

IMPROVING PUBLIC SECTOR PERFORMANCE

THROUGH INNOVATION AND
INTER-AGENCY COORDINATION



CASE STUDY FROM THE GLOBAL REPORT

Rwanda: Pioneering e-Procurement in Africa



CASE STUDY 9

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Overview

Electronic procurement (e-procurement) systems have helped governments across the world to reduce costs and increase transparency in the procurement process. Beginning in 2014, the Rwanda government started the process of becoming the first country in Africa to realize those benefits, by partnering with a South Korean firm to develop its own e-procurement system. The government launched a pilot system in mid-2016 and rolled out e-procurement nationwide in mid-2017.

Introduction

Governments around the world are constantly buying goods and services from the private sector, from small everyday expenses to large infrastructure projects. Keeping the procurement process simple and cost efficient is a major challenge that every government faces. Despite best efforts, the public procurement process is often lengthy, complex, and costly. To address the problem, many governments around the world have implemented digitized processes to make procurement easier, faster, and more transparent, and to



RWANDA

POPULATION (July 2017 est.)¹

11.901 million

GDP PER CAPITA (current US\$)²

702.80

INCOME GROUP³

Low income

GOVERNMENT EFFECTIVENESS⁴

58.2%

¹CIA World Factbook, ²World Bank (2016),
³World Bank (2016), ⁴World Bank (2016)

reduce opportunities for corruption.

Rwanda began reforming its procurement processes by passing a new procurement law in 2007 and establishing the Rwanda Public Procurement Authority (RPPA), a regulatory body, in 2008. At that time, the country began looking at how to modernize its procurement systems. Rwandan officials traveled to the Republic of Korea, to look at how that country's e-procurement system, one of the most advanced in the world, operated.

E-procurement systems have several advantages compared to traditional paper-based procurement procedures. First, an e-procurement system creates a single online portal for stakeholders to access information on procurement opportunities, learn about the procurement process, and obtain documents including technical specifications, user-friendly templates, and the terms and conditions for all types of public contracts. The open availability of information promotes equal access for all types of businesses, including small and medium enterprises, by reducing the possibility of large or well-connected firms gaining an advantage because of information asymmetries, and potentially increases competition for government contracts. In addition, e-procurement facilitates quick and easy decision-making. Government officials can easily see detailed information on bids through the online system, rather than having to sift through paperwork.

In 2013, the Rwandan government approached the World Bank to help fund a feasibility study on the implementation of such a system. At the time, Rwanda spent about US\$0.8 billion on procurement each year. The feasibility study found that an e-procurement system in Rwanda could increase efficiency and transparency in public spending, and that Rwanda could start the implementation of e-procurement following the allocation of the necessary funding (Singh and Melham 2014).

In many countries, a desire to reduce corruption in the procurement process and reduce collusion among bidders has prompted e-procurement reforms. In Rwanda, however, those issues were not a major concern when the government began planning its e-procurement reforms in 2013. Rwanda was ranked 49th in Transparency International's 2013 Corruption Perception Index, higher than every

other African nation except for Botswana, Cape Verde, the Seychelles, and Mauritius (Transparency International 2013). "Bid manipulation in Rwanda is very low compared to other Sub-Saharan African countries, and the government has zero tolerance for corruption," said Mulugeta Dinka, World Bank procurement specialist in Rwanda.

The government hoped that the introduction of an e-procurement system could make the procurement process more efficient and transparent, promote competition among bidders, and generate cost savings. If the country could successfully implement a fully functioning e-procurement system, it would be the first country in Africa to do so.

Response

Shortly after the feasibility study was completed, the Rwandan government launched a US\$100 million World Bank Program-for-Results initiative focused on improving the country's public financial management. The project had eight disbursement-linked indicators, upon completion of which funding would be distributed. One of those indicators, worth US\$12.5 million, was to establish and pilot an e-procurement system (World Bank 2014b).

In January 2014, the Rwandan government formed a joint venture with Korea Telecom Corporation, the Republic of Korea's largest telecommunications provider, to create a new company: Africa Olleh Services Limited (AOS) (Rwanda Development Board 2014). The government opted not to hold an open procurement process to develop the e-procurement system, and instead contracted AOS directly in December 2014.

Over the following 18 months, AOS developed a customized online e-procurement system, based on the Korean model. The World Bank also provided technical support by sending e-procurement experts to Rwanda every six months to support implementation. The system consisted of an online portal where suppliers could register and submit bids online. During the registration process the system would automatically check the authenticity of documents uploaded by the supplier. After a bid

was accepted, the system could prepare the contract and send it to the winning bidder for review. After the supplier had accepted and electronically signed the contract, the contract was shared with Rwanda's financial management information system to issue payments.

By July 2016, the government was ready to pilot the new system with a few selected government ministries, agencies, and district governments. The eight entities chosen were the Ministry of Finance and Economic Planning, the Ministry of Infrastructure, the Ministry of Health, the Rwanda Development Board, the Rwanda Transport Development Agency, the Rwanda Biomedical Centre, the Gasabo district, and the Kicukiro District (both districts in Kigali, Rwanda's capital).

To launch the pilot, the government had to train officials in all the pilot organizations how to use the e-procurement system. It also conducted media campaigns across the country to advertise the new system and encourage contractors and suppliers to register online.

To ensure that small businesses were also included, the government trained internet cafe operators how to use the e-procurement system. Small and medium enterprises could then visit those internet cafes to be coached through the process of registering and submitting bids online.

During the pilot phase, more than 1,000 suppliers registered on the e-procurement platform. Those suppliers made 1,108 bids for a total of 376 tenders announced on the online platform, meaning the average tender received about three bids.

After one year of piloting the system without running into any major obstacles, the government decided to expand the system nationwide beginning July 1, 2017. Per Rwandan law, all public procuring agencies had to use the e-procurement platform after that date. "So far, there are 137 procurement entities using the system," said Dinka. "But that does not include schools, hospitals, and health centers, which are in the process of being included into the system." The law exempted projects funded by international development aid from using the system, and allowed the RPPA to issue waivers on a case-by-case basis.

By January 2018 the system had been fully functional for six months, and the RPPA reported that almost all government procurement during that period had used the new system. "Only a few waivers have been issued in specific circumstances, such as for the purchasing of special medicines," said Richard Migambi, e-procurement manager at the RPPA.

Reflections

As of December 2017, nearly 3,500 suppliers had registered on the e-procurement website, nearly 2,000 tenders had been advertised on the site, and 685 contracts had been signed. Tenders received four bids each, on average. As the system had only been fully operational for six months, it was too early to tell if it had delivered the improved efficiency the government had envisioned. In theory, the system should have created time and cost savings for both government officials and contractors, as the single online portal provided all the documents and information required, eliminating the need for in-person visits and printing costs. The government also reported "increased authenticity of procurement documents," as document forgery by bidders had been a major problem in the past.

The government reported a one-time cost of US\$7.8 million to develop the system, as well as about US\$1.12 million in ongoing costs. In the first year of the program, the government reported spending US\$500,000 on management of the system, including salaries for ten IT engineers and five procurement staff, as well as US\$620,000 in system maintenance costs. It was difficult to tell if that represented value for money, as no studies had been done on cost savings from the system as of January 2018. "While the initial investment in the system seems to be high, experience from around the world shows that e-procurement leads to significant savings in public spending," said Hiba Tahboub, procurement manager at the World Bank. "E-procurement will potentially alter the impact of the procurement function: strategic sourcing will become more predictive, transactional procurement will become more automated, and supplier/contract relationship management will become more proactive. All these enhancements will lead to more efficient public procurement."

The procurement process was more transparent, and it was easier to ensure compliance with the RPPA's procurement policies because of automated controls. For example, the system enforced controls on the minimum advertising days for tenders, and deadlines for bid submissions. Availability of information on public tenders increased, as the public can visit the government's procurement website (<http://www.umucyo.gov.rw>) to see details on transactions, including the bidders, bid prices, contracts, and evaluation reports. The single platform also helped the government to create a consolidated nationwide procurement report.

In addition to being the first African country to implement such a system, Rwanda rolled it out nationwide in a very short space of time compared to other countries. "The Rwandan system is in line

with international standards and good practices," said Nagaraju Duthaluri, lead procurement specialist at the World Bank. "It is unique because it is on the African continent, and the government has developed and rolled out e-procurement across the country for the whole procurement sector." Many other countries took several years to pilot e-procurement systems and were slow to use e-procurement at the sub-national and local levels.

As of 2018, Zambia had joined Rwanda as one of the pioneers of e-procurement in Africa, and other countries were beginning to follow suit. "Rwanda and Zambia have broken the myth that e-procurement cannot be done in Africa," said Duthaluri. "It has created a ripple effect across the continent, and now we have seen Tanzania, Uganda, and others sign contracts to implement e-procurement."

Success Drivers

Rwanda's introduction of an e-procurement system reflects **four** of the five key dimensions for successful public sector innovation.

Political leadership initiated the reform of Rwanda's procurement processes by passing a new procurement law in 2007 and establishing a new regulatory body for procurement in 2008. Leaders sought expertise from the Republic of Korea, which has one of the most advanced e-procurement systems in the world, to customize a new system for Rwanda.

Institutional capacity was a critical component of this reform. By partnering with a Korean company to form a joint venture, and seeking out support from the World Bank, Rwanda was able to build capacity within its government to implement an e-procurement system. The new system was instrumental in helping the government to enforce its procurement policies through in-built automated controls. The government also helped small and medium enterprises to learn to use the system by partnering with internet cafes across the country to train companies interested in bidding on government contracts.

The new system greatly improved **transparency** in the procurement process. The government's procurement website provided equal information on the bidding processes for all types of businesses, and open access to procurement reports, government contracts, and bid prices, for any member of the public.

Technology formed the basis of the e-procurement system. The procurement website provided a single online portal to access information and obtain documents and templates to participate in the procurement process. The automated system for processing bids and contracts streamlined processes, reduced the possibility of bidders using falsified documents, and made the procurement process faster and more efficient for both businesses and government organizations.

