



COMPLIANCE AND DIGITALISATION

HOW TECHNOLOGY CAN FOSTER
TRANSPARENCY IN AFRICAN COUNTRIES



Alliance for Integrity

The Alliance for Integrity is a global initiative bringing together all relevant stakeholders in the field of corruption prevention in the private sector. Our major goal is to raise business integrity and compliance capacities.

www.allianceforintegrity.org

Strategic Partnership Digital Africa

The Strategic Partnership Digital Africa (SPDA) is a network of the German Federal Ministry for Economic Cooperation and Development (BMZ), companies and associations. Its goal is to harness digitalisation opportunities for Africa's development – in partnership with European companies. The steering committee is chaired by Günter Nooke, the German Chancellor's Personal Representative for Africa at the BMZ.

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INTRODUCTION

How can governments and the private sector apply digital technologies to enhance transparency and integrity? This report looks at examples of digital solutions that contribute to better governance in African countries.

Two fields of applications are the focus of this report: public procurement, company registries and payments. In these areas, technological innovation can be applied to empower citizens, build trust in the integrity of processes, cut red tape and reduce corruption risks.

The report examines two country case studies in more detail: first, it looks at Kenya, which introduced electronic procurement in 2014

and is seen as a global innovation leader in mobile payments. Second, the report covers Ghana, where the Alliance for Integrity has promoted a business-driven, multi-stakeholder approach seeking to improve transparency and integrity in the economic system, and where the government has committed to open up public contracting.

The findings of this report are based on desk research and 18 interviews conducted with representatives of the private sector, government bodies, donors, think tanks and civil society activists in Nairobi and Accra in November 2017.¹



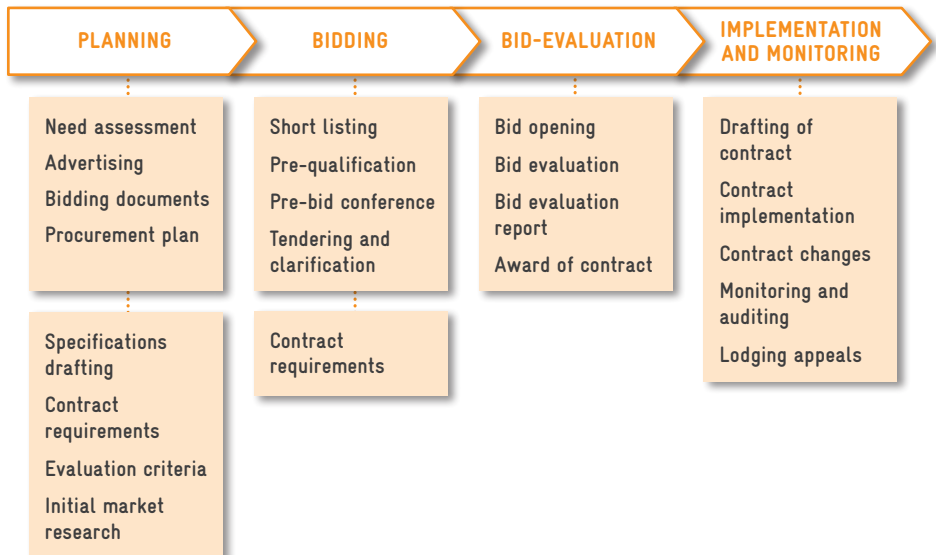
Government contracting accounts for approximately 15% of the gross domestic product (GDP) in Sub-Saharan Africa.² With billions of euros changing hands every year, public procurement creates greater temptations and more corruption risks than most other government activities.

CORRUPTIONS RISKS

A 2014 study of foreign bribery cases concluded that in 57% of the identified corruption cases, bribes paid related to public procurement.³

In the procurement process, corruption can arise in many different forms in every stage of the procurement cycle, regardless of the sector or the size of the contract and may be initiated by a government official (demand side) or by the private sector actor (supply side). Corruption results in the loss of taxpayer funds, sub-standard infrastructure and low-quality public services for citizens, it undermines private sector investments in innovation and contributes to the erosion of public trust in government.⁴

THE FOUR STAGES OF THE PUBLIC PROCUREMENT PROCESS:



Source: Transparency International, Curbing Corruption in Public Procurement – A Practical Guide, 2014

Transparency International has highlighted factors that increase the risk of improper conduct:⁵

- “Urgent” purchases and award of contracts without open bidding, especially near the end of a fiscal year;
- Inadequate access to information – the government neither has a proactive information policy nor a proper, operational right-to-information law;
- Use of non-standardised bidding documents and locally created product standards, raising the possibility that they may have been tailored to favour a particular bidder;
- Participation of companies owned by government officials;
- Involvement of front or shell companies with no physical presence, employees or commercial activity, created to insulate their beneficiaries from disclosure or taxes;
- State-owned enterprises participating in public tendering, often resulting in an inherent conflict of interest when competing with the private sector for a contract;
- Decentralisation of procurement to the regional and local level – officials may not be well-trained; low Internet connectivity and computer literacy may hinder adequate disclosure, and accountability structures may be weak.

Corruption often finds individualised ways to disrupt standardised procedures. Depending on a particular situation and stakeholders to a government contract, creative techniques and schemes may be drawn up to extort funds and derail a fair process. Integrity risks in the different stages of the procurement cycle include the following:⁶

Pre-tendering phase

- No adequate needs and market assessments are conducted;
- External actors may seek to influence the decision to initiate a procurement process;
- A buyer has an informal agreement with a supplier from the beginning of the process;
- The procurement process may be poorly planned and not adequately budgeted for;
- Technical specifications may be tailored to a specific supplier (including as a result of pre-bid consultations), unnecessary requirements may discriminate against bidders and discourage participation;
- High bid guarantees, to be paid in advance, may discourage participation;
- Selection criteria may not be defined transparently and objectively;
- Inside information on the procurement process may be sold to a specific supplier;
- Single-sourcing and restricted tendering procedures may be chosen without proper justification, legal exceptions allowing fast-track procedures may be abused.



Tendering phase

- Tenders may not be (adequately) advertised, deadlines may be too short for interested companies to prepare a bid;
- Interested bidders may not be able to easily access tender documents;
- Suppliers may collude – competitors may split the market and avoid bidding against each other, companies may submit high bids with no intention of winning;
- A fair and transparent bid evaluation may be disrupted by public officials who are compromised or have a conflict of interest (bribes, financial interests in a company, gifts or other benefits that have been obtained or promised), the failure to have several people involved in the evaluation, or the lack of objective award criteria.

Post-award phase

- The procurement authority may fail to release information about the final decision on the contract award to bidders and the public;
- The supplier may fail to deliver on the contract, possibly facilitated by collusion with public officials or by insufficient oversight of the implementation:
 - › A supplier may abandon a project after receiving an initial payment;
 - › Substantial changes in the contract may drive up the price, amend product specifications, quality, quantity or timeline of the delivery;
 - › Bad financial management, a lack of oversight and control, or corrupt behav-

our by public officials may result in late payments to suppliers, payments to non-existent suppliers, double-invoicing, or payments beyond the scope of the contract being authorised.

INNOVATION IN PUBLIC PROCUREMENT

Electronic procurement systems help to standardise and simplify processes. While electronic procedures provide no guarantee that contracting is conducted in a fair and transparent manner, they can substantially reduce opportunities for corruption by minimising personal interaction between bidders and officials and facilitate participation in tendering procedures by reducing red tape and the time and effort needed to submit a bid. Economies that have implemented e-procurement procedures have seen efficiency gains from 10 to 20% of the total volume, according to the World Bank.⁷

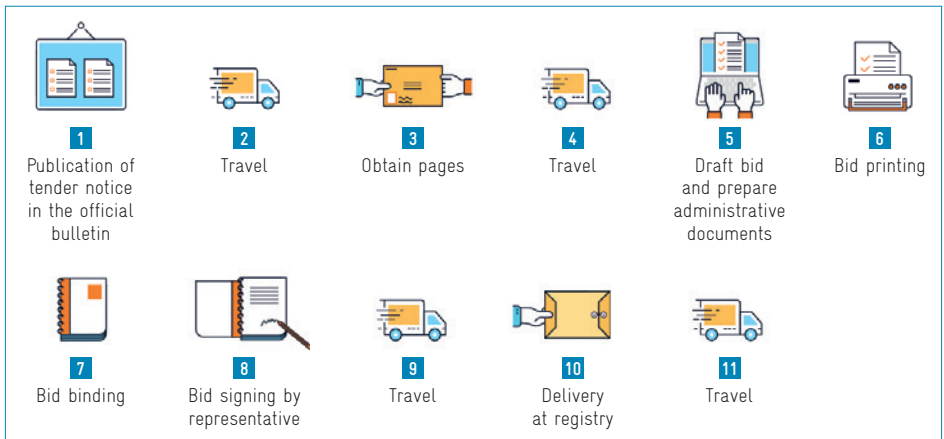
A significant share of these gains is likely to come from reduced levels of mismanagement, fraud and corruption, as well as from stronger bidder participation as a result of increased trust in the fairness of the procurement system.⁸ The introduction of e-procurement as a stand-alone reform, however, is unlikely to produce transformational results if countries fail to invest in a coherent legal framework, training and capacity development of procurement officials, as well as active and independent oversight.⁹

Digital platforms can be designed to ensure compliance with procedures and to generate audit trails and data that allow oversight bodies, bidders and the public to monitor and scrutinise procurement processes. Increased

transparency helps to build trust in the integrity of the system, encourages more bids by companies, thus resulting in better value for money.

E-PROCUREMENT LOWERS TRANSACTION COSTS FOR BIDDERS THROUGHOUT THE PROCUREMENT PROCESS:

CLASSIC PROCEDURE



ELECTRONIC PROCEDURE



Source: International Bank for Reconstruction and Development / World Bank, Benchmarking Public Procurement, 2017



OPEN CONTRACTING

In the past two years, the governments of Ghana, Kenya, Liberia, Sierra Leone and Nigeria have committed to open contracting principles in their national Open Government Partnership (OGP) action plans; Ivory Coast, Tunisia and Malawi have committed to improving public access to procurement-related information.¹⁰

Open contracting is an effort to open up public sector contracting and transform procurement through disclosure and public participation that has been led by the Open Contracting Partnership since 2013:¹¹

- Governments shall require the timely, current and routine publication of enough information and documents on the formation, award, execution, performance, and completion of public contracts to enable the public, including media and civil society, to understand and monitor public contracting as a safeguard against the inefficient or corrupt use of public resources;
- Governments shall engage with civil society and businesses, recognise the public's right to participate in the oversight of public contracting, provide opportunities for public consultations and act upon feedback, leading to improved accountability.

So-called infomediaries play a crucial role in open contracting. They are actors in society – civil society groups, journalists or other stakeholders – who can take complex information and visualise, filter, analyse and contextualise it, so that it can be understood and used by wider segments of the population.¹² If contracting information becomes easily accessible, then citizens can act upon it and, for example, raise questions about projects in their community with local officials.

The private sector can use data on government contracting to gain a better understanding of the market. If companies can access detailed information on all steps of the procurement cycle, allowing them to understand the basis for the award of contracts, and to assess the fairness of these decisions, their level of trust and participation in public procurement will increase.

The Open Contracting Data Standard (OCDS), launched in 2014, was developed to enable the disclosure of data and documents on the contracting process.¹³ It defines a common data model that allows for deeper analysis of contracting data and facilitates the comparison of data that is released by different organisations or different countries based on the same model.

Several countries including Colombia, Moldova, Paraguay and Ukraine as well as several cities, including Mexico City (Mexico) and Montreal (Canada), are already publishing information based on the OCDS. Several other countries are working on the implementation of pilot programmes.¹⁴ Civil society projects and private sector applications have also started to use the standard.¹⁵

In Africa, Ghana and Nigeria are working towards implementation of the OCDS.¹⁶ Uganda appears to be the first African country that is releasing data in the OCDS.

UGANDA: OPENING UP CONTRACTING

Uganda is planning to pilot an e-procurement system in mid-2018.¹⁷ Even though the procurement process currently is still largely paper-based, the country's Public Procurement and Disposal of Public Assets Authority (PPDA) already publishes detailed information on various stages of the procurement cycle.¹⁸

In 2017, the PPDA started to release procurement data in user-friendly formats, aligned with the Open Contracting Data Standard:¹⁹

- National, regional and local government bodies publish annual procurement plans with descriptions of the works, goods or services to be procured, budgeted amounts, sources of funding and the planned procurement method;

- The procurement portal lists current tenders and provides timely access to bid evaluation notices, which contain information on a tender award, including the contract value, the winning bidder as well as the names of unsuccessful bidders and evaluation criteria;
- The portal also provides a list of suspended suppliers, including the company name, the date of suspension, the end of the suspension and the reasons for blacklisting the entity.²⁰

The Ugandan Procurement Portal also contains information on government assets that are disposed of, including annual lists of planned disposals, bidding opportunities and information on disposed assets and their buyers.²¹

While signed contracts and other documents are not released on the portal, Uganda has a Freedom of Information Act that in practice has allowed civil society groups in several cases to obtain copies of procurement contracts and to unveil irregularities.²²



NIGERIA: MONITORING GOVERNMENT PROJECTS

Nigeria's Budget Office releases a detailed federal budget, including information on funding allocated to specific projects that are implemented by ministries.²³ Similarly, project-based expenditure lines are included in budgets of the State governments.

The civil society initiative, BudgIT, turns this information into infographics, making the budgets and the allocation of funds to specific projects more easily accessible.²⁴

The NGO Public and Private Development Centre (PPDC) launched the website Budeshi.ng (meaning "open it" in the Hausa language) to facilitate the monitoring and public scrutiny of major government projects and tenders. Budeshi uses information on contract awards released by the Bureau of Public Procurement, as well as data on healthcare and education projects it obtains from government agencies through access to information requests. PPDC re-publishes data in line with the Open Contracting Data Standard and connects the value of projects to the amounts allocated for these projects in the budget, highlighting any discrepancies.²⁵

PPDC uses Budeshi to advocate for Nigeria to adopt the Open Contracting Data Standard, which, the NGO argues, would help to ensure that procurement data of every stage of the contracting process is collected and made

publicly accessible in a standardised, machine-readable format. This step would facilitate the use and further analysis of the data and allow for the development of applications and tools to monitor the performance of the procurement system and public service delivery.²⁶

One important aspect of effective scrutiny of tender awards is public access to information contained in company registries that allows the media and civil society watchdogs to trace the beneficiaries of a government contract.

COMPANY REGISTRIES

If a company registry is maintained in digital form and can be accessed and searched online, other companies are able to easily carry out due diligence to vet their prospective business partners and clients, and manage their risk exposure.

Easy access to company registration and ownership information may also help government bodies to carry out due diligence on their contractors. It may also allow the public to identify potential conflicts of interests of public officials, for example when companies with ties to politicians or civil servants bid on government contracts.

As a best practice, data should be released under an open license that allows for re-use of the data and in a structured, machine-readable format. This allows services such as OpenCorporates.com, a London-based organisation that aggregates information from company registries and other national sources, to connect and link data from different countries and make it easily searchable and accessible.²⁷ More and more countries are opening up their company registries. Lesotho is among the very first African countries that have made their company registry accessible online, others have yet to follow.²⁸

LESOTHO: ONLINE ACCESS TO COMPANY INFORMATION

The company registry of Lesotho, maintained by the Ministry of Trade and Industry, allows users to search companies by name and identification number, company type and business activity, among other criteria, as well as by names of directors and shareholders. This access is free of charge.²⁹

Users can download extracts and certificates containing information on a legal entity as PDF files. The authenticity of such documents can be verified online, based on a unique file number. New entities can be registered and updates for existing companies can be filed online.

BENEFICIAL OWNERSHIP TRANSPARENCY

The transparency of beneficial ownership of companies is closely linked to the question of open and transparent company registries.

Complex corporate structures, often including shell-companies registered in opaque jurisdictions, have been used to launder money, avoid or evade taxes, and obscure the identity of their beneficiaries, as the revelations of the so-called offshore leaks have highlighted.³⁰ A 2011 World Bank study that analysed 70 cases of grand corruption found that nearly all these cases had one thing



in common: the perpetrators relied on anonymous shell companies to conceal their ownership and control of assets and companies.³¹

91% of business executives interviewed for the 2016 EY Global Fraud Survey stated that it was fairly or very important for them to know who ultimately owns and controls the entities they do business with.³² Among respondents from Africa, 97% of the business executives affirmed the importance of beneficial ownership transparency.

Beneficial ownership registries can shed light on opaque ownership structures: they require companies, trusts, foundations and similar entities to document and report who their ultimate owners and beneficiaries are. While most company registries only contain records of the direct owners of a company – which, in many cases, that is another entity – beneficial ownership registries contain the names of individuals who directly or indirectly (through various other entities) control a company.³³

In 2016, the United Kingdom became one of the first countries to set up a publicly accessible beneficial ownership register, which is currently seen as a best practice model, with some room for improvement.³⁴ At the London Anti-Corruption Summit the same year, Ghana, Kenya, Nigeria and Tanzania committed to establishing beneficial ownership registries.³⁵

In 2017, several international non-governmental organisations jointly launched Open Ownership.org, a registry that combines data from several jurisdictions to facilitate user access and to promote business integrity.³⁶

Public access to beneficial ownership registries can facilitate international investigations by journalists, civil society groups, government investigators and private sector researchers, and thus substantially increase the impact of such registers in comparison to registers which are only accessible to authorised government and private sector stakeholders.

One technology that may have the potential to reshape government databases such as company registries, as well as contracting and payment systems is the blockchain.

ONLINE ACCESS TO LAWS

Easy and timely access to laws, statutes and other relevant legal documents, such as relevant court decisions, can improve the transparency of the legal framework. This access can help companies to ensure they comply with applicable regulation – which, in turn, may reduce corruption risks – and develop a strong understanding of administrative processes and procedures.

If laws have to be bought in hard copy, it may limit the ability of small and medium-sized enterprises (SMEs), journalists, civil society actors, students and other interested citizens to access and search first-hand information on the legal framework.

Several Sub-Saharan African countries publish adopted laws online, including Kenya, Tanzania and Zambia. However, in these countries, the laws are not published in a machine-readable and easily searchable format.³⁷ If laws and regulation are released under an open license that allows anybody to republish them, civil society organisations and start-ups can develop tools, services and business models and provide user-friendly access to this content.



The blockchain is a set of decentralised, dynamic databases (referred to as distributed ledgers) that are maintained by participating users, rather than by a central authority. Each user holds a copy of the blockchain and all changes (such as transactions) are broadcast, verified and stored in these encrypted databases as blocks of information that cannot be altered or deleted at a later stage, thus creating a secure and permanent record.

A public blockchain can be applied to eliminate risks that arise when data is stored in a central registry, such as a single government database that could secretly be hacked or manipulated by insiders. It enables the public – at least those who have the necessary technical skills and capacity – to monitor transactions on the blockchain. This transparency may help build public trust in the integrity of transactions and records.

Cryptocurrencies such as Bitcoin and Ethereum are based on blockchain technology: so-called miners are compensated with units of the currency for providing computing power to process transactions and maintain the blockchain.

Supporters of the technology argue that blockchain solutions can be applied to improve efficiency and transparency of systems that suffer from insufficient trust in the integrity of records and transactions. Possible applications of blockchain include micro-lending, access to credit, energy distribution, identity management, land titling and smart contracts that automatically enforce themselves without human interaction.³⁸

However, many of the potential use cases are still being developed and tested:

- In Ghana, two start-ups, Bitland and Benben, are working to apply blockchain technology to register land and real estate ownership in a secure and transparent way;³⁹
- Georgia and Sweden are piloting blockchain-based land registries;⁴⁰
- In Ukraine, the government is seeking to apply blockchain technology to improve the transparency of its farmland registry.⁴¹ The justice ministry started using the technology for auctioning seized assets and has said that it plans to transfer state property and land registers to a blockchain;⁴²
- Dubai plans to transfer many government procedures and processes, such as visa applications, bill payments and license renewals – in excess of 100 million documents per year – into the blockchain, stating that the move will save millions of hours in lost productivity and in document processing time.⁴³

There is a broad range of potential applications in the private sector, including tracking supply chains, to facilitate banking and payments, or to power platforms for sub-Saharan Africa's agricultural commodity markets that connect farmers and traders with brokers and buyers.⁴⁴

Yet, there appear to be few mature and operational blockchain solutions that are applied by governments. It is thus too early to establish what positive impact blockchain technology can deliver in practice and which applications can significantly improve transparency and integrity of government processes and transactions. Furthermore, it is too early to establish if these efforts can be operated sustainably to deliver added value in comparison to previously applied procedures.

One aspect of sustainability is the incentives for members of the public to contribute computing power to a blockchain, for example to maintain a land registry. Another aspect is the technology's high-energy consumption: by design, many blockchain applications require a lot of computing power, which consumes a lot of energy. According to an estimate from early December 2017, the daily electricity usage by Bitcoin was close to that of the whole country of Morocco, with a single Bitcoin transaction consuming as much power as a U.S. household uses in ten days.⁴⁵

Additional research is required to establish if cryptocurrencies may facilitate corruption and money laundering – unlike banking transactions, they are not subject to regulation and government oversight. While cryptocurrencies allow for highly secure payments, their transactions are publicly visible. The parties to the transaction, however, can remain anonymous. The technology could thus be used to move, launder and protect illegitimate funds.



Digital payment systems come with several features that are likely to reduce bribery risks in comparison to cash payments, in particular when they are applied to citizen-to-government payments:

- Most importantly, digital payments come with a real-time electronic footprint that can be examined by audit and oversight bodies. Digital transaction records on the side of the payer and the recipient reduce the risk of fake invoicing and embezzlement of funds;
- E-government solutions reduce the number of situations where citizens have to interact face to face with public officials. Procedures that are streamlined for e-government applications also reduce situations where citizens and business representatives have to wait in line to obtain a specific service and may be offered the opportunity to speed up the process by paying a so-called facilitation payment;
- Mobile payments can help to limit the number of occasions where public officials are aware of a citizen having cash on him/her, which may increase temptations to request a bribe.

There appears to be a need for more in-depth research on the impact of digital transactions on corruption and bribery risks in different countries and settings.

Approximately 80% of Sub-Saharan Africa's population lack access to formal banking services.⁴⁶ In 2014, only one in three adults had a bank account.⁴⁷ At the same time, the region has seen steady growth in mobile connectivity: 43% of the region's population are mobile phone subscribers (420 million subscribers), using 731 million sim cards, according to estimates by the GSM Association (GSMA), a global industry trade body representing mobile network operators. Smartphone connections doubled between 2014 and 2016 to nearly 200 million and accounted for a quarter of all mobile phone connections by the end of 2016.⁴⁸

A 2017 report by the International Finance Corporation suggests that the region's banking sector is held back by currency fluctuations and few products for savings, insurance, credit and payment transactions being made available to large segments of the population, as many banks focused on catering to the rich.⁴⁹

Mobile money systems are seen as a key tool to foster financial inclusion in Sub-Saharan Africa, offering financial services to large segments of the population. Millions of individuals and small businesses for the first time have access to credit and are able to generate a transaction history.

By the end of 2016, there were 140 mobile money services in 39 countries across the region, with some 280 million registered user

accounts and around 1.5 million agents. In Gabon, Ghana, Kenya, Namibia, Tanzania, Uganda and Zimbabwe, more than 40% of the adult population use mobile money at least once every three months.⁵⁰

M-PESA

M-Pesa is a digital payment system that allows users to make transfers through SMS messages on their mobile phones. M-Pesa has more than 22.6 million subscribers in Kenya who made 380 million transactions with a total value of 903 billion Kenyan Shillings (approx. 7.4 billion Euro)⁵¹ in the second quarter of 2017, equal to 44% of the country's GDP.⁵² Ten years after its launch, mobile payments are used by at least one individual in 96% of Kenyan households (96% of the country's five million households have a mobile phone).⁵³

Critical factors to M-Pesa's success have been the dominant market position of M-Pesa's operator, the mobile telecommunications service provider Safaricom, the payment system's vast network of more than 142,000 agents (June 2017) who provide deposit and withdrawal services, as well as a relaxed approach from banking and telecom regulators.⁵⁴ The government has also facilitated the payment system's growth by accepting M-Pesa transactions in many public services. In 2013, Kenya's President issued a directive, mandating the digitalisa-

tion of all government processes and payments to reduce revenue leakage and improve efficiency and transparency in public sector transactions.⁵⁵

M-Pesa has been expanded with a retail payment platform (Lipa na M-Pesa), launched in 2013, and with M-Shwari, a bank account offering savings and loans which are available through the platform, offered by telecom operator, Safaricom, in collaboration with the Commercial Bank of Africa.⁵⁶

Traditional retail banking services in Kenya have not been accessible to large parts of the population: For a population of 48 million people, there are only about 2,700 ATMs. Only some 240,000 Kenyans have a credit card. However, the number of debit cards has seen strong growth in recent years, from 3.3 million in 2009 to 13.9 million in mid-2017. In the same period, the number of Point of Sale payment terminals increased from 5,000 to 34,900.⁵⁷

Vodacom has introduced M-Pesa in Tanzania (7.9 million subscribers), Mozambique (3 million), the Democratic Republic of Congo (2.5 million) and Lesotho (0.5 million).⁵⁸ Efforts to establish M-Pesa as a payment system in South Africa, where about two-thirds of adults have bank accounts, failed.⁵⁹

A 2016 study found that access to M-Pesa lifted 2% of Kenyan households out of poverty. The benefits were more pronounced for



poor women and members of female-headed households, suggesting that the digital currency allowed for more effective allocation of labour, savings and risks (for example through fast and cheap transfers of remittances), and helped especially women to move out of subsistence agriculture and into business.⁶⁰

Digital transactions reduce opportunities for theft, fraud and bribery. Anecdotal evidence provided by an interlocutor suggests that some businesses have successfully reduced leakages by switching from accepting cash to mobile payments.

An in-depth assessment of the impact of M-Pesa on corruption has yet to be conducted. Interlocutors have highlighted that because of digital payments, citizens in many situations no longer have to interact face to face with service providers and government officials, which is likely to reduce the risk that a bribe is demanded. Furthermore, in situations where citizens do interact with officials, they may no longer have cash in their hand – factors, which previously fuelled the temptation to demand a bribe.

Dozens of police officers were fired after oversight bodies scrutinised their M-Pesa records and found that they had used the system to accept bribes and forward funds to senior officers.⁶¹ After the first wave of firings, members of the police reportedly started to demand bribes from minibus

drivers in cash.⁶² As a response, the Kenyan government has announced a plan to make digital payments mandatory on minibuses – their drivers reportedly lose an estimated third of their revenue to theft and extortion – so that they carry no cash which police may coerce from them.⁶³

According to several interlocutors, some members of the police force are believed to operate M-Pesa vendors close to police stations. Citizens interacting with police at the station may be asked to go there and make a transfer to a number provided to them by the vendor – an account that belongs to a frontman, meaning that transfers cannot easily be connected to members of the police force but will nonetheless find their way back to the officers in charge.

The case of M-Pesa highlights that while digital payments can increase the efficiency and transparency of payments, complementary reforms have to be implemented to successfully and sustainably reduce bribery and corruption risks.

KENYA

In Transparency International's 2017 Corruption Perceptions Index, Kenya ranks 143rd out of 180 countries, while its score (currently 28, whereby 0 means highly corrupt and 100 very clean) has remained relatively constant for several years.⁶⁴

According to a nationwide survey conducted by the Ethics and Anti-Corruption Commission in 2015, 74% of respondents perceived that the country was suffering from a high level of corruption (compared to 68% in 2012 and 50% in 2010). The survey also found that the percentage of citizens who paid a bribe when seeking public services dropped from 68.5% (2012) to 38% in 2015, while the average value of the bribe increased from KES 4,600 (EUR 38) in 2012 to KES 5,650 (EUR 46) in 2015.⁶⁵

In recent years, the Kenyan government has implemented technology-driven reforms to address corruption risks in the public sector, including the introduction of digital whistleblower and complaints mechanisms, e-procurement and a public finance management system. It has yet to be seen what quantifiable impact these reforms will have.

Kenya is seen as the world's most successful mobile money market in terms of uptake and transaction volumes.⁶⁶ The country has become an innovation leader in mobile payments, largely because of the success of M-Pesa.

REFERRAL OF COMPLAINTS

The Integrated Public Complaints Referral Mechanism (IPCRM) is an online platform that facilitates the management of complaints filed with watchdog and oversight bodies. The IPCRM connects six organisations that work in the area of anti-corruption and human rights: The Ethics and Anti-Corruption Commission (EACC), the Commission on Administrative Justice ("Ombudsman"), the Kenya National Commission on Human Rights, the National Cohesion and Integration Commission, the National Anti-Corruption Campaign Steering Committee and Transparency International Kenya.

When a citizen files a complaint that relates to corruption, maladministration, discrimination, human rights violations or hate speech to any of the organisations involved, the platform is used to process and forward the report to the relevant body for further investigation or follow-up action. The IPCRM was launched in 2013 to ensure that complaints reach the institution responsible for addressing them – some 60% of complaints received by the participating agencies are outside their mandate. Furthermore, not all of the organisations are represented with local offices in all counties; the IPCRM provides more points of contact that allow citizens to report a problem in person. Once a case is entered into the system, the citizen receives updates on actions taken to address the issue.



The IPCRM aims to improve the management of complaints, strengthen cooperation between relevant organisations, and facilitate learning and research to improve government policies. The EACC, for example, uses complaints it receives through the IPCRM to refine the focus areas of its examination reports, which analyse the anti-corruption systems, policies, procedures and practices that national and regional government bodies have put in place.⁶⁷ By improving cooperation in fighting corruption through joint investigations, the IPCRM reportedly contributed to the recovery of assets worth KES 421 million (EUR 3.5 million), the freezing of assets worth KES 1.3 billion (EUR 10.7 million) and the prosecution of 110 suspects.⁶⁸

In 2016, a total of 199 cases were received and 184 referred. That number saw a sharp decline in 2017: only 12 cases had been received and referred by late August.

While several interlocutors praised the IPCRM's approach, they highlighted several challenges limiting its use and impact:

- The platform at times is not accessible or very slow;
- High staff turnover in some of the participating organisations resulted in a lack of institutional memory – desk officers who were trained to use the system left the institution without passing the knowledge on to their successors;
- Feedback from partner institutions is often delayed or no feedback is provided at all to citizens after their complaints were referred. In part, this is caused by missing connections between the institutions' internal case management systems and the IPCRM, according to one interlocutor: A desk officer tracks a case in the organisation's own case management software. Any progress recorded there is not automatically reflected in the IPCRM and has to be manually entered, which significantly increases the desk officer's workload;
- Too little outreach was conducted in 2017 to promote the system's online portal. When outreach is done by participating organisations, there is an increase in the number of cases that are reported.

Transparency International Kenya operates a complaints referral mechanism in several counties: "Haip CRM" allows citizens in several regions to submit complaints online via email or via SMS concerning services delivered by government bodies and non-governmental organisations. The message is then forwarded to the relevant aid or service provider and an appropriate feedback reported back to the citizen.⁶⁹

WHISTLEBLOWER PLATFORM

The Ethics and Anti-Corruption Commission (EACC) operates an online whistleblower platform that allows for the anonymous reporting of various corruption-related offences, including conflicts of interest, bribery, fraud, abuse of office, embezzlement, the fraudulent acquisition and disposal of public property, public procurement irregularities, land grabbing and tax evasion.⁷⁰

The EACC uses the German-made Business Keeper Monitoring System (BKMS), which is used by numerous authorities, companies and organisations around the world.⁷¹ The BKMS system is hosted in Germany and offers an encrypted and secure reporting mechanism that protects the anonymity of whistleblowers and the confidentiality of their reports. At the same time, the platform enables the EACC officer analysing a case to communicate with the whistleblower, to ask further questions and to provide feedback on the progress that has been made in the case, through an anonymous post-box. Guiding questions in the online form allow the EACC to collect the information it needs to categorise and evaluate a whistleblower report. The system also guides the whistleblower to help protect his/her anonymity, if he or she wishes to do so.⁷²

E-GOVERNMENT REFORMS

In 2014, Kenya's Ministry of Finance and the ICT Authority of Kenya launched eCitizen, a central e-government portal that allows citizens and businesses to obtain a range of services online.⁷³ Citizens can register a business name and apply for a new passport, a provisional driving license, a marriage or birth certificate; foreigners visiting the country can request an electronic visa and businesses can obtain some licenses and permits through the system.⁷⁴ While the system accepts debit and credit cards, more than 90% of payments are made through mobile money services. The government's digital payments platform allowed for streamlined procedures and increased accountability, which led to an increase in the number of citizens served and an upsurge in revenue collection.⁷⁵

The eCitizen portal has removed the need for middlemen and agents who previously would offer their services near government offices and often demand an extra payment to expedite applications, according to interlocutors.

However, in 2017 as a result of a court dispute, the Treasury denied ever having authorised or hired the private company that had processed the payments made on the eCitizen portal and took a KES 50 (EUR 0.4) commission for each transaction. It is not clear if (or how much) money from payments made by



citizens was not appropriately forwarded to the Treasury.⁷⁶

INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM

Kenya's Integrated Financial Management Information System (IFMIS) is a software platform integrating public sector budgeting, procurement, accounting and reporting. The system has been implemented in several phases.

IFMIS is centrally hosted and managed by the Treasury and used by central government bodies, ministries, departments and commissions, as well as by 47 county governments. The system is currently being rolled out to state-owned companies.

All government payments go through IFMIS and leave an extensive audit trail.⁷⁷ In 2017, Kenya started to automatise its cash-flow management and is currently working on linking the system used for procurement planning with those of cash management, budget planning and the e-procurement system.

Interlocutors described IFMIS as a step in the right direction. Before the system's introduction, government auditors often would not be able to access or find a paper trail that would allow them to establish how funds were spent and who had authorised transfers.

Using IFMIS, the National Audit Office and other oversight bodies can access digital footprints in the system that link actions to particular users.

The so-called National Youth Service (NYS) scandal, however, highlights that without an effective oversight system in place, a system like IFMIS cannot prevent the stealing and misappropriation of public funds. The scandal, which is reported to have resulted in damages of between KES 791 million and KES 1.9 billion (EUR 6.5 and EUR 15.6 million), involved numerous companies with links to public officials that were awarded overpriced single-sourced contracts. Some of the companies were reportedly not even registered at the time of the contract award. Media outlets reported that two agency officials linked to the scandal claimed that their IFMIS passwords had been stolen or hacked to authorise fraudulent payments.⁷⁸

Support for disadvantaged entrepreneurs

In an effort to empower disadvantaged groups, procurement regulations introduced in 2013 require that 30% of procurement spending of each public body has to be awarded to micro businesses or small enterprises owned (at least 70%) and managed by women, people under 35 years or persons with disabilities.⁷⁹ Qualified businesses receive a certificate that provides them with access to preferential treatment, such as a waiver on the requirement to pay performance bonds.⁸⁰

In their procurement plans, public bodies have to indicate the percentage of contracts that go to these companies. The system is currently at various degrees of implementation. As part of subsequent steps, transfers made to these companies will be more closely monitored by the Treasury, to ensure that they receive timely payments.

Civil society interlocutors have highlighted that it is not transparent to the public which businesses receive beneficial treatment. An evaluation of the programme's impact and of government bodies' compliance with the 30% target has yet to be released.

PROCUREMENT

Government contracting accounts for up to 80% of government expenditures, according to interlocutors at the Treasury.

E-procurement in Kenya was launched in 2014 and connects to IFMIS, which integrates planning, budgeting and procurement functions. Suppliers can register to access opportunities to supply smaller purchases directly to a government body based on standardised price lists, according to the Treasury.

Even though much information on government contracting is reportedly registered in IFMIS and the e-procurement system, little information about the different phases of the

procurement cycle is released to the public. Several steps of the procurement cycle are still paper-based:

- Procurement plans of government entities are not released on the central procurement platform;
- While the procurement platform releases tender announcements, tender documents are only in some cases accessible for download on the website of the procuring entity or on the central procurement portal. In many cases, the documents can only be obtained as hard-copy from the procuring entity after a fee is paid in cash (banker's cheques may also be accepted);
- Many tenders appear to require that documents are submitted in hard copy to the office of the procuring entity;
- Lists of contracts awarded through tender and directly awarded contracts are released on the procurement portal. These lists only provide the procuring entity, a very brief description of the contract, a tender ID, the method of procurement used, the name of the supplier (but no ID or enough information to uniquely identify the supplier), the value of the contract, dates of the tender announcement, contract signing and completion, and, if applicable, the reason for a direct contract award.⁸¹ While government agencies are supposed to publish the winners of a contract, not all of them do;
- No further information on the received bids, the tender award criteria, contract implementation, contract modifications or



payments appears to be released proactively to the public;

- A list of debarred firms released by the Public Procurement Oversight Authority (PPOA) in December 2017 only contained three entries and was not linked to the e-procurement portal.⁸² The PPOA publishes tender appeals it has reviewed but these cases do not contain links to the procurement portal. Decisions are only released as scanned documents, in non-open and non-user-friendly formats.⁸³

There are no policies in place that mandate the release of information on procurement planning or the implementation of contracts. This information can be requested – the right of citizens to access information is enshrined in the constitution and regulated by the Freedom of Information Act of 2016, which explicitly supports citizen participation in governance (it also requires the publication of information on contract awards).⁸⁴ Civil society interlocutors, however, emphasised that requests for information in practice are often ignored or denied and that few organisations, journalists or citizens take such cases to court.

Information on the procurement portal is not published in a structured, easily accessible and open format. Not enough data points are released to allow civil society watchdog groups to systematically analyse procurement information and to identify red flags and high-risk contracts.

Civil society interlocutors cautioned that in the case of Kenya, the impact of e-procurement on reducing corruption may have been overstated: IFMIS and e-procurement ensure that data on transactions and authorisations are recorded. In recent years, however, several large-scale schemes to steal public funds have been uncovered. These affairs, including the NYS scandal, apparently involved numerous people along the accountability chain, highlighting that electronic systems are not a guarantor for integrity without adequate oversight and accountability.

The potential positive impact of the e-procurement is weakened by the fact that many government bodies do not release timely and comprehensive information about their contracting, according to interlocutors. “Transparency would mean that we, as the public, have access to information and can stop speculating. Now, we are often still speculating”, a representative of a watchdog organisation says.

There appears to be no concrete government initiative to move the country towards adopting open contracting principles and standards. However, a new private-sector-led initiative seeks to promote the open contracting agenda in Kenya: The B Team, in collaboration with Invest in Africa, Hivos, the World Economic Forum, Safaricom and other partners, wants to mobilise private sector support for open contracting. The initiative is

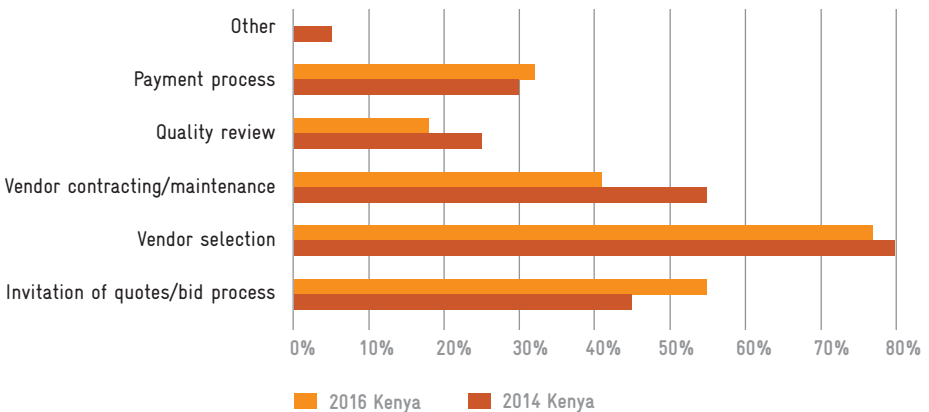
also endeavouring to recruit a group of companies to develop and promote leadership practices that enable easier and more transparent access opportunities for SMEs, and to involve companies as partners in a long-term research effort to explore the benefits of open contracting for both, governments and the private sector.⁸⁵

Continuing challenges the private sector faces were highlighted by a 2016 PwC survey among senior company executives, which found out that procurement fraud was the third most prevalent form of economic crime in Kenya, behind asset misappropriation and bribery/corruption.⁸⁶

47% of Kenyan respondents reported having experienced incidents of bribery and corruption in the previous two years – the third highest rate amongst the 115 countries that participated in the PwC survey; 37% of Kenyan respondents reported having experienced procurement fraud. Of the respondents who had experienced procurement fraud, 77% stated that it had occurred around the vendor selection (see PwC graphic below). Less than half (46%) of the Kenyan executives interviewed by PwC stated that top-level management of their organisations perceived bribery as an illegitimate practice.

Future surveys and additional research will show if and how e-procurement can help reduce the level of fraud and corruption in Kenya.

PROCUREMENT FRAUD OCCURENCE



Source: PricewaterhouseCoopers Limited, Global Economic Crime Survey: Kenya Report, 2016



COMPANY REGISTRY

In mid-2017, Kenya adopted an amendment of the Companies Act that introduced a definition of beneficial ownership, a requirement for companies to keep a register of beneficial owners, and to report them to the central company registry. It is anticipated that Kenya will develop a publicly accessible company registry that contains information on beneficial ownership, in line with commitments made at the 2016 London Anti-Corruption Summit and in the OGP Action Plan 2016–2018.⁸⁷

Civil society watchdogs such as Transparency International Kenya have been advocating for beneficial ownership transparency, including ensuring that the public is able to understand who the ultimate owners of companies that receive government contracts are.

Code for Kenya, a digital innovation organisation supporting journalism and civic advocacy with digital tools, is working to build a searchable database of Kenya's Gazette. The Gazette contains information on companies and their directors – information that is currently not accessible online in a searchable format.⁸⁸ The group also obtains paper-based records from government bodies, digitises them and feeds them into the database. If successful, the effort may be expanded to cover other countries where Code for Africa is active.

GHANA

Corruption in Ghana continues to affect the lives of citizens as well as companies. According to a 2016 survey conducted by the Ghana Integrity Initiative (the local chapter of Transparency International) and the Ghana Anti-Corruption Coalition, nearly two-thirds (64%) of respondents stated that in their districts, corruption had increased. Only 6% of respondents saw a decrease in the level of corruption (18% stated that they did not perceive any change).⁸⁹

Anti-corruption watchdog organisations have recommended that to effectively tackle corruption in these institutions, corrupt officials should be sanctioned as a deterrent. To increase the level of public trust, exemplary conduct should be recognised and rewarded. Furthermore, new technological innovations should be deployed in order to reduce human contact, the authors of the study recommended.⁹⁰

In its annual report, the Auditor General details the loss of public funds due to irregularities, highlighting the need for improved governance systems. Identified cases in 2016 included:

- Cash irregularities in the public accounts of Ghana amounting to GHS 2 billion (EUR 380 million), i.e. unapproved and unjustified disbursements and transfers, as well as unaccounted and misappropriated funds, including the withdrawal of GHS 1.56 billion (EUR 290 million) from accounts of the state-owned Tema Oil Refinery without knowledge of the company's management;
- Contract irregularities amounting to GHS 13 million (EUR 9.3 million), caused by abandoned projects, non-execution of works after initial payments were made, project delays and substandard construction work;
- Procurement irregularities of GHS 36 million (EUR 6.8 million) were documented, resulting from the failure to follow procurement procedures, obtain a required number of quotations, contract splitting, and payments made for goods that were not supplied, as well as from one contract where a supplier of street lights was not paid GHS 23.5 million (EUR 2.5 million) after delivery;
- Payroll irregularities amounting to GHS 4.4 million (EUR 830,000), mainly caused by payments made to former government employees who no longer worked there and by banks delaying the transfer of unclaimed pensions and salaries to the government account.⁹¹

PUBLIC PROCUREMENT

Ghana has a paper-based procurement system but has taken steps to roll out e-procurement starting in early 2018.

Procurement operations are carried out by each ministry, agency and state body. The Public Procurement Authority (PPA) has a



lead role in overseeing procurement and regulation.⁹² It also releases procurement information that it receives from procuring entities to the public, including procurement plans, tender notices, and lists of contracts that were awarded through open tenders, restricted contract awards and as single-sourced contracts.⁹³

It appears, however, that many agencies do not provide the PPA with timely and complete information on their procurement activities. Of more than 1,000 procuring entities (including schools), only 317 had submitted a procurement plan for 2017 to the PPA by October of that year.⁹⁴

Procurement data released by the PPA is not published in a structured and open format. The current publication does not allow the public to search, analyse and compare data, or to trace a specific contract through the various stages of the procurement cycle.⁹⁵


However, the PPA has set up a due diligence unit which analyses single-sourced and restricted tender applications. It verifies that suppliers are eligible and properly qualified, looks at the reasonableness of the price, and in some cases requests a procuring entity to renegotiate a contract. The PPA conducted procurement audits at six agencies in 2017 and forwarded findings to the Economic and Organised Crime Office (EOCO).⁹⁶

Interlocutors have identified a number of factors that currently may limit participation in public contracting as well as the system's effectiveness to promote a transparent and competitive procurement process.⁹⁷

- **Non-competitive contract awards:** The reliance on single sourcing and restricted tender awards is perceived to have become the norm rather than the exception.⁹⁸ Interlocutors suggest that restricted tender awards should only be used under exceptional circumstances, as required by law, that a justification for the use of non-competitive procedures should be released and that cases of abuse should be sanctioned;
- **Access to tender announcements:** The law requires that tender announcements are published in two newspapers by the procuring entity. However, the PPA has found that in some cases, announcements were intentionally published in a way that minimised their reach. Only some tender announcements are published online. Private sector representatives say they have to check several newspapers every day to identify relevant tender announcements and mentioned cases where they missed opportunities or learned about them only when the deadline was too close to prepare and submit a bid;
- **Access to tender documents:** Tender documents currently have to be obtained in hard copy for a fee – often between GHS 200 and GHS 500 (approx. EUR 35 to 95) – at the office of the procuring entity.

Several private sector representatives highlighted that this fee disincentivises participation in bidding procedures, suggesting that tender documents should be freely accessible online in order to stimulate competition. One interlocutor highlighted that understanding the technical language and requirements of tender documents poses a challenge for many SMEs, especially in rural communities, requiring these companies to hire a consultant to put together a bid, or to refrain from bidding altogether;

- **Financing and late payments:** To finance the implementation of a government contract, many SMEs have to obtain a bank loan at a high interest rate. This results in costs and risks that companies have to price into their offers. Instances of delayed government payments to suppliers are perceived to be common and are described as a major challenge for smaller companies. Interlocutors suggested that late payments may increase the risk of bribes being solicited in order to speed up the release of a payment;
- **Conflicts of interest:** Several procurement irregularities that have been investigated by authorities relate to cases where public officials failed to disclose conflicts of interest and interfered in contract award decisions that benefitted companies they had financial interests in;⁹⁹
- **Tender awards:** Tender award notices contain the name of the selected supplier but do not include a unique identifier which would ensure that the supplier can always be traced by the public. (In Kenya and elsewhere, opaque entities with names very similar to those of well-known companies have been used in fraud and corruption cases.) No information on the number of bids received and the award criteria are released to the public. Several interlocutors stated that even when there is an open tender, potential bidders may perceive that the supplier has been informally chosen at the time the tender was announced;
- **Access to information:** Public access to procurement information remains a challenge, as there are only limited disclosure provisions in the legislation governing procurement. Ghana has yet to adopt a long-discussed Freedom of Information Act which may help to significantly increase the transparency of government contracting, including by providing the private sector, journalists and civil society groups with the possibility to access procurement-related documents;
- **Contract implementation:** According to interlocutors, there is little monitoring of contract implementation, which may increase the risk that contractors don't fully deliver on their contractual obligations. Citizens and civil society groups can play a bigger role in monitoring the implementation and long-run value of a public con-



tract, for example the quality of a newly built road. Such monitoring could be facilitated by easy access to information about contract implementation;

- **Debarment:** While the 2016 amendment of the Procurement Act included guidelines for debarment, the PPA currently does not list any blacklisted suppliers on its website.¹⁰⁰

REFORMING PROCUREMENT

At the 2016 London Anti-Corruption Summit, Ghana committed to a number of reforms aimed at tackling corruption risks. The government stated it would explore “further options for improving transparency and openness in the area of public contracting”, working “towards making government public procurement ‘open by default’ – beginning with Open Contracting Data Standards for high value contracts and contracts in the oil, gas and mining sector”, and to make public a “list of blacklisted companies and suppliers”.¹⁰¹ In the Open Government Partnership National Action Plan 2016–2017, the government committed to “open up its contracting processes, publish contract[s] and provide information on the beneficial owners of the contract” in the extractive sector, as well as to have the Public Procurement Authority “publish quarterly all contracts entered into by Government from January 2016 to December 2017”.¹⁰²

In a move towards implementing these commitments, the PPA in the third quarter of 2017 contracted the Greek software company European Dynamics to deliver an e-procurement platform. The company has deployed e-procurement portals in several countries, including Tanzania and Zambia. The contract, which includes the design, configuration, implementation, maintenance and support of the new system, is funded by the World Bank.¹⁰³ The system will be hosted by the National Information Technology Agency (NITA).

In February 2018, the new platform is scheduled to go live with a pilot of six selected entities and will move all stages of the procurement process online. After half a year of testing, the platform is planned to be rolled out to additional entities. According to the PPA, the platform will connect to a procurement planning software that is already used by these entities to ensure budget credibility, meaning that procurement procedures can only be launched if the funding for a contract is included in the budget.¹⁰⁴ Each step in the procurement cycle will be tied to a unique tender ID, including the payment. The improved planning and documentation will help end the problem of delayed payments to suppliers, according to a PPA representative.

The e-procurement platform will minimise human interaction in the process by moving towards a paperless process, according to the PPA: Tender documents will become avail-

able on the platform, bids will be submitted online and contracts will be signed digitally. The PPA is also planning to connect the procurement platform with the tax identification number (TIN) system of the Ghana Revenue Service that stores tax information on individuals and business entities including suppliers. A connection with the company registry is planned as well.

Data will be released in the Open Contracting Data Standard, according to the PPA. What exact information will become publicly accessible remains to be seen.

BENEFICIAL OWNERSHIP TRANSPARENCY

Ghana, at the 2016 London Anti-Corruption Summit, committed to ensuring “that we have public beneficial ownership information and [a] central register for all sectors, including oil and gas sector” (...) and “that accurate and timely company beneficial ownership information, including in the extractives, is available and accessible to the public”.¹⁰⁵

In 2016, Ghana amended its Companies Act and – reportedly as the first African country – introduced a requirement for all companies to maintain records of beneficial owners and submit this information to the Registrar of Companies within 28 days of any change.¹⁰⁶ Public access to this information through a central online registry has yet to be reflected in the legal framework.¹⁰⁷

The government has committed to cooperate with the civil society initiative OpenOwnership.org to develop a publicly accessible open data register containing beneficial ownership information, in line with best practices. If these commitments are implemented, Ghana could become one of the international leaders in this area.¹⁰⁸

Currently, information about companies, their directors and direct owners cannot be accessed online. Records are only accessible for a fee at the Registrar General’s Department.¹⁰⁹ For the private sector, easy and free access to an online company registry would facilitate due diligence procedures and help to improve market transparency.

Several interlocutors underlined that easy access to (beneficial) ownership information of companies was crucial to enable civil society and the media to identify the beneficiaries of government contracts.¹¹⁰



DIGITAL PAYMENTS

Mobile money was introduced in Ghana in 2009. In recent years, its usage has seen steady growth, facilitated by a high number of mobile phone subscriptions – 37.4 million in 2016, with many of Ghana’s 28.2 million people owning more than one mobile phone.¹¹¹

In 2016, there were 19.7 million registered mobile money customers – 8.3 million of them were active and had conducted at least one transaction in the past 90 days, a growth of 72% compared to 2015. The number of active mobile money agents reached 107,000 in 2016, compared to 56,000 the year before. 550 million mobile money transactions were conducted in 2016 (2015: 266 million), their total value amounted to GHS 78.5 billion (approx. EUR 14.7 billion, a 121% increase year on year).¹¹²

Continuing strong growth of digital transactions was facilitated by a 2015 e-money regulation issued by the Bank of Ghana, which introduced more favourable rules for mobile money providers and introduced simpler registration processes for customers.¹¹³ The new rules also allowed mobile operators to participate in the digital payments business through wholly-owned subsidiaries.¹¹⁴ In 2017, several lenders began offering savings products for mobile-phone users.¹¹⁵


E-zwich, a biometric smart card payment system which offers electronic payment and banking services through Point of Sales terminals and ATMs, had 1.9 million cardholders in 2016 (2015: 1.4 million). The e-zwich system also facilitates the distribution of payments such as loans, salaries, wages and pensions. The number of transactions grew from 2.3 million in 2015 to 5.4 million in 2016.

Much of the increase is the result of government agencies starting to use the system as part of an effort to improve the management of public expenditures, according to the Bank of Ghana. Caterers of the Ghana School Feeding Programme, beneficiaries of the Livelihood Empowerment Against Poverty (LEAP), the staff of the Youth Employment Agency (YEA), recipients of the Students Loans Trust Fund and personnel of the National Service Scheme receive their payments through this system.¹¹⁶

Further research will be required to analyse the impact of digital payment systems in Ghana on improving the efficiency of government transactions through the reduction of leakages and corruption risks.

KEY FINDINGS AND CONCLUSIONS

- Digital payment systems can empower women to lift themselves out of poverty by launching small businesses, which findings from Kenya indicate, where digital payments have become commonplace. In Ghana, the use of digital payments is becoming more popular. Further research is needed to establish what impact digital payments have on reducing corruption opportunities;
- Blockchain technology is currently being piloted for land registration (in countries including Ghana) and various other government and private-sector applications. It is too early to assess the impact of blockchain-powered applications as an anti-corruption tool. It is crucial that governments continue to turn paper-based processes into digital ones. If blockchain applications are found to add value and further improve transparency, these digital processes could later be moved to a blockchain;
- Reforms of the procurement system in Kenya provide a number of lessons learned:
 - The case of Kenya indicates that the introduction of an e-procurement system may have limited impact on the (perceived) integrity and fairness of government contracting, if the transition is not used to ensure timely and comprehensive public access to contracting information. An e-procurement system should be designed for transparency and allow for information about the different stages of the procurement cycle to be automatically published on a central platform, including in machine-readable formats. This would help to ensure compliance with disclosure requirements for public bodies without sufficient resources or capacity to ensure timely manual updates on their procurement activities. Without meaningful disclosure, public trust in the system may not improve;
 - Many steps and procedures of the tendering process in Kenya are still paper-based. This appears to limit the positive impact of the e-procurement system in terms of streamlining and standardising procedures, minimising the need for human interaction, improving record-keeping and providing timely public access to contracting information;
 - Government audit and oversight bodies need to have adequate capacity to access and analyse the digital audit trail generated by electronic procurement and financial management platforms. Similarly, they should develop the capacity to analyse big data in order to identify high-risk cases and patterns they can then scrutinise in detail;
 - The legal framework should support the implementation of e-government reforms, so that legal roadblocks during the roll-out – which may allow some public bodies to delay the implementation – can be avoided;

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- The most complex aspect of an e-procurement or e-government reform may not be the technical roll-out or the streamlining of procedures but ensuring buy-in from the staff that will be the primary users of the system, according to Kenyan government interlocutors;
 - Trainings on the use of a new e-procurement platform should not only target senior officials but also the desk officers using the platform on a daily basis. The development of institutional memory is crucial to ensure that the use of a software solution will not be affected by staff turnover;
 - Government software solutions should be designed so that relevant systems and databases connect seamlessly with each other. This minimises the necessity for human intervention and helps avoid bottlenecks that undermine the efficiency of the system. An application should be designed in close coordination with the people who will later use it;¹¹⁷
 - It is crucial to ensure fast and reliable access to digital platforms and minimise downtime of platforms while also ensuring the platforms' safety and security;
 - Public access to contracting information should be guaranteed by a strong Freedom of Information Act, which also provides effective appeal and enforcement mechanisms.
- As more government services move online, questions arise about a digital divide: How can access to online services be improved for citizens and SMEs in rural communities? How can data service be made more reliable and affordable? How can computer literacy and IT skills be developed? When e-government solutions are implemented, policies and mechanisms to improve and ensure access to these services should be considered by competent bodies.

OPPORTUNITIES

- Social enterprises, civil society organisations and start-ups developing digital applications may be able to provide innovative services to the public and contribute to improved government accountability, better service delivery and a reduction of red tape. Such efforts could be supported, including with opportunities for peer-learning, accelerator programmes and by facilitating contact with business angels and potential investors who could support these efforts with funding, expertise and their contacts;
- Mobile payment systems can promote financial inclusion, empowering millions of people who previously had no access to banking services to make secure transactions with their phones. As more people use mobile payments, there may be opportunities for foreign investors to develop innovative financial services in cooperation with local providers;
- As governments increasingly rely on information and communication technology in their day-to-day operations, there may be opportunities for highly specialised companies to provide services, including IT security, software solutions, data analytics as well as data forensics to support oversight bodies and anti-corruption investigations;
- The private sector and civil society could use the pilot phase of the new Ghanaian e-procurement portal to discuss what information they would like to see accessible to the public in order to build trust in the system, how the public could become more engaged in government contracting, and share the results with government stakeholders such as the PPA. A forum could be used to develop a strong understanding of procurement procedures among all stakeholders, to build awareness of beneficial ownership transparency and its benefits, and to jointly advocate for a strong Freedom of Information Act;
- When government bodies open up and more information and data are released to the public, for example on budgeting and government contracting, infomediaries play an important role to visualise, filter, contextualise and analyse this information and to make it easily accessible to the general public. The role of an infomediary may be taken on by civil society organisations, media outlets or start-ups. While such efforts are often funded by donors, there may be opportunities to engage the private sector to support infomediaries – given that private sector users, alongside government, may be among the tool's heavy users;



- Given that several countries in Sub-Saharan Africa are currently moving towards more transparent procurement systems, there may be opportunities for both, government stakeholders and civil society groups, to exchange views and learn from their peers in other countries about how to maximise the value and impact of the available data. Tools and methodologies could be developed and piloted in a multinational effort, for example to detect red flags and identify high-risk contracts, or how to use data to facilitate citizen participation and the monitoring of contract implementation on the ground;
- By introducing a centralised e-procurement system that substantially expands the amount of information on government contracting released to the public; adopting the Open Contracting Data Standard and working towards implementing the Open Contracting Principles; adopting a Right to Information Act that provides a strong legal framework for access to public records; and connecting the e-procurement platform with an open, publicly accessible company registry that includes beneficial ownership data, Ghana has the opportunity to become a regional leader in open contracting;
- Considerations could be given on policies and approaches that help build the capacity of SMEs to participate in public procurement, especially after a switch to electronic procedures – and how to contribute to a high level of integrity in public contracting.

ENDNOTES

- 1 Interviews were conducted in November and early December 2017. The author wishes to thank all interlocutors for sharing their observations, analysis and recommendations.
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- 7 The report highlights an example from outside Africa: the country of Georgia saved an estimated USD 400 million within four years of introducing an electronic and highly transparent procurement platform (<https://tenders.procurement.gov.ge/>). World Bank (2017): Benchmarking Public Procurement 2017.
- 8 In Slovakia, the average number of bidders rose from 1.6 firms (2010) to 3.7 companies (2014) and the number of tenders with only one bidder decreased sharply within four years of introducing a highly transparent e-procurement system that requires the publication of all contracts online. The share of restricted contests and direct purchases dropped from 21% to 4%. There was also a significant increase in the number of media reports covering government contracting. Transparency International Slovakia (2015): Not in Force Until Published Online – What the Radical Transparency Regime of Public Contracts Achieved in Slovakia, www.transparency.sk/wp-content/uploads/2015/05/Open-Contracts.pdf
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