

BANK OF UGANDA



Remarks by:

**Dr. Louis Kasekende,
Deputy Governor, Bank of Uganda,**

**Bank of Uganda 2nd Suppliers' Conference
at Imperial Royale Hotel, Kampala, Uganda**

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The Executive Director Public Procurement and Disposal of Public Assets Authority (PPDA),

Executive Director Uganda Registration Services Bureau (URSB),

President of the Institute of Procurement Professionals of Uganda,

Representatives of; Uganda Revenue Authority (URA), Kampala Capital City Authority (KCCA), National Social Security Fund (NSSF),

Bank of Uganda Management and Staff

Our Esteemed Suppliers,

Ladies and gentlemen,

Good morning to you all,

I welcome you all to the Bank of Uganda's second Suppliers' Conference and thank you for sparing time to join us today. Let me also commend our Procurement & Disposal Department for organizing this conference. This initiative is part of the wider strategy of augmenting our stakeholder engagements so as to improve public understanding of the Bank of Uganda (BOU)'s mandate, policies and actions.

Today's Suppliers' Conference focuses on the theme "enhancing supplier compliance". This morning, I wish to speak briefly about two issues that fall within the realm of enhancing compliance with the national procurement law and the BOU's procurement processes.

The first issue relates to efficiency and integrity of the procurement processes. As a public entity, we always seek to optimize the resources at our disposal in all our operations including the procurement process.

We have put in place a transparent system that yields timely delivery of a quality service or good and at competitive or fair prices to aid the

attainment of our strategic goals. According to the 2013 BOU Customer satisfaction survey, about 70 percent of suppliers and contractors felt that the BOU's tendering process was transparent and fair. While this rating is commendable, there is clearly more work to be done. We will only be satisfied when all of our suppliers and contractors are confident that our tendering processes are transparent and fair.

Strengthening the competitiveness of the tendering process will require concerted efforts by both the BOU and by you - our partners. On our part, we have put in place what we believe is a robust institutional and operational framework and safeguards to ensure a transparent and fair process which is consistent with the national laws. There are also set mechanisms to guarantee the strict adherence of our staff to the highest possible ethical and professional standards. In addition to increased sensitization of stakeholders about the procurement process, we are also further strengthening the role of internal audit as well as the quality assurance framework for all projects and processes.

From the Suppliers' side, I believe that you need to pay attention to a public perception, backed up by numerous examples, that you apply an unreasonably high premium on bid prices for public procurements relative to similar tenders by private sector entities. These actions increase the operating costs of public entities like BOU and ultimately deprive the economy of resources that would otherwise be allocated to other productive investments. For avoidance of doubt therefore, fairness of procurement or tendering process will thus include the absence of collusive or cartel-like bidding or gratification of public procurement officials by service providers.

Distinguished participants, establishment of a fully transparent and fair procurement system will require more than enactment of laws or the setting up of systems. It will require the commitment of all stakeholders to comply fully, in spirit and letter, with the laws and procedures. According to the Third Integrity Survey by PPDA released early this year, about 30 percent of service providers cited fear of retribution as main reason for not reporting cases of corruption in public procurement. I cannot stress more strongly the need for you, the suppliers, to report all incidents of irregularities which you encounter in your dealings with the BOU and other public entities. For their part, the authorities will need to increase public awareness of the Whistle Blowers' Act to ensure proper accountability, integrity and value for money in public procurements.

The second major compliance issue that I wish to talk about, and which is related to the first, is what is publically referred to as "local content". I believe, local content speaks to the need for a higher proportion of tenders to be awarded to resident companies or suppliers who source their goods and services from the domestic economy rather than from imports. This drive for local content has two facets – knowledge of procurement processes and capacity of the local firms to supply goods and services of the requisite quality and at competitive prices.

Let me deal with the information deficiencies about procurement processes. In many of the BOU's procurements, it has been noted that a lot of time is lost at the evaluation stage at which there is back and forth exchanges between suppliers and BOU staff for clarifications whenever suppliers do not submit compliant bids. This resonates with a 2007 report on compliance and performance indicators for Uganda's procurement system by PPDA that indicated that there was an overall

average rejection rate of 43.8 percent of non-compliant tenders in each process in Uganda which was higher than the maximum forty percent provided for in the OECD/ World Bank methodology. In the said report, non-responsive bids were mainly attributable to a failure to prove compliance with tax obligations, licensing or audited books of accounts.

Therefore, to minimize such occurrences, the BOU thought it wise to invite you here today to enhance your appreciation of the BOU's procurement and disposal requirements, and the PPDA Law and regulations. I recognize that the BOU itself must improve its performance, notably in regard to the information sets which it sends out to potential bidders; I thus look forward to your candid feedback on the quality of our tendering requirements.

We are also delighted to be joined by a team from the custodians of the procurement and disposal law in Uganda (PPDA), URA, NSSF, KCCA and the Procurement Professionals of Uganda, to address the common compliance and information deficiencies such as taxes, social security obligations and trading licensing. These partners are managing onsite information exhibition stalls for a one-on-one interaction with you and to bring their services closer to you.

The second facet of this local content issue is about the perceived discrimination by public entities against local companies and especially the SMEs. About 68 percent of respondents in the PPDA's third integrity survey indicated some level of unfair competition in public procurements that favored either the foreign or larger firms. This is despite of a favourable national law that provides for a preference scheme for domestically manufactured goods and Ugandan contractors that gives

the “local suppliers” a competitive advantage for public procurement contracts.

So what is the missing link? It could be either lack of information about the preference scheme or lack of capacity of local firms to supply goods and services of the required quality. There might therefore be a need for local firms to consider mergers in order to attain the necessary economies of scale, pool of expertise and necessary financial capital to execute the large or high value projects. Furthermore, I urge the PPDA to offer more insight into the application of the Preference and Reservation Schemes to enable the local suppliers to conform to the eligibility requirements and benefit from the scheme as envisioned in the law.

Lastly, as you may be are aware, PPDA in conjunction with other development partners has embarked on automating procurement and disposal processes. I appeal to you to embrace the use of information technology in your firm’s operations, given that many procurement activities, like submission of bids and access to information, will be automated.

With these remarks, I want to thank you for the commitment you have showed to our partnership over the years and I would like to encourage you to continue offering us your services.

It is now my pleasure to officially open the Bank of Uganda 2nd Suppliers’ Conference. I wish you fruitful deliberations.