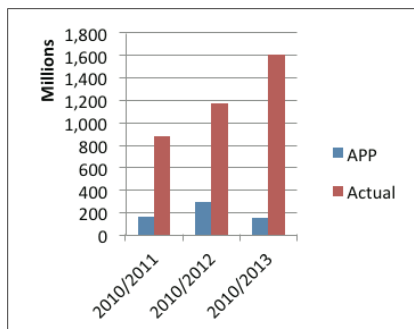


Chart 3.1 (c) PO-PSM

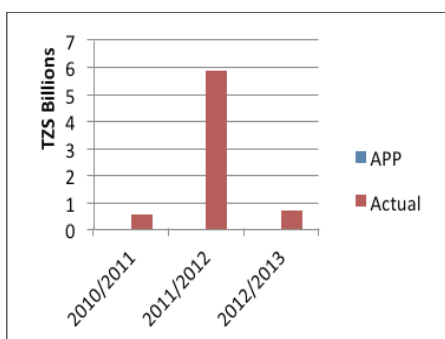


Chart 3.1 (d) MFAIC

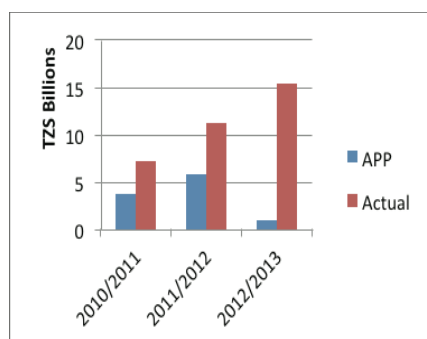
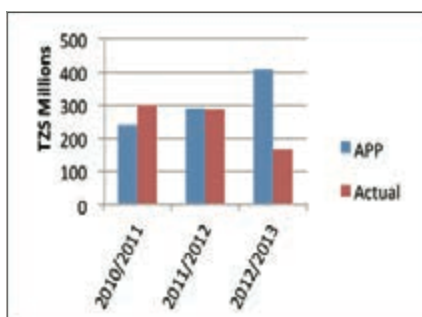


Chart 3.1 (e) MNRT



3.3 Planning and Benchmarking for Building construction Works

3.3.1 *Establishment, updating and relevance of forecast prices*

Development projects implemented during the year were expected to be in the respective annual budgets and APPs. APPs among others were expected to describe the method of procurement to be used. However, about half of the projects did not have their respective procurement methods prescribed in the APPs.

About 47 percent of the projects were not included in the APPs. About 16 percent of the projects lacked Engineers' estimates. About 45 percent of the projects were not budgeted for. A total of 31 projects out of 64 projects, equivalent to about 48%, in all LGAs selected were not budgeted for but they were executed. Some LGAs set aside provisional sums in their annual budgets to cater for construction of classrooms without clearly mentioning the schools and exact number of classrooms to be built. Furthermore, in three LGAs namely Ilala, Kibaha and Kinondoni, some projects were in the APPs but were not in the respective annual budgets.

The law¹⁷ requires that procurement estimates should be as accurate as possible and must be linked to the availability of funds. According to the review of documents, the LGAs planned only to exhaust the available budgeted funds and not considering the actual cost of respective projects. When LGAs ignore the actual cost of the project and consider only the budgeted or estimated amounts they jeopardise the entire project implementation.

Engineer's estimates are expected to help the LGAs to ascertain if they are being fairly charged by the bidders or not. Interviews with officials and a review of documents in the LGAs Engineers' Offices indicated that, the LGA Engineers did not conduct thorough analyses of the facts when preparing the estimates. As a result, in some instances, the engineer's estimates were found to replicate the figures in the annual budgets. In other instances the estimates were too high (refer **Table 3.2**).

Furthermore, the funds allocated to various projects were inadequate to finalize the respective projects.

17. Regulation 46 (5) of the Public Procurement Regulations, 2005.

The funds set aside were distributed to the projects to implement part of the works by exhausting the available funds and wait for another disbursement or collection. Because of this, the engineers were forced to align the estimates to the available funds for most of the tenders floated.

For instance, of all 64 tenders floated, 37 projects (equivalent to 53%) were in the LGAs annual budgets and their respective engineers' estimates were prepared prior to tendering. In 35 percent of these projects, the engineers estimates were within + or - 5 percent of the budgeted amount.

Following these inadequacies, LGAs ended up having a number of unfinished projects partly due to lack of funding arising from mismatch between the forecasts and the actual requirements of the projects. For instance in Kinondoni, out of 10 projects selected, only 2 projects were completed and all of these selected projects selected were not in the APPs.

Estimates and prices which are well established by qualified Architects, Quantity Surveyors or Engineers or any official with substantial expertise on the subject matter to a great extent will reflect accuracy which is a prerequisite of the law. Despite the above, in about 89 percent of the projects selected, there were inadequate breakdown calculations of estimates showing built-up rates considering relevant market prices of which would eventually lead to setting up relevant estimates prior to advertising or floating tenders and issuing tender documents.

Table 3.2: Establishment of Forecast price, Updates and existence of Estimates for selected LGAs

Name of LGA	Total visited Projects	Included in APP	Prescribed Procurement Method	Engineer's estimates	Budgeted	Not Budgeted
Ilala MC	8	6	2	8	0	8
Kibaha TC	9	7	7	7	3	6
Bagamoyo DC	9	2	1	4	4	5
Bahi DC	9	4	6	9	9	0
Morogoro MC	9	3	3	9	7	2
Kilombero DC	10	5	5	7	8	2
Kinondoni MC	10	10	8	10	3	7
Total	64	37	32	54	33	31
Rate (Yes)		58%	50%	84%	55%	48%
		27	32	10	29	26
Rate (No)		42%	50%	16%	45%	41%

Source: Auditors analysis from the APPs/Budget/EEs and other planning documents

Table 3.2 above therefore indicates that out of 64 projects selected in this study revealed that 29 of the projects executed were not budgeted for. This represents 45 percent (45%) of all projects reviewed. For Ilala MC and Kinondoni MC all projects were not budgeted for but they were executed. Furthermore, the LGAs are expected to have APPs in place and such APPs should prescribe the procurement method to be used. Out of all reviewed projects, 27 projects which represent 42 percent of the reviewed projects were not in the APPs. In addition, 32 projects which were in the APPs, which represent 50 percent of all the projects, did not show procurement methods that were used during tendering.

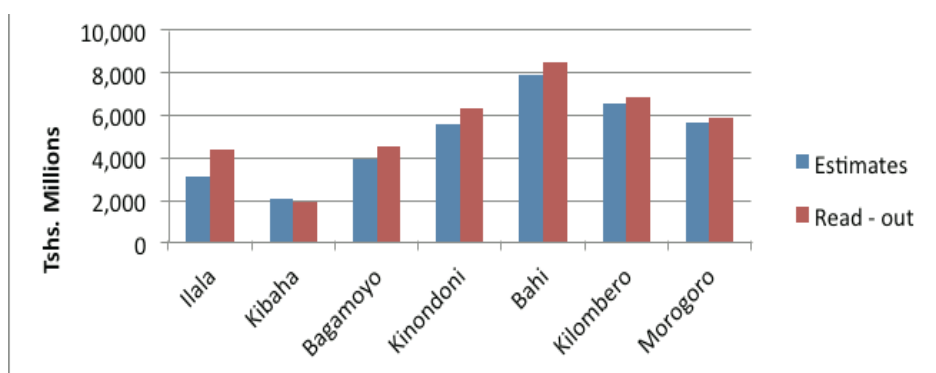
As a result, for all the projects where respective procurement methods were not shown in their APPs, the LGAs preferred to use Competitive Quotation method. This method undermined competition due to limited participation of bidders. In addition, the LGAs did not conduct

prequalification of the firms which were invited to participate in the Competitive Quotations as required by law¹⁸.

3.3.2 *Comparison between the awarded prices and the Engineers' estimates*

The offered prices were those which the bidders quoted. Prices must be quoted for every item in the BOQ. As part of the bid evaluation, the PEs were expected to compare the offered prices with the estimates (assuming that the estimates are realistic). Review of documents from the selected LGAs showed that, there were significant variations between prices offered by the bidders and the Engineers' estimates. The tender prices ranged from 18 percent below the Engineer's estimates to 55 percent above the engineer's estimates. On average, the tender prices were about 11 percent above the Engineer's estimates. Generally, the average read out bid prices in all the LGAs were higher than the Engineers' estimates except Kibaha Town Council where the estimates were higher (refer Chart 3.2 below).

Chart 3.2: Comparison between Read-out Bid prices and Engineers' Estimates

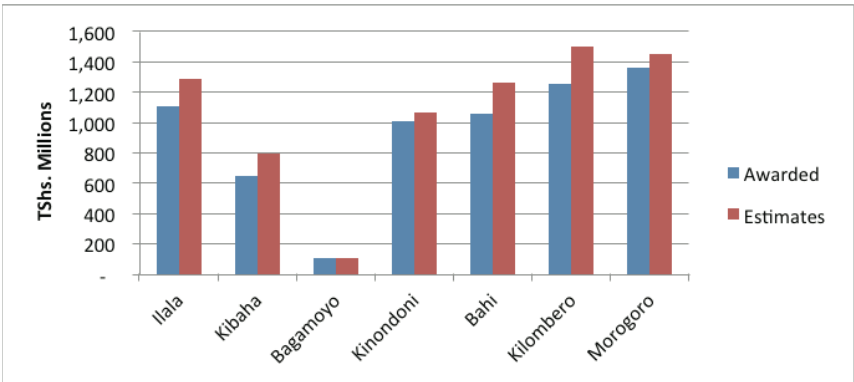


Generally, contracts were awarded to the lowest evaluated bids. However, most of the awarded contracts were below the Engineers' estimates. On average, the prices of the awarded contracts were about 12 percent below the Engineers' estimates. However, since the accuracy of the Engineers' estimates was also questionable, and bearing in mind that bidders usually try to be as close to the estimates as possible, the bid prices might have been unrealistic.

18. Section 47 of the PPA, 2004

The risks associated with having prices that are very low include delayed or non-completion and unsatisfactory quality of works.

Chart 3.3: Estimates vs awarded prices



However, in some instances some bidders whose offers were likely to be the lowest evaluated bids were unfairly disqualified at various stages of tender evaluation process (refer to **Section 4.3.5**). A total of 17 bidders out of 64 awarded bids were disqualified unreasonably at different stages of tender evaluation although they might have been the lowest evaluated bidders.

The fact that bids whose values were close to the Engineers’ estimates got preferential treatment could lead to the bidders into searching for the estimates and using them for filling the bidding documents rather than presenting competitive prices. This situation might not lead to fair costing of the projects especially when the Engineer’s estimates are also not reliable.

3.4 Conclusion on Planning

In both air travel services and construction of buildings, budgets, plans and estimates did not match with the actual expenditure during implementation of the activities.

The PEs do not adequately plan for procurement of air travel tickets. The budgets in most cases do not reflect the actual expenditure and in some cases the expenditure incurred is not reflected in their plans at all. The plans that exist are not based on adequately researched information especially regarding the prices.

LGAs do not adequately plan for their procurements for buildings construction in their annual procurement plans. Some LGAs do not even have their projects included in their APPs nor are these projects budgeted for although they are being executed.

LGAs do not develop reliable cost estimates. Most engineers' estimates that are developed prior to issuing of tenders or quotations are not realistic. They give only holistic figures that do not show breakdowns that should have accompanied are placed in the evaluation report and portrayed as the estimates. Unrealistic estimates are likely to result in a mismatch between project funding and cash flow requirements. Generally, the estimates are not reflective of the actual market prices at the time of tendering.

3.5 Recommendations on Planning

The Ministry of Finance should ensure that, procuring entities prepare their annual budgets and procurement plans based on adequately researched information regarding prices and other key factors that influence fluctuations in air travel ticketing.

The Ministry of Finance, in collaboration with PMORALG should facilitate the LGAs to ensure proper planning, designing and accurate estimation of quantities of items (BOQs) and their associated costs for all their construction projects to avoid additional costs resulting from over or underestimation of requirements.

CHAPTER FOUR

SELECTION OF SERVICE PROVIDERS AND CONTRACTORS

4.1 Introduction

In this Chapter, we present findings regarding actions of the PEs during selection of service providers and contractors that influenced control of costs in respective procurement undertakings. The findings are based on Question 2 as shown in Section 1.3 of this report.

4.2 Selection of Air Travel Service Providers

4.2.1 *Relevance of Benchmark Prices*

As mandated by the law¹⁹, the GPSA established benchmark rates of service fees that were to be paid by the respective PEs to the approved agents upon delivery of the services for each of the three years. This was done by open tendering where the air travel agents submitted their offers (proposed prices) which were evaluated and benchmark service fees were set for all the service providers to follow.

The PEs signed the Framework Agreements with the Air Travel Agents using the rates set by GPSA.

Review of tender documents showed significant variations between the tender prices and the awarded prices (see **Appendix 6**). In addition, the records did not indicate clear market researches which were conducted to come up with proposed prices to be used as service charges by the agents.

Further review of documents did not show how they arrived at the new rates which were set. Review of the prices set and approved by GPSA in three different years also showed inconsistency in the manner that each year had a completely different set of rates without any justification for the changes (refer to **Table 4.1**).

19. GPSA's establishment (Amendment) Order, 2012, Par. 2.3.3.

Table 4.1: Service Charges within the three financial years

Financial Year	Travel agent	International Tickets per Person per trip		Local flights per person per trip		Remarks/ market
		Class	Price (TZS)	Class	Price (TZS)	
2011/2012	M/s Interlink Travels	For business class	109,000	For business class	25,000	For the same services different service providers were awarded different rates
		Economy class	78,000	Economy class	24,500	
	M/s Safeline Travels	For business class within Africa	132,000	for business class	30,000	
		Economy class	76,000	Economy class	25,000	
	M/s ABC Travel & Tours Ltd,	For business class within Africa	48,000		30,200	The objective of standardizing the rates was not reached
		Economy class	225,000		30,000	
2012/2013	All Travel Agents	All classes	30,000	All classes	30,000	Service charges were the same regardless of the class of travel for both domestic and international trips.
2013/2014	All Travel Agents	All classes (East Africa), Economy class (Rest of Africa)	50,000	All classes (economy and business class)	30,000	Consideration was given to classes of service and region of travel
		1 st /Business classes (Rest of Africa)	60,000			
		1 st / Business classes (In-ternational)	150,000			
		Economy (In-ternational)	100,000			

Source: Framework contracts, 2013

4.2.2 PEs do not adhere to procurement process

Based on regulations and guidelines, the PEs were expected to obtain air travel services from service providers approved by GPSA. However, a review of documents revealed that MNRT did not always adhere to this, since they used the services of two agents who were not in the approved list for the financial year 2012/13.

The PEs did not follow the Public Procurement procedures in acquiring air tickets services. Interviews with PEs officials revealed that the PEs did not use 'Call-off Orders' for acquisition of air travel services from the agents. This could result into a mini competition among service providers and lower the prices.

4.2.3 Framework contracts lack incentives to lower prices of air travel tickets

Review of the framework contracts showed that there was no incentive or clause which could influence or force the agents to select low fares.

4.3 Selection of Contractors

4.3.1 Use of benchmark prices in considerations for the awards

Procuring entities were expected to forecast their requirements for works accurately and use the estimates during considerations for the awards of contracts²⁰. It was noted that, during the award, consideration was given to the available budget as well as the Engineers' estimates. Review of Engineers' estimates and interviews with officials²¹ from the selected LGAs showed that, all the estimates were not prepared professionally since all the officials failed to show how they arrived at the rates used in the preparation of the estimates. In the scenarios where the estimates were not in place, the budgets were used as the evaluation criteria.

20. PPR GN 97, regulation 46 (5) and (6).

21. Quantity Surveyors and Engineers working in the LGAs Engineers' Offices.

4.3.2 Procurement Planning

Interviews held with heads of Procurement Management Units (HPMU) in various LGAs, indicated that thorough plans are normally prepared to include all projects implemented by the LGAs. However, document review revealed that 42% of sampled projects were not included in the respective plans (refer Table 4.1).

4.3.3 Preference in using Quotations Method

For all the projects where respective procurement methods were not shown in the APPs, the LGAs preferred to use Competitive Quotation method. This method undermined competition due to limited participation of bidders. In addition, the LGAs did not conduct prequalification of the firms which were invited to participate in the Competitive Quotations as required by law²².

The PPA²³, require PEs to use competitive methods during the procurement process as the first choice. According to document review, Kilombero District Council was the only LGA which used competitive method for all sampled projects. In the remaining LGAs²⁴, about 45% of procurement undertakings used Open Tendering, 53% used Competitive Quotations and 2% other methods²⁵ (Refer Table 4.2).

Further review noted that, Bahi District Council opted to use Competitive Quotations for the construction projects whose value exceeded the threshold stipulated in the PPA. In Kibaha TC, for all the construction projects whose values exceeded the threshold stipulated in the PPA, Open Tendering was used except for Construction of Girls' Hostel at Zogowale Secondary School. According to interviews with the Headmistress, the tender was not advertised in this project. Instead, the contract worth TZS 238 million was awarded through Competitive Quotation, with the help from the Japanese Embassy who financed the project. However, there was no record to substantiate the procurement procedure used.

22. Section 47 of PPA, 2004

23. PPA No. 21 of 2004 section 59(1&2)

24. Kinondoni Municipal Council, Ilala Municipal Council, Morogoro Municipal Council, Bahi District Council, Kilombero District Council, Bagamoyo District Council and Kibaha Township Council

25. Contract for partitioning four classrooms at Mnazimmoja Secondary School: The contractor was handpicked and awarded the contract by the DEO (Secondary Education) without involving the PMU and the Tender Board. Contract documents and contract file for this project were not availed for review. However, payment records amounting to TZS 38 million were kept at school (site).

Table 4.2: Method used by PEs for the 64 construction sampled project

Method used	Bahi D.C	Morogoro M.C	Kilombero D.C	Bagamoyo D.C	Kibaha T.C	Ilala M.C	Kinondoni M.C	Total	Percentage
National Competitive Bidding	6	4	10	2	2	5	6	25	45%
Competitive Quotations	3	5	0	7	6	2	5	28	52%
Other methods ²⁶						1		1	2%
TOTAL	9	9	10	9	8	8	11	64	100

Source: Analysis of evaluation report, 2013

4.3.4 Non-adherence to procurement methods prescribed in the APPs

PEs are expected to compile procurement plans and establish appropriate methods of procurement. It was noted that, most of the PEs used procurement methods prescribed in their respective Annual Procurement Plans (APPs) with exception of Morogoro Municipal Council where National Competitive Tendering method which was shown on APP but not followed in two out of nine sampled projects²⁷. However, during implementation the method indicated changed to competitive Quotations. This change of plan may have prevent the participation of other potential bidders.

4.3.5 Disqualification of lower priced bid

Procuring entities are supposed to evaluate tenders in order to ascertain the most economical tender, in accordance with the procedures and criteria set forth in the solicitation documents²⁸. The review of tender evaluation reports revealed that some bidders who were relatively low priced were disqualified from further consideration at various stages of tender evaluation due to failure to comply with some evaluation criteria. In particular, about 27% (i.e. 17 out of 64 projects) of lowest priced bidders were disqualified. It was also found out that 30% of awards were above the Engineers' estimates, 56% below the engineers' estimates and 14% were the same or almost the same as the Engineer's estimate as shown on **Table 4.3** below.

26. Municipal education officer appointed a certain contractor and instruct headmistress to enter into contract

27. Construction of Sina Health Centre and Construction of vending shed at Nanenane Market.

28. Public Procurement Regulation GN 90(18)(a)

Table 4.3: Comparison of Awarded Bids with Engineers' Estimates

LGA's	Above Engineer Estimate	Below Engineer Estimate	Same ²⁹ or almost the same as engineer estimates	Total awards	Awarded lowest quoted price bidder
Ilala	3	5	0	8	8
Kibaha	2	7	0	9	8
Bagamoyo	3	4	2	9	7
Kinondoni	6	2	2	10	4
Bahi	2	4	3	9	7
Kilombero	0	9	0	9	7
Morogoro	3	6	1	10	8
Total	19	36	9	64	49
Percentage	30%	56%	14%		76%

Source: Analysis from evaluation reports, 2013

Further review of the evaluation reports and the respective tender documents revealed that the disqualification of about 29% of lowest priced bidders was based on issues that were not significant which could be rectified during the negotiations as shown on **Table 4.4**.

²⁹. Construction of Labour Ward at kiwango Dispensary in Bagamoyo D.C

Table 4.4: Reasons for disqualification of bidders for the sampled projects

Reasons Indicated	Number of projects	Verified	Unverified
Lack of experience in similar project	3	1	1
Evidence for financial capability	5	-	5
Lack of experienced staff	1	1	
Not attaching Litigation records	1	-	1
Not indicating the cost for work executed	2	-	2
Usage of General power of attorney	1	-	1
Authorization of property	1	-	1
Interrupting the decisions of evaluation team	1	1	-
Dully filled and signing of BOQ and ITT	2	2	-
Total	17	5	11
Percentage (%)		29%	71%

Source: Analysis of evaluation and bid submitted document report, 2013

PEs could have sought clarifications from the 29% of the disqualified bidders who did not provide adequate information instead of disqualifying them and hence denying the institutions opportunities for getting the lowest bidders. For example, the case of signing of BOQ it is disadvantage to the contractor and not to PE. Also in the case where the bidder used the general Power of Attorney, to the specific one could be brought prior to the award. See some of cases shown below:

Case1 - Completion, Construction and provision of school building facilitates at Sanje Secondary School at Kilombero D.C.: Evaluation team disqualified the contractor due to lack of experience in similar projects and for not attaching the list of equipments for the project. Further review revealed that the bidder had enough experience to undertake the assignment contrary to what was stated in the evaluation report. However, the evaluation team was right about the list of equipment indicated by the contractor.

Case 2 - Construction of classroom at Njechele Secondary School at Kinondoni M.C: The bidder with the lowest tender was disqualified

on the basis of lack of experienced staff. However, review of the documents revealed that the tender document had records of a senior staff with experience of about 6 to 10 years.

Case 3 - Construction of theatre block at Chipanga Rural health centre, Bahi D. C.: The bidder was disqualified for not signing pages containing the ITT.

Case 4 - Construction of Consultation Block for Municipal District Hospital, Morogoro Municipal Council: The bidder with the lowest tender was disqualified because the BOQ was not dully signed by the authorized person and not stamped on each page. If they sought clarifications and the bidder won, the Council could have saved TZS 68,215,586 (i.e. 9% of contract sum).

Case 5 - Construction of Administration Building at Miembeni Secondary School, Kibaha Town Council: Evaluation team recommended Manda Construction Ltd to be awarded the contract at a cost of TZS 37,335,209. The task was, however, awarded to Mchome Building Contractor Ltd for TZS 39,600,000 which was a 4.4 % rise in cost for undisclosed reasons.

The decisions made during the procurement processes denied the LGAs potential savings amounting to TZS 73.2 million which could have been saved and used to facilitate other important programmes that would benefit the citizens (Refer **Table 4.5**).

Table 4.5: Losses Resulting from Unfair Disqualification of Bidders

LGAs	Project Name	Awarded Bid price	Disqualified bid	Potential Loss (Million TZS)	Percentage of loss
Bahi D.C.	Construction of theatre block at Chipanga Rural Health Centre	65,095,172	58,883,600	6,211,572	11%
Kibaha TC	Construction of administration building at Miembesaba Secondary School	39,600,00	37,835,209	1,764,791	5%
Morogoro MC	Construction of consultation block for Municipal Hospital	583,488,948	526,999,240	56,489,708	11%
	Total	688,184,120	623,718,049	64,466,071	10%

Source: Tender documents and evaluation reports at LGAs

4.3.6 Interference with evaluation team

Interviews indicated that the evaluation teams received various instructions from their respective managements that influenced some of the decisions. Review of documents regarding Construction of Male Ward at Mkamba Dispensary in Kilombero District Council showed that an error was deliberately created in the BOQ in order to get more funds from the donor. The awarded amount increased from TZS 116.4 million to TZS 121.6 million leading to an addition of TZS 5.2 million which was supposedly intended to cater for incidentals that would occur during the project implementation.

The evaluation team recommended that Manda Construction Ltd be awarded a contract of construction of the administration building at Miembeni Secondary School at Kibaha Township Council for TZS 37,335,209/=, the task was awarded to Mchome Building contractor Ltd for 39,600,000/= represent a cost increase of 4.4 % for undisclosed reasons.

4.3.7 No negotiation in price when only one bidder responded

In the event that only one bidder responded and was found to be responsive, the LGAs were supposed to conduct negotiation in the area of price especially where the bid price is higher than the estimates. Review of contract files showed that the LGAs did not always conduct

negotiations with the winning bidders. It was only done when budgets were limited and a reduction of scope was inevitable.

There were six cases (refer to **Appendix 10**) where only one bidder submitted a bid. In five of these projects negotiation was not done because the bids were below the Engineers' estimates and budgets. However, in the project for Construction of Office Building for Member of Parliament in Bagamoyo DC, the bid was above the estimates and negotiations were not conducted. This led to an expenditure of about TZS 6.9 million beyond the approved budget which represents a 17 percent increase of the project cost.

4.3.8 Errors in calculations during bid evaluation

During bid evaluation, the evaluation teams are supposed to check for arithmetic errors and correct the bid figures accordingly. The study found arithmetic checks were conducted, however, in some instances, the evaluation teams ended up with erroneous tender figures. These errors in calculations eventually affected the final contract prices as shown in **Table 4.6**.

Table 4.6: Arithmetic errors made by the Evaluation Teams and PMU during the Tender Process in LGAs

LGAs	Project	Amount in Contract (TZS)	Correct Amount (TZS)	Deviation (TZS)	Remark
Bahi D.C	Completion Construction and Provision of School Building Facilities at Chikola	219,640,244	218,951,124	689,120	Increased mount due to: Error by the evaluation team
Kilombero D.C	Construction of Female and Children Ward at Mkamba Dispensary	234,128,325	236,482,565	2,354,240	Reduced amount due to : Error by the evaluation team
Kilombero D.C	Construction of Male ward at Mkamba dispensary	116,406,650	121,587,150	5,180,150	Amount Increased: Purposefully created in order to get more fund from financier
Morogoro M.C	Completion Construction and Provision of School Building Facilities at Mafiga Secondary school	214,521,000	211,653,300	2,867,700	Increased amount due to: Error by the Procurement Management Unit ³⁰

Source: Re-computation of costs in the winning bids BOQs and evaluation reports

30. When drafting the contract, the PMU used the road-out figure as the contract price instead of the corrected tender sum

4.4 Conclusion on Selection of Service Providers and Contractors

Selection of service providers and contractors is characterised with limited competition. Thus the PEs are more likely to end up engaging non-performing contractor(s) and service providers resulting into delayed a completion of works with poor quality that may require frequent repairs.

Although most of the PEs make use of framework contracts, there is an indication of some that some agents have created and are practising as a monopoly. For instance, at PO-PSM and at MFAIC most service providers have been the same for the whole period covered in this study. This practice has undermined the basic principles of fair competition in the market with the view of realizing best, fair and cost effective air travel services and prices. Accordingly, this practice may ultimately end up eliminating or phasing out other agents in the market and further limit competition in the market.

Despite the Engineers' Estimates being unrealistic and unreliable, there is a tendency, among LGAs, to offer preferential treatment to bidders whose bid prices are close to the respective Engineers' Estimates.

Most prices offered by the bidders varied considerably from the engineers' estimates. On the other hand, the winning bidders were very close to the Engineers' Estimates and/or the budget allocated for the respective projects.

LGAs do not have a working mechanism of ensuring that the prices offered by the contractors are genuine and reflect the actual costs of the respective project.

Majority of projects are tendered by Competitive Quotations by advertising through public notice boards. This makes the bids less competitive due to limited media coverage and limited participation of bidders in the bidding process.

Tender evaluation process is not always conducted properly and some tenders are unfairly disqualified. Correction of arithmetic errors in the BOQs are common but are not always carried forward to become part and parcel of the respective contracts. Tenders are not always evaluated by qualified professionals.

4.5 Recommendations on Selection of Service Providers and Contractors

The Ministry of Finance should ensure that:

1. GPSA prepares the price thresholds that reflect the situation on the ground for common use items and services based on adequate market survey.
2. GPSA should include provisions in the framework contract agreements that deter agents from choosing unnecessarily expensive options in air tickets.

The Ministry of Finance, in collaboration with PMORALG should facilitate the LGAs to ensure:

1. LGAs select methods of procurement that encourages sufficient competition in order to get contractors who can perform satisfactory work at economical prices;
2. Tender evaluation processes in LGAs is handled by professionals so as to obtain the right contractors;
3. Arithmetic checks are done carefully, in order to avoid errors;
4. Strict disciplinary actions are taken to members of evaluation teams who engage in malpractice during the evaluation process; and
5. Evaluation reports are reviewed to ensure fairness and adherence of the Public Procurement Act and its Regulations;
6. Works are advertised when PEs are sure of the flow of funds and payments should be made to contractors on time as stated in contracts.

CHAPTER FIVE

SUPERVISION DURING SERVICE PROVISION AND CONSTRUCTION

5.1 Introduction

In this Chapter, we present findings regarding air travel services and ticketing. The findings are based on the questions that are set out in Section 1.3 in order to address issues of cost control in air ticketing.

5.2 Air Travel Service Delivery and Supervision (Execution of Contracts)

5.2.1 *PEs Pay more service charges than the rates in the Framework Contracts*

As explained in section 3.3.1, GPSA had set out the benchmark prices (ceiling prices) for service fee that should be charged to the PEs by the agents. The service fees were exclusive of air ticket fares that were charged by the airlines. Travel agents were required to charge the service charges as agreed in the contracts of GPSA.

Tender documents and the framework agreements prepared by GPSA indicated that PEs should not bear any additional cost or charge or fee rather than the unit price quoted and awarded to the bidder³¹. However, it was found that, travel agents breached the agreement, because they were charging the service charges more than the agreed rate.

Table 5.1: Overpayment of Service charges at the MFAIC (Agent 1)

Agent	Number of people	Fare amount paid (TZS)	Service charges Paid (TZS)	Contractual Service charge required (TZS)	Deviation Variance (TZS)	Deviation (%)
Agent 1	239	2,446,100,047	44,029,250	23,480,000	20,549,250	88%
Agent 2	229	1,394,163,177	70,848,100	18,410,000	52,438,100	285%

Source: Analysis of service charge vs framework agreement, at MFAIC

31. Instructions to Bidders (ITB) clause 15.5.

For instance, an analysis of a sample of 22 LPOs, representing 239 staff trips from the MFAIC, revealed that the service charges per ticket for most of tickets were overcharged. The highest being 12 times the rate set by GPSA. About half of the tickets were charged at least twice the normal rate. As a result, the PE paid TZS 44 instead of the contractual amount of TZS 23.5 million resulting in an overpayment of TZS 20.5 million which is almost twice as much as the set amount (Refer **Table 5.1** and **Appendix 12b**).

In the same way, the examination of a sample of 229 staff-trips (representing 20 LPOs) from another agent in the same ministry³², revealed that all the tickets were overcharged. Some of tickets were charged more than 16 times above the contractual rate as approved by GPSA. More than half of tickets were charged at least 3 times beyond the acceptable rates. As a result, the PE paid TZS 70.8 million instead of TZS 18.4 million resulting in an overpayment of TZS 52.3 million which is about 3 times as much (Refer **Table 5.1** and **Appendix 12c**).

Similarly, a sample of 27 tickets for domestic flights taken from PO-PSM, the gross fare as per contract was TZS 9,432,500. However, the gross fare actually paid was TZS 9,143,000 which was about 3% more (refer **Appendix 12a**).

This presupposes that agents are free to set their own rates when raising invoices to the PEs. There is no control mechanism respect to benchmark prices as shown in **Table 5.1**. Similarly, there was no consistency in respect of service charges that the PEs were invoiced.

5.2.2 Agents select tickets with high fare prices

It was noted that for each class of service there is a range of fare charges depending on flexibility, time of booking, validity period, stopovers and transfer limitations. However a sample of tickets examined showed that, agents had a tendency of selecting expensive fares instead of opting for lower fares.

According to the law³³ the PEs are expected to strive to achieve the best value for money in procurement. Interviews held with officials from GPSA indicated the duty of GPSA was to set service charges

32. MFAIC

33. PPA No.21 of 2004, Section 43.

which were reasonable for the services offered while PEs were to ensure that the agents were charging the reasonable fares. Interviews held with officials from PEs revealed that they contacted directly the agents approved by GPSA when there was need for air travel services. Review of the framework contracts found out that there was no incentive or clause which could influence or force the agents to select fares which were lower.

The Focus Group Discussion involving representatives from various actors in the airline industry indicated that, the airline companies stopped paying commissions to the airline agents since 2008. However, it was later learnt that some airlines re-introduced the payment of commissions to the agents after experiencing a decline in their sales of tickets. Other airlines gave the agents freedom to decide on the rates of service fees (management fees) which were normally presented to the customers as part of the fares without disclosing the cost breakdown as explained in **Section 5.2.3**.

As a result, agents were picking high fares to the tune of 50% more than the minimum fares, despite the fact that they have options for selecting lower fares for the same air tickets (Refer **Appendices 3, 4 and 9**).

In a sample of 32 domestic flight tickets, the fare options that the agents could pick ranged from TZS 60,000 to 470,000. However, the actual fares for the ticket picked ranged from TZS 109,000 to 360,000. As a result, the PEs ended up paying TZS 7.5 million whereas they could have paid as low as TZS 4.1 million and save TZS 3.4 million. On average, at least half of the tickets purchased for domestic flights were charged TZS 100,000 above the minimum prices at the time of booking.

Likewise, in a sample of 45 international tickets, the fare options that the agents could pick ranged from TZS 488,250 to 46,379,100. However, the actual fares for the tickets picked ranged from TZS 919,150 to 40,351,150. As a result, the PEs ended up paying TZS 611.9 million whereas they could have paid as low as TZS 366.6 million and save TZS 162.3 million. On average, at least half of the tickets purchased for domestic flights were charged TZS 2 million above the minimum prices at the time of booking (refer **Appendix 9**).

5.2.3 Inadequate disclosure of necessary information in an air ticket

Review of air tickets, showed only 12.5% of the 32 sampled local flight tickets taken from MNRT and PO-PSM showed gross fares. Likewise, a sample of 72 international flight tickets showed only 11% had fare charges and tax break downs. The remaining tickets did not show the important information like service charges, taxes, fare, fare calculations and fare basis as, these were also mandatory elements that should appear or be printed on the ticket as they form part of the contractual agreement and needs to be disclosed. The PEs could not verify the authenticity of the invoices raised by the agents because of the non-disclosure of the important details in the tickets. Nevertheless, the PEs blindly paid for the tickets as per invoices from the agents.

5.2.4 Inadequate verification of invoices against air ticket

It was found that the verification of the authenticity of invoices from the agent is inadequately done. MFAIC, MOF and MNRT have been paying the agents without verifying the authenticity of the amounts claimed. Air travel agents were claiming payments from the PEs by raising invoices without showing the breakdown of all the charges, taxes and fares, fare calculations and fare basis codes. For instance, payments amounting to 80,640,322 out of 114,906,772 (i.e. about 70%) were effected by the Ministry of Natural Resources and Tourism in the absence of necessary documents that would be used to verify the authenticity of the payments. Such documents include tickets, request for purchase, local purchase orders, and sometimes the invoices.

Payment for claims without verifying the tickets exposes the PEs to the risk of making payments for services that were not appropriate support documents for rendered.

5.2.5 Choice of fare basis codes in calculations of fares

For each class of service there is a range of fare charges for a travelling person depending on flexibility of travelling dates, time of booking, validity period, stopovers and transfer limitations, etc.

Samples of tickets analysed showed that there was a tendency for selecting expensive fares.

For instance, international flight tickets in the first row of **Table 5.2**

cost TZS 347.1 million while there was an option of tickets for the same class of service at a price of TZS 242.1 at the time of booking resulting into payment of TZS 105 million that could been avoided.

Another example is from a sample of 72 tickets for international travels that was taken from two ministries namely PO-PSM and MNRT. Some of these tickets did not show the fares and their respective breakdown. Because of this, the fares were generated from the system (Global Distribution System) and it was noted that 56 tickets out of 72 tickets were inflated. This represented 78% of the sample. The study also revealed that the amount that was supposed to be paid was TZS 700.9 millions but the amount that was finally paid was TZS 974.5 million which is TZS 273.6 millions more than what should have been paid (Refer **Appendix 5**). Based on the analysis, about half of the tickets issued were overcharged by at least TZS 1 million.

Table 5.2: Potential Savings based on the choice of fare basis

Ticket Number	Cost of ticket based on selected fare basis (TZS Million)	Alternative cost based on cheapest available basis (TZS Million)	Potential saving (TZS Mil-lion)	Potential sav-ing (%)
1763275774601-2/603-4/607-8/609-10/611-12	146.5	76.2	70.3	92
7242599755651	8.4	6.4	2	31
7242599755649	7.4	6.2	1.2	19
7242599755648	10.2	8.0	2.2	28
7542599755592	9.4	5.6	3.8	69
7242599755595-6	40.3	29.3	11.0	38
1762599772002-03	17.3	14.89	2.4	16
17632678460007-08	13.2	12.4	0.8	6
1763267846048	11.8	10.0	1.8	18
1762599772002-03/2599755723-24	34.6	32.3	2.3	7
1762599772000-01	12.3	10.9	1.4	13
1762599755721-22	12.3	8.8	3.5	40
7242265952390	11.3	10.6	0.7	7

Ticket Number	Cost of ticket based on selected fare basis (TZS Million)	Alternative cost based on cheapest available basis (TZS Million)	Potential saving (TZS Million)	Potential saving (%)
7242265952399	12.1	10.6	1.5	14
Total	347.1	242.1	105.0	43

Source: Analysis on tickets and from global distribution system, 2013.

5.2.6 Choice of fare calculation combinations

To arrive at a certain fare value, agents have to decide on the optimal method of computation where different fares are combined. The study noted a fare calculation combination for ticket no.176 3275774603/4 (first class) that resulted into a high fare value of US\$ 30,520 (TZS 48.8 millions). In addition, very high rates were used in the combination. With proper fare calculation combination, using the same high rates the ticket could still have cost less by approximately US\$ 6,000 (i.e. TZS 9.6 millions). (see **Appendix 7**).

5.2.7 Lack of competition during ordering

It was observed that in some PEs, the same travel agents have been providing services to the PEs for many years despite changes in the procurement methods used. This is due to lack of competition arising from too much discretion exercised by the PEs in selecting service providers. According to practice, the PEs are at liberty to choose any service provider as long as the service provider has been approved by GPSA.

Based on this practices, the PEs were expected to present their schedules of requirements to more than one service provider to get their quotations. This was because the service charges were already fixed whereas the fares varied depending on the selected airlines, fare basis codes, fare combinations, etc. Interviews indicated that GPSA and the PEs were not aware of the potential savings that could have been realized as a result of the mini competition among air travel agents.

5.2.8 Ad hoc booking by PEs

Information regarding air tickets processing time taken from a sample of 36 tickets at MFAIC showed that on average the PE got information

regarding invitations that necessitated travelling 9 days prior to the travel. However, most bookings were done on ad hoc basis. About half of the bookings were done three days before the day of travelling date, it took up to 33 days for the PEs to order tickets from the travel agents (Refer **Table 5.3**).

Also a sample of 26 tickets from PO-PSM showed that, on average, they got information regarding travelling 6 days prior to the travel. However, most bookings were done three days before the date of travel. It took them up to 15 days to order tickets from the travel agents (Refer **Table 5.3**). In other PEs³⁴ information regarding dates of invitation and ordering were not available to auditors.

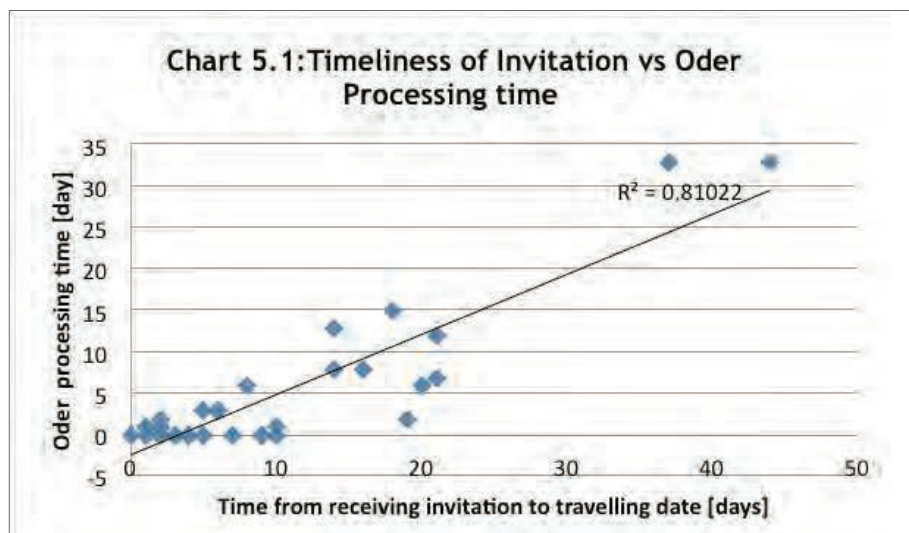
34. MNRT and MoF

Table 5.3: Timeliness in Receiving of Invitations and Ordering of Tickets

Description	PO PSM (sample of 26 tickets)			MFAIC (sample of 36 Tickets)		
	Invitation Receiving date to travelling date	Ordering date to travelling date	Order processing time	Receiving timeliness date to travelling date	Ordering date to travelling date	Ordering processing time
Average time (days)	6	4	2	9	5	4
Minimum time (day)	0	0	0	0	0	0
Maximum time (days)	20	17	15	44	17	33

Source: Analysis of payment vouchers and supporting documents

Further analysis indicated that the PEs ordered tickets from the agents very quickly when invitations came on short notice. However they were very slow to order the tickets when they received early invitations (Refer Chart 5.1 below)



5.2.9 Selection of Airlines and Routes by Travelling Officials

Comments from participants during the focus group discussion showed that, some government officials had a tendency of selecting airlines they desired when ordering tickets. This prevented the agents from choosing the best options available at the time of booking.

5.2.10 Adherence of Agreed Specifications and Prices during Contract Delivery

Procuring entities are expected to have the overall responsibility for the execution of the procurement process, and ensuring that the implementation of the awarded contract is in accordance with the terms and conditions of the award³⁵. The study noted that both Agent and PEs do not adhere to framework agreements made during the procurement process. For example Agents are charging more service charges than required as shown on Section 5.2.1 of this report.

On the other hand, PEs were not paying the agents on time. This was manifested by the existence of huge outstanding claims to three out of four PEs visited. **Table 5.4** shows the amounts of unsettled claims.

³⁵. According to PPA No.21 of 2004 section 33 (k).

Table 5.4: Outstanding payments to Agent in Millions of Tanzanian Shillings

Procuring entity	Claims from Service providers (TZS million)					
	Agent 1	Agent 2	Agent 3	Agent 4	Agent 5	Total
MFAIC	14.1	99.5	14.5	-	-	128.1
PO-PSM	31.8	95.9	14.5	-	-	142.2
MoF	-	-	-	110.4	40	150.4
TOTAL	45.9	195.4	29	110.4	40	420.7

Source: Analysis of debt from PO-PSM, MFAIC and MoF, 2013

Interviews with PMU officials indicated that huge outstanding claims influenced the PEs into clinging to the same service providers because they felt obligated to continue working with the agents who were capable of providing services regardless of the unsettled bills.

5.3 Construction, Supervision and Contract Administration

The agreed specifications of the works are expected to serve as benchmarks that depict quality and hence the actual value of the works being implemented. This is also true for the quantities of items in the BOQ that are actually implemented and the agreed time for completion. Any deviations from these benchmarks are expected to have an adverse impact in the implied value of the works. During the study the following scenarios were observed:

5.3.1 Mismatch between awarded prices and actual costs incurred

All the contracts for the construction projects required the LGAs to pay the contractors according to the work done. To ensure this, the supervisors were expected to measure the works done prior to approval of payments. Review of documents revealed that 45 projects out of 64 (equivalent to 70%) were completed and the amount of money paid was the same as in the respective contract except for minor deviations. The noted deviations resulted from unused contingencies and unreleased retention money. Fifteen projects (equivalent 24%) were not completed on time whereas the remaining four projects (equivalent to 6%) were completed but their respective contract prices significantly deviated from the original contract prices as explained on **Table 5.5** below.

Table 5.5: The deviation between Contract Prices and Actual Costs of the Projects

Selected projects	Awarded price(TZS)	Actual paid price(TZS)	Deviation(TZS)	Extent of deviation	Reasons for Deviation
Construction of abattoir at Mtakuja Street at Kibaha Township	60,000,000	38,525,176	(21,474,824)	-36%	The amounts in the Bills of Quantities were overestimated. Effective use of measurement sheet during payment approvals.
Construction of Boundary fence at the Morogoro Municipal Council Heads Office	86,119,600	98,098,823	11,979,223	14%	Missing items in the preliminaries section of the original BOQ. These items had to be reinstated during the contract execution as additional items.
Construction of Mtakuja Dispensary at Kibaha Township	16,563,400	18,682,500	2,119,100	13%	Additional works - such as laying and fixing of tiles on the floors, paint works and floor works included were not in the original BOQ.
Construction of staff quarter at Bahi District Council	127,748,600	137,469,499	9,720,899	8%	Extension of time - the bidder was experiencing shortage of water and the project stopped but upon resumption of work the cost of other items in the BOQ had increased in the market and the BOQ rates were accordingly adjusted leading to an increase of 8% of the contract sum.

Source: Contract files and payment records

Table 5.5 above gives an example of inadequate planning that led to miscalculation of quantities. On the other hand, it provides an example of good contract management where works were measured prior to approval of payments. In the end, the LGA managed to avoid an expenditure (overpayment) of about TZS 21.5 million which was 36 percent of the contract sum.

Moreover, there were scenarios where payments were made for items in the contracts that were not executed.

For example in execution of the project for Completion of Sina Health Center (Phase I) at Morogoro Municipal Council and Renovation of Mayor's Office Arnatoglo at Ilala M.C., payments amounting to TZS 3,438,000 and TZS 2,600,000 respectively were paid to non or partially executed works as shown on **Table 5.6** below.

Table 5.6: Mismatch between actual work and payments made

Project	LGA's	Area of deviation	Specified	Actual	Loss/ remarks
Completion of Four Classrooms at Ulongoni Primary School	Ilala	wall size	150 mm	120mm	20% less blocks used
Completion, Construction and Provision of School Facilities at Mboga Secondary School in Bagamoyo District Council	Bagamoyo	Wall size	230 mm	150mm	36% less blocks used
Construction and Provision Building Facilities at Mchikichini Secondary School	Ilala	Wall size (mm)	150	130	13% less materials used
Construction of Staff Quarter at Mindola Village	Bahi	Glass window (mm)	6	4	weaker glass
Completion, Construction and Provision of School Facilities at Mboga Secondary School in Bagamoyo District Council	Bagamoyo	Main bars for ring beam (mm)	10	8	36% less of specified amount of steel used
		Stirrups for ring beam (mm)	8	6	72% of quantity of steel used
		Spacing of Stirrups (mm)	200	400	
Proposed Completion of Sina Health Center (Phase I) in Mafisa Ward	Morogoro	Fascia board	Worth TZS 3,438,000	0	TZS3,438,000
Renovation of Mayor's office at Arnatoglo - Ilala M.C.	Ilala	Aluminium Partition (Sq. Metres)	29	0	TZS2,600,000
		Floor tiles (Sq. Metres)	180	137	TZS4,200,000

Source: BOQs and records of payments made to contractors

5.3.2 Delayed completion of projects

Projects sampled were not completed on time. However, most of LGAs did not charge Liquidated Damages³⁶ to contractors. Only Kilombero DC exercised the right of charging liquidated damages for the delayed projects. Bahi DC and Morogoro MC only charged liquidated damages for some of the delayed projects.

In the remaining LGAs the liquidated damages were not charged despite delays experienced that extended from 3 months to 33 months. The LGAs refrained from deducting liquidated damages in the following ways:

- Making the clauses for liquidated damages not applicable in the contracts;
- Issuing unjustifiable extensions of time to the contractors; and
- Ignoring the clauses even if they formed part of the contract and there was no approved extension of time.

For example, during construction of Staff Quarters at Bahi DC, the contractor was granted an extension of time of 55 days, the reason being shortage of water. In addition, the project was stopped and the stop order issued by the LGA indicated that financial constraints on the part of the LGAs were the cause for the stoppage. When the contractor resumed the contract price was raised by 7 percent (i.e. TZS 8.9 million) from TZS 127.7 million to 136.7 million. There were no records to substantiate the scarcity of both water and oil and their respective impacts to the approved programme of work.

Likewise, in Kilombero DC, an extension of time of 45 days was granted to the contractor during the Construction of Hostel at Mbingu Secondary School because of heavy rains. Another extension of time of 43 day was given to the contractor because of scarcity of fuel in Tanzania. Furthermore, during the Construction of Boundary fence at the Morogoro MC Heads Office extension of time of 30 days was granted with no reasons stated. In these approvals for extension of time there was neither early warning letters from contractors nor records to prove existence of the reasons for approvals as required

36. Liquidated Damages (LD) means the amount of money deducted from the contractors' payments to compensate the client (e.g. LGAs) for the delays in completion of the project. The rates for the LDs are expected to be specified in the contract document.

by the contract provisions³⁷.

5.3.3 Delayed payments to contractors

According to contracts reviewed payments were supposed to be made within 28 days after issuance of interim payment certificates. However, there were delays in payments up to 106 days from the date of certificate for payment. The situation attracted interests that reached 17 percent of the contract sum. In some of these contracts respective clauses for interest on delayed payments were made non applicable whereas in other contracts the clauses were just not used despite forming part of contracts.

5.3.4 Payments made for works of lower value and quality

It was found out that 19 projects out of 51 visited had unsatisfactory quality as compared to what was supposed to be done. This was due to fact that the contractors were executing the works without being adequately supervised. Only three projects had visitors' registers that could show if the LGAs engineers' officials were visiting the construction sites for supervision. The three registers did not show that the supervisors had visited the sites. The defects included:

- i. Poor workmanship;
- ii. Cracks on the walls;
- iii. Poor finishing;
- iv. Low quality blocks; and
- v. Poorly fixed window frames.

Proportionally, Ilala Municipal Council was the leading LGA for the projects with low quality as shown on **Table 5.7**.

37. Clause 31.2 of General Conditions of Contract.

Table 5.7: Projects with unsatisfactory quality in selected LGAs

Names of the LGAs	Number of projects visited	Number of projects with defects	Percentage of projects with defects(%)
Bahi DC	8	2	25
Kilombero DC	7	1	14
Morogoro MC	10	4	40
Ilala MC	8	4	50
Bagamoyo DC	9	4	44
Kibaha DC	9	4	44
Total	51	19	37

Source: Contract files and site visits³⁸

These defects in constructed facilities will ultimately result into increased frequency and cost of maintenance. Even with minor defects, re-construction may be required and facility operations impaired. In the worst case, failures may cause personal injuries or fatalities to the users or and the general public (See photos in Appendix 13).

5.3.5 Complaints from Contractors

The PEs are required to provide procedures for dispute settlement in case of disputes arising from procurement proceedings. Based on the review of contract files and complains register, it was found that bidders did not complain about the procurement processes. The only complaints from contractors were registered at Kinondoni Municipal Council regarding delays of payments during contract implementation where it took up to 106 days to process the payments. These delays attracted interest payments of up to 17% of the contract sum. Further review of contract documents showed that clauses that were to deter delays in payment by the LGAs were rendered not applicable in their respective contracts. In other LGAs no official complaints were made.

³⁸. Visual inspection of the projects

5.4 Conclusion on supervision of service provision and construction

- i) Supervision was inadequate which led to low quality works and inflated invoices.
- ii) There is lack of transparency in the processing of invoices since claims raised by airline agents do not show the breakdown of various components forming the claims.
- iii) The framework contract agreements prepared by GPSA do not adequately deter the agents from choosing options that are not beneficial to the PEs;
- iv) PEs do not order tickets timely and give freedom to travelling officials to choose the airlines they desire without due consideration of the associated costs.
- v) PEs do not apply cost benefit analysis of compare available options with a view to choosing the most economical travel alternative. The decision is left to the travel agents. PEs do not adequately verify the claims raised by the air travel agents prior to payments and end up paying more than they should.
- vi) Contracts in LGAs are not well managed. There is weak supervision of contracts characterized by lack of inspections and progress reporting, site meetings and overall management of defects liability period; and unjustifiable extensions of time.
- vii) Important clauses on insurance, performance securities, liquidated damages, as-built drawings, interest rates and advance payments were made either deliberately non applicable or missing in the contract documents exposing the LGAs to litigation and unforeseen costs during contract implementation.

5.5 Recommendations on supervision of service provision and construction

The Ministry of Finance should revisit public expenditure policies regarding air travelling by public officials as a measure towards cost control.

The Ministry of Finance, having the overall responsibility of overseeing procurement issues in the country, should direct the PEs to ensure that:

- i) the service fees charged by the airline agents for air tickets are in line with the agreed rates under the contract framework agreements.
- ii) bookings are done early enough to take advantage of the low priced options.
- iii) clear instructions are given to travel agents to ensure that they choose the most economical travel options available at the time of booking.
- iv) travelling officers are restricted from choosing flight options such as routes, carriers (airline company) and unnecessary flexibility of travel dates without consideration of costs³⁹.
- v) payments for claims from contractors and air travel service providers are adequately scrutinized prior to authorization of the payments and incases were refunds are justifiable they should be pursued.
- vi) the call-off orders are used as required by the framework agreements.
- vii) more service providers are selected to foster competition that can bring best prices from airline agents through mini-competition to avoid monopoly.
- viii) experts are used to advice on the appropriate reasonable air fares accordingly and itinerary planning to monitor and advise on the travel arrangements as need may be.

³⁹ Some travellers are Frequent Flier Programme members of certain airlines thus demand to use their services to avail/accrue mileage.

The Ministry of Finance, in collaboration with PMO-RALG should facilitate the LGAs to ensure:

- ix) Effective supervision of works by LGAs Engineers at each stage of construction, in order to avoid unsatisfactory quality works which are likely to increase the repair and maintenance costs;
- x) Payments are made for the works executed according to the specifications upon verification of the claims through re-measurement of the work done prior to approval and certification;
- xi) Strict professional and disciplinary actions are taken for Engineers and Quantity Surveyors who authorize payments for unimplemented activities;
- xii) In a Liaison with National Construction Council in they prepare unit rates for the construction industry, which can assist the LGAs Engineers' Offices to make realistic estimates that will guide planning and decision during awards of contracts; and

The Ministry of Finance, in collaboration with PMO-RALG should ensure: Proper coordination with sector ministries when implementing construction projects in LGAs in each project phase, so as to harmonise matters of concern pertaining to estimation, tendering, implementation, monitoring and control.

CHAPTER SIX

ACTIONS TAKEN BY REGULATORY BODIES IN ADDRESSING ISSUES OF COST CONTROL

This chapter presents findings regarding actions taken by Regulatory bodies⁴⁰ and PEs in addressing cost control in procurement of air ticket and construction of public buildings.

6.1 Setting and Monitoring of Framework Agreements by GPSA

6.1.1 GPSA's role in prices setting

GPSA has the responsibilities of analysing market trends and advise the government on proper course of action⁴¹.

Based on the interviews and reviews of documents at GPSA it was revealed that GPSA did not conduct adequate market analysis. As a result, GPSA could not identify appropriate ways of controlling the costs of air tickets. For instance, in the framework agreements prepared by GPSA, focus was only on the rates paid by the PEs as service charges. Other parameters that affected the ticket prices were left to the airline agents to decide and control without adequate guidance. Other important parameters included choice of airlines, routes, and optimization of the fare computations. The service charges, which were the main focus, however, were also not adequately researched by GPSA. As a result, the criteria for estimating the service charges were not consistent and kept changing over the years and the airline agents were operating without adequate guidance in this matter (Refer Table 4.1 and 5.1).

6.1.2 Monitoring and evaluation of framework agreements

GPSA is supposed to monitor and evaluate performance of MDAs and LGAs on the use of framework contracts and prepare reports⁴². However, GPSA did not conduct the monitoring and evaluation of the use of framework agreement in MDAs and LGAs. As a result, PEs have been paying more than the fair prices set in the framework agreement (Refer Appendix 12a, 12b and 12c). Interviews with

40. GPSA and TCAA

41. Executive Agency Act (Government Procurement Service Agency) (Amendment) order, 2012

42. GPSA establishment order 2007 no. 3.1, 9.6; GPSA establishment order 2007 GN 111 from 13/4/2012 - the executive agencies act - no. 2.3.1.5 (d), 2.3.3 (a) is required to Formulate, monitor and evaluate the implementation of Procurement of Common Use Items through framework contracts.

GPSA officials indicated that, they are not aware of the incidence. Further interviews indicated that GPSA was doing monitoring by obtaining copies of call-off orders from PEs. This helped them to track records of PEs which were using the framework contracts. Review of documents from PEs on the use of framework contract showed that, PEs were not using these contracts as required. They were just picking the suppliers who were shortlisted by GPSA, but the listed prices and the procedures for the selection were not adhered to. Review of the documents regarding the service of air travel, revealed that there was no record of call-off orders in all PEs⁴³. This is against the requirements of frame work agreement⁴⁴.

According to interviews, GPSA was monitoring and evaluating the performance of Framework Contracts through information submitted by PEs but did not test the reliability of the information submitted.

Few PEs use framework contracts in procuring CUIS. Based on GPSA performance report, more than 64% of Procuring Entities did not use framework contracts for purchase of CUIS (Refer Table 6.1).

Table 6.1: Usage of Framework Agreements among PEs

Financial year	Total Number of PEs	Number of PEs using framework contracts	Percentage of PEs using framework contracts
2009/10	392	47	88%
2010/11	393	102	74%
2011/12	422	150	64%
2012/13	445	60	87%

Source: GPSA performance report, Analysis done by auditors, 2013

6.1.3 Use of ‘Call-off Orders’

The PEs did not follow the Public Procurement procedures in acquiring air tickets services. Interviews with PEs officials revealed that the PEs did not use ‘Call-off Orders’ for acquisition of air travel services. In addition, the PEs did not comply with the requirement to submit the ‘Call-off Orders’ to GPSA. Interviews with GPSA officials confirmed that PEs were not submitting the ‘Call-off Orders’ related to air travel services.

43. Ministry of Finance. Ministry Of Foreign Affairs and International Cooperation, President Office - Public Service Management, Ministry of Natural Resources And Tourism

44. IT says , This agreement is not a commitment to purchase by the employer, The commitment to purchase will only be made when the employer issues a call off order under terms of this agreement

GPSA was unaware of these weaknesses and did not take adequate initiatives in monitoring the performance of the framework contracts relating to air travel services.

6.2 Monitoring by the Public Procurement Regulation Authority (PPRA)

The PPRA is required to monitor and report on the performance of the public procurement systems in the country and advise on desirable changes. Interviews with officials at PPRA indicated that PPRA conducted Procurement Audits in various PEs every year. A review of the audit reports for the financial years 2011/12 and 2012/13 for various PEs showed that the reports addressed weaknesses in various areas regarding cost control including procurement of air tickets and construction of buildings.

6.3 Regulation by the Public Procurement Appeals Authority (PPAA)

The PPAA is expected to conduct to conduct hearings, decide and determine public procurement litigations brought about by the PEs or Service Providers and Contractors. Based on the review of documents, bidders complained to the PEs in various areas including the delays in payments and setting of rates for the agency fees in air ticketing. These complaints were settled thus there was no need to refer them to the PPAA.

6.4 Regulation of air travel charges by Tanzania Civil Aviation Authority (TCAA)

The law has charged TCAA with the responsibility for regulating the rates charged in air transport⁴⁵. Where there is no competition, TCAA is supposed to withdraw a basic fare which is excessively high to the disadvantage of users. When setting the new rates, TCAA is also supposed to consider the long term relevant costs of the air carrier including a satisfactory return on capital, the whole fare structure for the route in question, and the competitive market situation.

It was found that TCAA was not fulfilling its obligation of regulating the fares. According to the officials, TCAA only took actions to stabilize the prices by creating competition where there were elements of monopoly. TCAA seemed to neglect their responsibility to regulate the rates and this left the air travel agents unregulated and free to

45. The Tanzania Civil Aviation (Economic regulation) regulation 9.(1) of 2006.

charge higher fares as shown in the previous sections of this report.

6.5 Conclusion on Monitoring by regulatory bodies

The regulatory bodies did not seem to be aware of the deficient issues surrounding air travel services thus giving leeway to travel agents to operate without check and balances as explained hereunder:

Despite being required by law, TCAA has not taken any actions to ensure that the Travel Agents deliver their services with due diligence especially by prioritizing considerations of cost reduction/control in choosing appropriate flight options and routes for travelling government officials.

GPSA does not conduct adequate research on parameters that affect air travel costs prior to setting of rates to be used in framework contracts. In addition, GPSA does not adequately monitor implementation of the framework contracts.

6.6 Recommendations on Monitoring by regulatory bodies and PEs

The Ministry of Finance should ensure that:

1. GPSA prepares Framework Contracts which have clauses that compel the airline agents to choose lower prices whenever possible and put sanctions for non-adherence to such clauses; and
2. GPSA monitors and evaluates implementation framework contracts by the PEs.

The Ministry of Finance should ensure that PPRA takes appropriate disciplinary actions against agents who violate the stipulated agreements.

The Ministry of Finance in collaboration with TCAA should ensure that TCAA plans and implements monitoring activities with a view to regulate the actions of key stakeholders in air transportation especially the airline agents in order to protect the interest of public.

CHAPTER SEVEN

CONCLUSION

This chapter presents general conclusions regarding cost control in public procurement based on the findings in chapters 3, 4, 5 and 6 as demonstrated by the selected case studies of air travel services and construction of public buildings.

7.1 Overall Conclusion

From the findings, it can be concluded that key stakeholders in public procurement have not addressed key issues related to address issues of cost control although the procurement procedures prescribed in the law provide room for safeguarding public resources against unnecessary overspending. Thus, public procurement is generally affected by the following issues:

- Unrealistic plans, budgets and cost estimates are common to all PEs;
- Selection of service providers is characterized by inadequate competition and monopoly of some service providers;
- Service providers are not adequately supervised and payments to contractors and service providers are made without prior verification of the work done or service delivered; and
- Regulatory bodies do not adequately address issues of cost control in public procurement.

Those issues are partly caused by the following:

- Regulatory bodies do not get adequate information from PEs to facilitate monitoring and evaluation.
- Tools and methods deployed by PPRA cannot decisively detect issues of corruption.
- PEs do not engage in direct negotiations with suppliers with a view to get better deals.
- PCCB is not adequately equipped to investigate issues of procurement.
- There is inadequate guidance for standardisation of processes across government departments when handling issues of similar nature.

CHAPTER EIGHT

RECOMMENDATIONS

This chapter presents the recommendations based on the findings and conclusions presented in the previous chapters. The recommendations are geared towards addressing issues of policy and governance in public procurement management which concerns key stakeholders at national level.

The study recommends as follows:

- i) PPD should revisit various government circulars which provide guidance for procurement of works, goods and services with a view to minimize unnecessary costs. These include policies and regulations for fuel, air ticketing, consultancy services and government buildings. This will help in avoiding issues like:
 - Paying for business class tickets for an official travelling in domestic or international flight where the plane does not have such class of service.
 - Going for business class without consideration of distance (length of flight).
 - Allocation of 10 litres of fuel for every government car assigned to a government officer per day regardless of the rated fuel consumption of the car and the distance this car covers in a day.
 - Repeated costs of designing the buildings of similar calibre and use whenever a need for a new one arises due to lack of standardization of government buildings.
- ii) The Paymaster General should ensure that PPPD sufficiently execute a coordinating role and provide due guidance to PEs in order to adequately protect government interests.
- iii) PPD should consider use of direct negotiations with suppliers and service providers (covering reduced prices and better terms such as improved service for the same price).
- iv) The Government needs to strengthen capacity of governance institutions such as PCCB and PPRA in carrying out investigations focusing on corruption in public procurement. In line with this:

- The PCCB should consider conducting more investigations related to procurement issues.
 - The PCCB should consider conducting risk profiling of PEs regarding potential malpractices in procurement. This can be done through collection of public procurement data in a manner that is explicitly driven by the objective to prevent, detect and investigate corruption in public procurement.
- v) GPSA should identify critical items that cost the government heavily and establish a mechanism for monitoring them, e.g. procurement of air tickets.
 - vi) The government need to explore the possibility of automating public procurement system through implementation of Integrated Procurement Management System (IPMS) with a view to becoming more transparent, reduce procurement cycle time, reduce administrative costs and improve service delivery.
 - vii) PPRA and internal audit functions should develop and implement adequate tools and methods for evaluations and audits to provide signal for the presence of corruption.
 - viii) The performance reviews, audits and evaluations conducted by PPRA should focus more on the substance of projects rather than checking procedural compliance. This can be done through performance-based monitoring and evaluation. The focus in the evaluations needs to cover planning (preparation), the actual procurement, and implementation stage.
 - ix) The PPPD should develop and implement at national level more and better monitoring, detection, analysis, and reporting technology to fight fraud and corruption, and make these available to MDAs and LGAs.
 - x) There is need to enhance the sharing of information and intelligence on public procurement at national level, between MDAs and with central governance institutions such as PCCB, PPRA and GPSA (e.g. PCCB may use reports from PPRA). This will help enhance oversight in public procurement.
 - xi) The government should harmonise the laws to enable PPPD to oversee procurement activities at all levels of government, i.e. Central Government and Local Governments.

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APPENDICES

Appendix 1: Delay in booking at POPSM (sample of 26 tickets)

Invitation date	Ordering date	Travelling date	Invitation day to travelling day	Ordering date to travelling day	Oder pro-cessing time
11-Jul-11	13-Jul-11	30-Jul-11	19	17	2
29-Jun-11	29-Jun-11	2-Jul-11	3	3	0
13-Jul-11	13-Jul-11	17-Jul-11	4	4	0
9-Aug-11	12-Aug-11	15-Aug-11	6	3	3
14-Jul-11	20-Jul-11	3-Aug-11	20	14	6
20-Jul-11	21-Jul	21-Jul-11	1	0	1
21-Jul-11	22-Jul-11	23-Jul-11	2	1	1
10-Aug-11	10-Aug-11	19-Aug-11	9	9	0
19-Jul-11	20-Jul-11	21-Jul-11	2	1	1
21-Jun-11	21-Jun-11	22-Jun	1	1	0
26-May-11	27-May-11	28-May-11	2	1	1
15-Aug-11	15-Aug-11	17-Aug-11	2	2	0
26-Aug-11	3-Oct-11	4-Sep-11	9		9
25-Aug-11	25-Aug-11	26-Aug-11	1	1	0
27-Jun-11	27-Jun-11	27-Jun-11	0	0	0
19-Jul-11	20-Jul-11	21-Jul-11	2	1	1
13-Sep-11	13-Sep-11	23-Sep-11	10	10	0
16-Sep-11	16-Sep-11	23-Sep-11	7	7	0
29-Sep-11	29-Sep-11	4-Oct-11	5	5	0
22-Sep-11	22-Sep-11	25-Sep-11	3	3	0
7-Sep-11	22-Sep-11	25-Sep-11	18	3	15
17-Oct-11	18-Oct-11	19-Oct-11	2	1	1
27-Aug-11	29-Aug-11	29-Aug-11	2	0	2
20-Sep-11	20-Sep-11	29-Sep-11	9	9	0
16-Sep-11	16-Sep-11	18-Sep-11	2	2	0
16-Sep	19-Sep-11	21-Sep-11	5	5	0
		Average	6	4	2
		Minimum	0	0	0
		Maximum	20	17	15
		Median	3	3	0

Source: Payment Vouchers and supporting documents⁴⁶ at PO-PSM

46. LPOs, Invoices, letter requesting for tickets, etc.

Appendix 2: Delay in booking at MFAIC (sample of 36 tickets)

Invitation date	Ordering date	Travelling date	Invitation day to travelling day	Ordering date to travelling day	Order processing time
11-Jul-11	13-Jul-11	30-Jul-11	19	17	2
29-Jun-11	29-Jun-11	2-Jul-11	3	3	0
13-Jul-11	13-Jul-11	17-Jul-11	4	4	0
9-Aug-11	12-Aug-11	15-Aug-11	6	3	3
14-Jul-11	20-Jul-11	3-Aug-11	20	14	6
20-Jul-11	21-Jul	21-Jul-11	1	0	1
21-Jul-11	22-Jul-11	23-Jul-11	2	1	1
10-Aug-11	10-Aug-11	19-Aug-11	9	9	0
19-Jul-11	20-Jul-11	21-Jul-11	2	1	1
21-Jun-11	21-Jun-11	22-Jun-11	1	1	0
26-May-11	27-May-11	28-May-11	2	1	1
15-Aug-11	15-Aug-11	17-Aug-11	2	2	0
25-Aug-11	25-Aug-11	26-Aug-11	1	1	0
27-Jun-11	27-Jun-11	27-Jun-11	0	0	0
19-Jul-11	20-Jul-11	21-Jul-11	2	1	1
13-Sep-11	13-Sep-11	23-Sep-11	10	10	0
16-Sep-11	16-Sep-11	23-Sep-11	7	7	0
29-Sep-11	29-Sep-11	4-Oct-11	5	5	0
22-Sep-11	22-Sep-11	25-Sep-11	3	3	0
7-Sep-11	22-Sep-11	25-Sep-11	18	3	15
17-Oct-11	18-Oct-11	19-Oct-11	2	1	1
27-Aug-11	29-Aug-11	29-Aug-11	2	0	2
20-Sep-11	20-Sep-11	29-Sep-11	9	9	0
16-Sep-11	16-Sep-11	18-Sep-11	2	2	0
16-Sep	19-Sep-11	21-Sep-11	5	2	3
8-Mar-11	9-Mar-11	18-Mar-11	10	9	1
20-Feb-12	23-Feb-12	26-Feb-12	6	3	3
30-Apr-12	8-May-12	14-May-12	14	6	8
31-Jan-12	8-Feb-12	16-Feb-12	16	8	8
1-Feb-12	14-Feb-12	15-Feb-12	14	1	13
19-Jan-12	21-Feb-12	3-Mar-12	44	11	33
21-Jan-12	23-Feb-12	27-Feb-12	37	4	33
27-Jan-12	8-Feb-12	17-Feb-12	21	9	12
30-Jan-12	6-Feb-12	20-Feb-12	21	14	7
31-May-12	31-May-12	4-Jun-12	4	4	0
28-Apr-11	4-May-11	6-May-11	8	2	6
		Average	9.2	4.8	4.5
		Minimum	0	0	0
		Maximum	44.0	17.0	33.0
		Median	5.5	3.0	1.0

Source: Payment Vouchers and supporting documents⁴⁷ at MFAIC

47. LPOs, Invoices, letter requesting for tickets, etc.

Appendix 3: Fare picked by Agent for International travel

Ticket No.	Minimum Fare (TZS)	Maximum-Fare (TZS)	Fare Picked (TZS)	Wasted savings (TZS)	Max sav-ings (TZS)	Actual savings (TZS)
071 2633416032	3,169,600	3,169,600	3,169,600	0	0	0
176 3267846007 - 8	11,540,800	21,027,200	13,516,800	1,976,000	9,486,400	1,976,000
176 3267846009-10	11,540,800	21,027,200	13,516,800	1,976,000	9,486,400	1,976,000
176 3267846011-12	11,540,800	21,027,200	13,516,800	1,976,000	9,486,400	1,976,000
176 2599755721-22	7,593,600	14,040,000	8,969,600	1,376,000	6,446,400	1,376,000
176 2599755719-20	7,593,600	14,040,000	8,969,600	1,376,000	6,446,400	1,376,000
176 2599755717-18	7,593,600	14,040,000	8,969,600	1,376,000	6,446,400	1,376,000
176 2599755715-16	7,593,600	14,040,000	8,969,600	1,376,000	6,446,400	1,376,000
176 2599772009	8,520,000	12,704,000	10,080,000	1,560,000	4,184,000	1,560,000
176 2599772002-3	12,801,600	20,387,200	15,233,600	2,432,000	7,585,600	2,432,000
083 2118849644	2,100,800	3,972,800	2,515,200	414,400	1,872,000	414,400
083 2118849645	2,100,800	3,972,800	2,515,200	414,400	1,872,000	414,400
176 2599772005	5,024,000	9,840,000	6,064,000	1,040,000	4,816,000	1,040,000
176 2599772006	5,024,000	9,840,000	6,064,000	1,040,000	4,816,000	1,040,000
177 3267846048-49	7,332,800	14,780,800	9,193,600	1,860,800	7,448,000	1,860,800
176 3267846053-54	7,332,800	14,780,800	9,193,600	1,860,800	7,448,000	1,860,800
176 3267846059-60	7,332,800	14,780,800	9,193,600	1,860,800	7,448,000	1,860,800
176 2599772000-1	7,593,600	14,040,000	9,718,400	2,124,800	6,446,400	2,124,800
724 2265952390	6,256,000	10,576,000	8,016,000	1,760,000	4,320,000	1,760,000
724 2265952391	6,256,000	10,576,000	8,016,000	1,760,000	4,320,000	1,760,000
724 2265952400	6,256,000	10,576,000	8,016,000	1,760,000	4,320,000	1,760,000
724 2265952433	6,256,000	10,576,000	8,016,000	1,760,000	4,320,000	1,760,000
176 2599755725-26	12,801,600	20,387,200	16,545,600	3,744,000	7,585,600	3,744,000
176 2599755723-24	12,801,600	20,387,200	16,545,600	3,744,000	7,585,600	3,744,000
724 2599755648	7,358,400	9,918,400	9,918,400	2,560,000	2,560,000	2,560,000
176 3267846051-52	7,332,800	14,780,800	10,539,200	3,206,400	7,448,000	3,206,400
176 3267846057-58	7,332,800	14,780,800	10,539,200	3,206,400	7,448,000	3,206,400
176 3267846055-56	7,332,800	14,780,800	10,539,200	3,206,400	7,448,000	3,206,400
706 2869509064	638,400	1,080,000	948,800	310,400	441,600	310,400
724 2265952401	6,256,000	10,576,000	9,776,000	3,520,000	4,320,000	3,520,000
724 2599755597	4,158,400	6,718,400	6,718,400	2,560,000	2,560,000	2,560,000
724 2599755649	4,158,400	6,718,400	6,718,400	2,560,000	2,560,000	2,560,000
724 2599755651	4,158,400	6,718,400	6,718,400	2,560,000	2,560,000	2,560,000

Ticket No.	Minimum Fare (TZS)	Maximum-Fare (TZS)	Fare Picked (TZS)	Wasted savings (TZS)	Max savings (TZS)	Actual savings (TZS)
176 3275774601-2	27,600,000	47,875,200	46,452,800	18,852,800	20,275,200	18,852,800
176 3275774603-4	27,600,000	47,873,600	46,452,800	18,852,800	20,273,600	18,852,800
177 3275774611-12	27,600,000	47,873,600	46,452,800	18,852,800	20,273,600	18,852,800
725 2265952399	6,256,000	10,576,000	10,576,000	4,320,000	4,320,000	4,320,000
724 2599755592	5,065,600	9,526,400	8,596,800	3,531,200	4,460,800	3,531,200
724 2599755593	5,065,600	9,526,400	8,596,800	3,531,200	4,460,800	3,531,200
724 2599755594	5,065,600	9,526,400	8,596,800	3,531,200	4,460,800	3,531,200
724 2599755598	5,065,600	9,526,400	8,596,800	3,531,200	4,460,800	3,531,200
724 2599755595	11,372,800	20,419,200	20,419,200	9,046,400	9,046,400	9,046,400
724 2599755596	11,372,800	20,419,200	20,419,200	9,046,400	9,046,400	9,046,400
083 2118849651	504,000	2,497,600	995,200	491,200	1,993,600	491,200
083 2118849652	7,332,800	2,497,600	995,200	-6,337,600	-4,835,200	-6,337,600
Total	372,584,000	648,798,400	524,091,200	151,507,200	276,214,400	151,507,200
Average	8,279,644	14,417,742	11,646,471	3,366,827	6,138,098	3,366,827
Minimum	504,000	1,080,000	948,800	-6,337,600	-4,835,200	-6,337,600
Maximum	27,600,000	47,875,200	46,452,800	18,852,800	20,275,200	18,852,800
Median	7,332,800	12,704,000	8,969,600	1,976,000	4,816,000	1,976,000

Source: Selected tickets for international travel and GDS

Appendix 4: Fares picked by Agents for domestic travel

Ticket No.	Minimum Fare (TZS)	Maximum Fare (TZS)	Picked Fares (TZS)	Variation (TZS)	Max Saving (TZS)
031 2599875993	136,000	262,000	262,000	126,000	126,000
031 2599875994	136,000	262,000	262,000	126,000	126,000
031 2599875995	136,000	262,000	262,000	126,000	126,000
031 2599875996	136,000	262,000	262,000	126,000	126,000
031 2599875997	136,000	262,000	262,000	126,000	126,000
031 2599875998	136,000	262,000	262,000	126,000	126,000
031 2599895642	107,000	370,000	360,000	253,000	263,000
031 2599895633	107,000	370,000	288,000	181,000	263,000
031 2599895634	107,000	370,000	288,000	181,000	263,000
031 2599895635	107,000	370,000	288,000	181,000	263,000
031 2599895636	107,000	370,000	288,000	181,000	263,000
031 2950065445	148,000	328,000	238,000	90,000	180,000
031 2950065444	148,000	328,000	238,000	90,000	180,000
031 2950065446	148,000	328,000	238,000	90,000	180,000
031 2599875956	157,000	370,000	263,500	106,500	213,000
031 2599875957	157,000	370,000	263,500	106,500	213,000
031 2599875958	157,000	370,000	263,500	106,500	213,000
031 2599875959	157,000	370,000	263,500	106,500	213,000
031 2599875960	157,000	370,000	263,500	106,500	213,000
031 2599895629	60,000	185,000	122,500	62,500	125,000
031 2599895630	60,000	185,000	122,500	62,500	125,000
031 2599895631	60,000	185,000	122,500	62,500	125,000
031 2599895632	60,000	185,000	122,500	62,500	125,000
031 2599895641	60,000	185,000	122,500	62,500	125,000
031 2599875935	157,000	370,000	233,500	76,500	213,000
031 2599875936	157,000	370,000	233,500	76,500	213,000
031 2599875937	157,000	370,000	233,500	76,500	213,000
031 2599875938	157,000	370,000	233,500	76,500	213,000
031 2599875939	157,000	370,000	233,500	76,500	213,000
031 2410711931	292,000	470,000	352,000	60,000	178,000
031 2599966032	78,000	259,000	109,000	31,000	181,000
031 2599966031	78,000	259,000	109,000	31,000	181,000
Total	4,113,000	10,019,000	7,465,500	3,352,500	5,906,000
Median	136,000	349,000	262,000	98,250	161,250
Lowest fare	60,000	185,000	109,000	31,000	55,500
Highest fare	292,000	470,000	360,000	253,000	287,000

Source: Selected tickets for domestic travel, LPOs from PO-PSM, MNRT and GDS

Appendix 5: Overpayment in air tickets (Invoices vs GDS figures)

Ticket. No.	Gross fare ⁴⁸ including management fee (TZS)	Amount per Invoice (TZS)	Overpaid Amount (TZS)
176 3979953107	1,548,784	1,626,570	77,786
724 2265952322	14,224,173	14,910,672	686,499
724 2265952323	14,224,173	14,910,672	686,499
724 2265952324	14,224,173	14,910,672	686,499
724 2265952390	9,655,126	12,708,101	3,052,975
724 2265952391	9,655,126	12,708,101	3,052,975
725 2265952399	12,152,726	12,708,101	555,375
724 2265952400	9,655,126	12,708,101	3,052,975
724 2265952401	11,372,226	12,708,101	1,335,875
724 2265952433	9,655,126	12,708,101	3,052,975
724 2599755595	14,818,914	20,367,521	5,548,607
724 2599755596	14,818,914	20,365,942	5,547,028
724 2599755597	7,522,355	9,459,789	1,937,434
724 2599755598	9,301,888	9,620,847	318,959
724 2599755649	7,522,355	7,550,778	28,423
724 2599755651	7,732,362	8,540,811	808,449
176 3275774601-2	1,014,501	48,779,715	47,765,214
176 3275774603-4	1,014,501	48,779,715	47,765,214
176 3275774607-8	1,014,501	26,689,677	25,675,176
176 3275774609-10	1,014,501	26,689,677	25,675,176
177 3275774611-12	1,014,501	48,779,715	47,765,214
071 2633416032	3,936,630	3,941,610	4,980
176 4749082864-65	8,802,800	9,428,800	626,000
125 4749082899	11,286,000	11,478,400	192,400
176 4749082862-63	8,802,800	9,428,800	626,000
125 4749082898	11,286,000	11,478,400	192,400
176 4749082866-67	8,802,800	9,428,800	626,000
125 4749082900	11,286,000	11,478,400	192,400
176 4749082868-69	8,802,800	9,428,800	626,000
125 4749082901	11,286,000	11,478,400	192,400
176 4749082828-29	11,055,600	14,011,200	2,955,600

48. Generated amounts from the system including service charges approved by GPSA

Ticket. No.	Gross fare⁴⁸ including management fee (TZS)	Amount per Invoice (TZS)	Overpaid Amount (TZS)
125 4749082874	18,330,800	20,923,200	2,592,400
176 4749082826-27	11,055,600	14,011,200	2,955,600
125 4749082873	18,330,800	20,923,200	2,592,400
176 4749082824-25	11,055,600	14,011,200	2,955,600
125 4749082872	18,330,800	20,921,600	2,590,800
176 4749082822-23	11,055,600	14,011,200	2,955,600
125 4749082871	18,330,800	20,923,200	2,592,400
176 4749082830-31	11,055,600	14,011,200	2,955,600
125 4749082870	18,330,800	20,923,200	2,592,400
176 2599772009	11,553,542	12,505,680	952,138
176 2599772005	7,361,297	8,566,075	1,204,778
176 2599772006	7,361,297	8,566,075	1,204,778
176 2599772002-3	16,579,499	17,487,425	907,926
176 2599755725-26	16,337,912	17,487,425	1,149,513
176 2599755723-24	16,337,912	17,487,425	1,149,513
176 2599755721-22	10,397,714	12,458,310	2,060,596
176 2599755719-20	10,397,714	12,458,310	2,060,596
176 2599755717-18	10,397,714	12,458,310	2,060,596
176 2599755716-16	10,535,600	12,624,000	2,088,400
176 3267846007 - 8	13,554,800	14,104,000	549,200
176 3267846061-62	10,666,800	13,480,000	2,813,200
176 3267846057-58	10,666,800	13,480,000	2,813,200
176 3267846055-56	10,666,800	13,480,000	2,813,200
176 3267846053-54	10,582,000	13,480,000	2,898,000
176 3267846059-60	10,582,000	13,480,000	2,898,000
Total	700,890,343	974,543,862	273,653,519

Source: Selected tickets for international travel, LPOs from PO-PSM and GDS

Appendix 6: Rates Approved by GPSA
PROPOSED PRICES FOR TENDER NO.AE/005/HQ/FA/2013/14/NC/06
REGION: DAR ES SALAAM

Description of Service	Unit of Measures	Class	Current FWA Price(FP)	Market Price(MP)	Bidder's Price(3 Averages)	Proposed Price(PP)	Approved Price
Domestic Ticket	Person/ trip	Business	30,000.00	50,000.00	38,400.00	44,200.00	30,000.00
Reservation for Local Flights[obtain travelling tickets]		Economy	30,000.00	50,000.00	38,400.00	44,200.00	30,000.00
Foreign Ticket							
Reservation for International Flights [obtain travelling tickets]							
East Africa	Person/ trip	1 st Class	30,000.00	50,000.00	79,800.00	64,900.00	50,000.00
		Business	30,000.00	50,000.00	66,200.00	58,100.00	50,000.00
		Economy	30,000.00	50,000.00	58,100.00	54,050.00	50,000.00
Rest of Africa	Person/ trip	1 st Class	30,000.00	50,000.00	74,800.00	62,400.00	60,000.00
		Business	30,000.00	50,000.00	60,800.00	55,400.00	60,000.00
		Economy	30,000.00	50,000.00	47,000.00	48,500.00	50,000.00
Europe	Person/ trip	1 st Class	30,000.00	480,000.00	129,000.00	304,500.00	150,000.00
		Business	30,000.00	480,000.00	101,000.00	290,900.00	150,000.00
		Economy	30,000.00	300,000.00	74,500.00	187,250.00	150,000.00
America and Canada	Person/ trip	1 st Class	30,000.00	480,000.00	129,200.00	304,500.00	150,000.00
		Business	30,000.00	480,000.00	101,800.00	290,900.00	150,000.00
		Economy	30,000.00	300,000.00	74,500.00	187,250.00	150,000.00
Far East/Australia/Asia	Person/ trip	1 st Class	30,000.00	480,000.00	112,500.00	296,250.00	150,000.00
		Business	30,000.00	480,000.00	96,400.00	288,200.00	150,000.00
		Economy	30,000.00	300,000.00	74,500.00	187,270.00	150,000.00
Middle East/India/Subcontinent	Person/ trip	1 st Class	30,000.00	480,000.00	112,500.00	296,250.00	150,000.00
		Business	30,000.00	480,000.00	96,400.00	288,200.00	150,000.00
		Economy	30,000.00	300,000.00	74,500.00	187,270.00	100,000.00
Obtain visas and other related travelling cost	Person	N/A	20,000.00	50,000.00	66,300.00	58,150.00	40,000.00
Reservation for accommodation for Local Travellers	Person	N/A	20,000.00	50,000.00	17,800.00	33,900.00	30,000.00
Reservation for accommodation for Local Travellers	Person	N/A	20,000.00	50,000.00	17,700.00	33,850.00	20,000.00

Source: GPSA

Appendix 7: Options based on fare calculation combinations

Ticket No.	Cost of selected Combination in TZS	Alternatives available in TZS							
031 2599895633/34/35/36/42	360,000	370,000	350,000	330,000	310,000	247,000	187,000	157,000	107,000
031 2599895633/34/35/36/42	288,000	370,000	350,000	330,000	310,000	247,000	187,000	157,000	107,000
031 2599966031/32	109,000	370,000	350,000	330,000	310,000	247,000	187,000	157,000	107,000
031 2599895629/30/31/32/41	125,000	185,000	165,000	145,000	125,000	105,000	85,000	65,000	60,000
031 2599875993-8	262,000	285,000	262,000	241,000	220,000	199,000	178,000	157,000	136,000
176 3275774607-8	10,332,800	10,332,800	10,080,000	9,123,200	8,520,000	6,720,000	6,064,000	5,424,000	5,024,000
176 3275774609-10	14,064,000	14,064,000	10,585,600	10,046,400	9,368,000	9,086,400	8,470,400	7,948,800	6,030,400
176 3275774611-12	17,774,400	18,480,000	17,774,400	14,566,400	14,528,000	11961600	9680000	7840000	7216000
176 3267846048-49	10,163,200	12,084,800	10,651,200	10,163,200	9,363,200	8,017,600	7,217,600	6,417,600	
176 3267846051-52	8,017,600	12,084,800	10,651,200	10,163,200	9,363,200	8,017,600	7,217,600	6,417,600	
176 3267846053-54	9,904,000	16,000,000	10,400,000	9,904,000	8,000,000	4,944,000	4,320,000	4,000,000	3,360,000

Source: Analysis of fares based on selected tickets at PO-PSM.

Appendix 8: Projects with low quality

LGA	Project Name	Defects	Implication
<i>Bahi D.C</i>	Completion of Nghulugano Dispensary at Nghulugano Village	All door frame and two door shutters painted with oil paint this is because material used is not Mninga ;Mortise locks are not UNION; and Painting on wall is one coat although in the BoQ specified to be one undercoat and two finishing coat.	It will increase the cost of maintenance and reduce the life span of building
	Construction of Staff Quarter at Mindola Village	Poor workman ship on door shutter and casement windows; and Painting poorly done	It will increase the cost of maintenance
<i>Kilombero D.C</i>	Construction of Hostel at SanjeSecondary School	Quality of timber on site to used was of low quality	If used , it will risk the durability of the hostel
<i>Morogoro Municipal Council</i>	Completion Construction and Provision of School Building Facilities at Mjimpya secondary school	Tyrolean render on 3 bedrooms found to be done below standard and cracks on floor of four class rooms	It will increase the cost of maintenance
	New Construction and Completion of Building Facilities at Mafiga Secondary for Morogoro Municipal	Painting on walls was of low quality materials; Ring beam on library was not concrete as required as compared to in Mjimwema laboratory; cracks on ground floor for staff house	It will increase the cost of maintenance; and risk the life of the users of laboratory
<i>Ilala M.C</i>	Construction and provision building facilities at Ilala Secondary school.	fixed five window frames which were not hardwood	It will increase the cost of maintenance
	Construction of Four Classrooms at MajohePrimary School.	was not properly done because some parts of the foundation have developed cracks	It will increase the cost of maintenance
	Construction and Provision Building Facilities at Ilala Secondary School	fixed five window frames which were not hardwood	It will increase the cost of maintenance
	Completion of four classrooms at Ulongoni Primary School.	concrete work was not done and some parts of the reinforcements were not covered by concrete; and blocks found at site were in poor quality	It will increase the cost of maintenance

LGA	Project Name	Defects	Implication
Bagamoyo D.C	Construction of Labour Ward at Kiwangwa Dispensary in Bagamoyo District Council	Parts of the reinforcements were not covered by concrete.	It will increase the cost of maintenance
	Completion, Construction and Provision of School Facilities at Mboga Secondary School	Stirrups used for reinforcement works were of 6mm diameter instead of 8mm diameter as specified in the design and BoQ	It will increase the cost of maintenance; and risk the life of the users
	Completion, Construction and Provision of School Facilities at Zinga Secondary School	Overall workmanship for the toilet is not good, particularly finishing	It will increase the cost of maintenance
Kibaha T.C	Construction of Girl's Hostel at Zongowale Secondary School	Poor finishing of concrete works and block works were observed, Poorly fixed and unpolished door and window frames, poor fixed of wall tiles, un leveled floor and, and the building is developed cracks before handing over.	It will increase the cost of maintenance and life span of the building
	Construction of Mtakuja Dispensary in Kibaha Town Council	Fixed floor tiles and cement screed was poor (tiles and cement screed were mixed together, however cement was used between joints of tiles instead of grout, fixed top doors were not polished, and fixed ceiling was not painted properly.	It will increase the cost of maintenance and life span of the building
	Construction of one classroom at Kongowe Primary School	Poor finishing of works and improper fixed of window and door frames.	It will increase the cost of maintenance

Source: Physical observations from site visits

Appendix 9: Analysis of the fare prices options

Analysis of the fare prices options which were obtained from the Global Distribution System (GDS) showing possible and optional available prices which were available during purchase of the air ticket.

S/N	Description	Domestic flights (Million TZS) (Sampled tickets = 32)	International flights (Million TZS) (Sampled tickets = 45)
1	Minimum charge possible	4.1	366.6
2	Maximum charge possible	10.0	687.2
3	Actual amount charged	7.5	611.9
4	Potential savings	5.9	320.6
5	Actual savings (%)	2.6 (43%)	158.3 (49%)
6	Wasted savings (%)	3.4 (57%)	162.3 (51%)
7	Charge above minimum per ticket (for at least half of the tickets)	0.1	2

Source: Tender Registers and Tender Evaluation Reports

Appendix 10: Cases where only one bidder submitted the bid

SN	LGA	Project
1	Bahi DC	<ul style="list-style-type: none"> • Construction of staff quarter
2	Morogoro MC	<ul style="list-style-type: none"> • Construction of vending shed at Mazimbu market
3	Kilombero DC	<ul style="list-style-type: none"> • Construction of Hostel at Uchindile Secondary School
4	Bagamoyo DC	<ul style="list-style-type: none"> • Construction of Office Building for Member of Parliament • Rehabilitation of Kiwangwa Dispensary • Construction of Staff Toilets at District Engineer's Office

Source: Tender registers and evaluation reports from respective LGAs.

Appendix 11: Decentralization by Devolution on building projects

The Government is implementing a decentralization reform through which political, administrative and financial decision making powers are being devolved to the Local Government Authorities (LGAs). The goal is to reduce poverty through improved service delivery at the local level and is overall linked to the MKUKUTA, Vision 2025 and the Decentralization by Devolution (D by D) reform strategies. The Government recognizes that, in order for the LGAs to provide improved local public services in an efficient, transparent, accountable and equitable manner, substantial improvements are required in terms of the intergovernmental legal, institutional and fiscal structure and in terms of the financial and human resource management capacity at the central and local levels⁴⁹. The objective is to ensure effective, empowered, Local Government Authorities (LGAs) as the primary and accountable lead actors of socio-economic development, public service delivery and poverty reduction in their areas of jurisdiction⁵⁰.

Among the key issues as explained in the above manual, Key issue 6⁵¹ provides that According to the Vision of Local Government Reform, and in line with the Vision 2000-2025 and MKUKUTA, the ultimate goal of the reform is increased capacity and efficiency of delivering services to the people, to foster local economic development and to alleviate poverty. It was observed by many stakeholders that the voice of the clients of the services, the local communities, is insufficiently heard

Accordingly, due to the above, some of the Buildings projects selected in this study are directly linked to D by D policy whereas, the funds were directly sent to Ward of Villages councils/committees and payments to contractors was directly made by these committees/councillors upon verifications and measurement as well as recommendations of the respective local government's engineer.

The LGA planning cycle needs to be further improved, especially when it comes to participation of communities, be it LGAs, CSOs, private sector or individuals. A more holistic look at the planning process is required, with analysis of the role and importance of the community representatives mentioned above vis-à-vis councillors (politicians), executive staff (technocrats) and central government⁵².

49. Statement of the President of the URT in the Local Government Reform Programme II (Vision, Goals and Strategy, 2009-2014) issued on 14 December 2009 by the Prime Minister's Office - Regional Authorities and Local Government with the purpose of decentralizing power and accountability to the local authorities

50. *ibid*

51. *Ibid*, pg. 13 para 1

52. Local Government Reform Programme II (Vision, Goals and Strategy, 2009-2014) issued on 14 December 2009, Para 2.6 (Key issue 6, pg. 13)

Appendix 12a: Overpayment of Service charges at the PO-PSM for Domestic air travels

Ticket No.	Gross Fare	Amount per invoice	Difference
031 2950065445	334,000	339,000	5,000
031 2950065444	334,000	339,000	5,000
031 2950065446	334,000	339,000	5,000
031 2410711931	484,000	454,000	-
031 2599966032	190,000	197,000	7,000
031 2599966031	190,000	197,000	7,000
031 2599875993	343,000	350,000	7,000
031 2599875994	343,000	350,000	7,000
031 2599875995	343,000	350,000	7,000
031 2599875996	343,000	350,000	7,000
031 2599875997	343,000	350,000	7,000
031 2599875998	343,000	350,000	7,000
031 2599875935	365,500	382,500	17,000
031 2599875936	365,500	382,500	17,000
031 2599875937	365,500	382,500	17,000
031 2599875938	365,500	382,500	17,000
031 2599875939	365,500	382,500	17,000
031 2599895629	243,500	212,000	-
031 2599895630	243,500	212,000	-
031 2599895631	243,500	212,000	-
031 2599895632	243,500	212,000	-
031 2599895641	243,500	212,000	-
031 2599895633	420,500	499,000	78,500
031 2599895634	420,500	499,000	78,500
031 2599895635	420,500	499,000	78,500
031 2599895636	420,500	499,000	78,500
031 2599895642	492,000	499,000	7,000
Total	9,143,000	9,432,500	289,500

Source: Analysis of service charge vs framework agreement, at PO-PSM

Appendix 12b: Overpayment of Service charges at the MFAIC (Agent 1)

LPO No.	No. of people	Flight	Fare amount paid (TZS)	Service charges Paid (TZS)	Service charges paid per person (TZS)	Contractual Service charge per person (TZS)	Contractual Service charge required (TZS)	Deviation Variance (TZS)	Deviation (%)
1000224	2	Int'l	3,292,320	15,200	7,600	30,000	60,000	-44,800	-75%
1100278	5	Int'l	33,569,640	486,000	97,200	132,000	660,000	-174,000	-26%
110010	3	Int'l	44,996,292	366,300	122,100	132,000	396,000	-29,700	-8%
1100470 / 1	34	Africa	98,577,080	2,656,500	78,132	76,000	2,584,000	72,500	3%
1100469	17	Domestic	45,553,340	563,500	33,147	30,000	510,000	53,500	10%
1100482	3	Int'l	17,576,370	483,000	161,000	132,000	396,000	87,000	22%
1100012	4	Int'l	49,595,200	720,000	180,000	132,000	528,000	192,000	36%
1000073	42	Int'l	380,035,945	7,814,250	186,054	132,000	5,544,000	2,270,250	41%
12000233	3	Int'l	16,914,420	607,500	202,500	132,000	396,000	211,500	53%
1100372	44	Int'l	858,276,510	9,338,000	212,227	132,000	5,808,000	3,530,000	61%
1100040	1	Int'l	3,376,710	229,500	229,500	132,000	132,000	97,500	74%
1100294	1	Int'l	5,150,400	240,000	240,000	132,000	132,000	108,000	82%
1100375	1	Int'l	24,794,000	241,500	241,500	132,000	132,000	109,500	83%
1000076	5	Int'l	61,503,810	1,245,750	249,150	132,000	660,000	585,750	89%
1100283	38	Int'l	560,884,800	8,480,000	223,158	114,000	4,332,000	4,148,000	96%
1100285	1	Int'l	5,588,800	240,000	240,000	114,000	114,000	126,000	111%
1100307	1	Regional	11,537,750	175,000	175,000	76,000	76,000	99,000	130%

12000235	6	Int'l	15,654,060	567,000	94,500	30,000	180,000	387,000	215%
12000254	2	Int'l	10,114,020	362,250	181,125	30,000	60,000	302,250	504%
1200534	4	Int'l	19,036,800	840,000	210,000	30,000	120,000	720,000	600%
12000249	1	Int'l	5,480,460	243,000	243,000	30,000	30,000	213,000	710%
12000236	1	Int'l	5,031,720	243,000	243,000	30,000	30,000	213,000	710%
12000390	20	Int'l	169,559,600	7,872,000	393,600	30,000	600,000	7,272,000	1212%
TOTAL	239		2,446,100,047	44,029,250			23,480,000	20,549,250	88%

Source: Analysis of service charge vs framework agreement, at MFAIC

Appendix 12c: Overpayment of Service charges at the MFAIC (Agent 2)

LPO No.	No. of people	Flight	Fare amount paid (TZS)	Service charges Paid (TZS)	Service charges paid per person (TZS)	Con-tractual Service charge per person (TZS)	Contractual Service charge required (TZS)	Deviation Vari-ance (TZS)	Deviation (%)
PO1200500	13	Re-gional	108,146,920	6,717,200	516,708	30,000	390,000	6,327,200	1622%
PO1200512	7	Int'l	34,500,690	2,142,900	306,129	30,000	210,000	1,932,900	920%
PO12000516	41	Int'l	202,903,407	11,724,100	285,954	30,000	1,230,000	10,494,100	853%
PO1200489	29	Re-gional	103,849,830	5,444,700	187,748	30,000	870,000	4,574,700	526%
PO1100309	6	Int'l	81,378,000	4,932,000	822,000	132,000	792,000	4,140,000	523%
PO1000185	16	Int'l	233,779,040	9,981,500	623,844	132,000	2,112,000	7,869,500	373%
PO1100302	1	Int'l	10,739,820	590,100	590,100	132,000	132,000	458,100	347%
PO1100016	2	Int'l	18,451,200	1,154,700	577,350	132,000	264,000	890,700	337%
PO1100310	2	Re-gional	8,647,650	524,100	262,050	78,000	156,000	368,100	236%
PO1000074	13	Int'l	92,078,460	4,668,400	359,108	109,000	1,417,000	3,251,400	229%
PO1100020	32	Re-gional	198,897,600	9,337,000	291,781	109,000	3,488,000	5,849,000	168%
PO1000184	4	Re-gional	22,195,710	1,037,000	259,250	109,000	436,000	601,000	138%
PO1100301	6	Re-gional	24,017,400	1,455,600	242,600	109,000	654,000	801,600	123%
PO1000226	17	Int'l	69,821,550	4,131,600	243,035	109,000	1,853,000	2,278,600	123%
PO1100374	3	Int'l	18,250,650	669,900	223,300	109,000	327,000	342,900	105%

PO1000230	1	Int'l	3,511,350	229,500	229,500	132,000	132,000	97,500	74%
PO1100280	4	Int'l	12,398,100	187,850	751,400	109,000	436,000	315,400	72%
PO1100013	25	Re- gional	132,744,150	170,776	4,269,400	109,000	2,725,000	1,544,400	57%
PO1100472	1	Int'l	3,308,550	205,600	205,600	132,000	132,000	73,600	56%
PO1100298	6	Re- gional	14,543,100	146,900	881,400	109,000	654,000	227,400	35%
TOTAL	229		1,394,163,177		70,848,100		18,410,000	52,438,100	285%

Source: Analysis of service charge and framework agreements, MFA/IC

Appendix 13: Selected photographs



Photo A1: Prepared reinforcement ready for casting ring beam. The size of stirrups used was 6mm instead of 8mm and the spacing was 400mm instead of 200mm in Completion, Construction and Provision of School Facilities at Mboga Secondary School, Bagamoyo DC



Photo A2: Concrete with Honey Combs at Construction of Labour Ward at Kiwangwa Dispensary, Bagamoyo DC



Photo A3: Construction without adherence of drawings for foundation blocks at Majohe Primary School, Ilala MC.



Photo A4: Construction without adherence of drawings and poor sequencing of activities at Zinga Secondary School, BDC



Photo A5: Poor blocks used in construction of Majohe Primary School, Ilala MC



Photo A6: Poor walling including cracks used in construction of Majohe Primary School

Appendix 14: Basic information on air tickets

Basic requirements of an air ticket and their significance

Regardless of the type, most of tickets contain details of the following information:

- (i) Passenger's name;
- (ii) Issuing airline/Agent;
- (iii) Ticket number, including the airline's 3 digit code at the start of the number;
- (iv) The cities the ticket is valid for travel between;
- (v) Flights that the ticket is valid for (Unless the ticket is "open");
- (vi) Baggage allowance;
- (vii) Fare (Not always visible on a printout but recorded electronically for the airline/Agent);
- (viii) Taxes (Not always visible on a printout but recorded electronically for the airline/Agent);
- (ix) The "Fare Basis", an alpha-numeric code that identifies the fare basis codes;
- (x) Restrictions on changes and refunds. (Not always shown in detail, but referred to);
- (xi) Dates that the ticket is valid for;
- (xii) "Form of payment", i.e., details of how the ticket was paid for, which will in turn affect how it would be refunded;
- (xiii) The Rate of Exchange used to calculate any international parts of the fare and tax; and
- (xiv) A "Fare Construction" or "Linear" showing the breakdown of the total fare.

A ticket is generally the only good on the airline for which it was purchased. However, an airline can endorse the ticket, so that it may be accepted by other airlines, sometimes on standby basis or with a confirmed seat. Usually the ticket is for a specific flight. It is also possible to purchase an 'open' ticket, which allows travel on any flight between the destinations listed on the ticket. The cost for doing this is greater than a ticket for a specific flight. Some tickets are refundable. However, the lower cost tickets are usually not refundable and may carry many additional restrictions. Only one person can use a ticket. If multiple people are traveling together, the tickets are linked together by the same reservation number, which are assigned, if the tickets were purchased at the same time. If not, most airlines can cross-reference the tickets together in their reservation systems. This allows all members in a party to be processed in a group, allowing seat assignments to be together (if available at the time of booking).

Booking and fare classes

There are three categories of booking classes namely; first classes, business

classes and economy classes. In each class there are some categories depending on various factors such as flexibility, cost and the available space. Booking classes are normally indicated by booking codes.

Booking codes used to be standardized, and were defined by the IATA. However, airlines have deviated from the IATA standards and current booking codes are airline specific. The same code may have quite different meanings for tickets issued by different airlines. Nevertheless, certain booking codes have fairly standardized meanings across nearly all airlines. These include:

- F for first class
- J for business class
- Y for economy class

In addition, R, A, D, I, Z usually refer to special types of premium class tickets, for instance suites (Singapore Airlines), Emirates discounted first and business class, and upgrades. W, T often refer to premium economy class, and B, H, K, L, M, N, Q, T, V, X generally refer to various types of discounted or restricted economy class tickets. Different levels of frequent flyer miles are often awarded based on booking codes. For instance, Y economy class may result in a credit of 100% of miles flown, while first and business class 125%, 150%, or even 200%. Discounted economy class may receive 70%, 50%, 25% credit or even no credit. The details depend on the frequent flyer program and the operating carrier.

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