



Institute of
Economic Affairs

Media Breakfast Meeting on Public Sector Accountability and Kenya's Public Procurement System

Insights from the Public Procurement Information Portal (PPIP)

About the Public Procurement Risk Index (PPRI)

- A composite measure **assessing the level of risk** associated with various public contracts.
- The risk of fraud is **quantified** by integrating various indicators, from key sources of data, through the **Principal Component Analysis (PCA)** method
- The PCA provides a scoring system or **ranking methodology** to assign numerical values to different risk factors and aggregate them into an overall index score.
- Score provides a comparative measure of the level of procurement fraud risk across different entities/sectors, enabling policymakers, stakeholders, and the public to identify areas requiring enhanced oversight, reform, or intervention to mitigate procurement-fraud related risks.

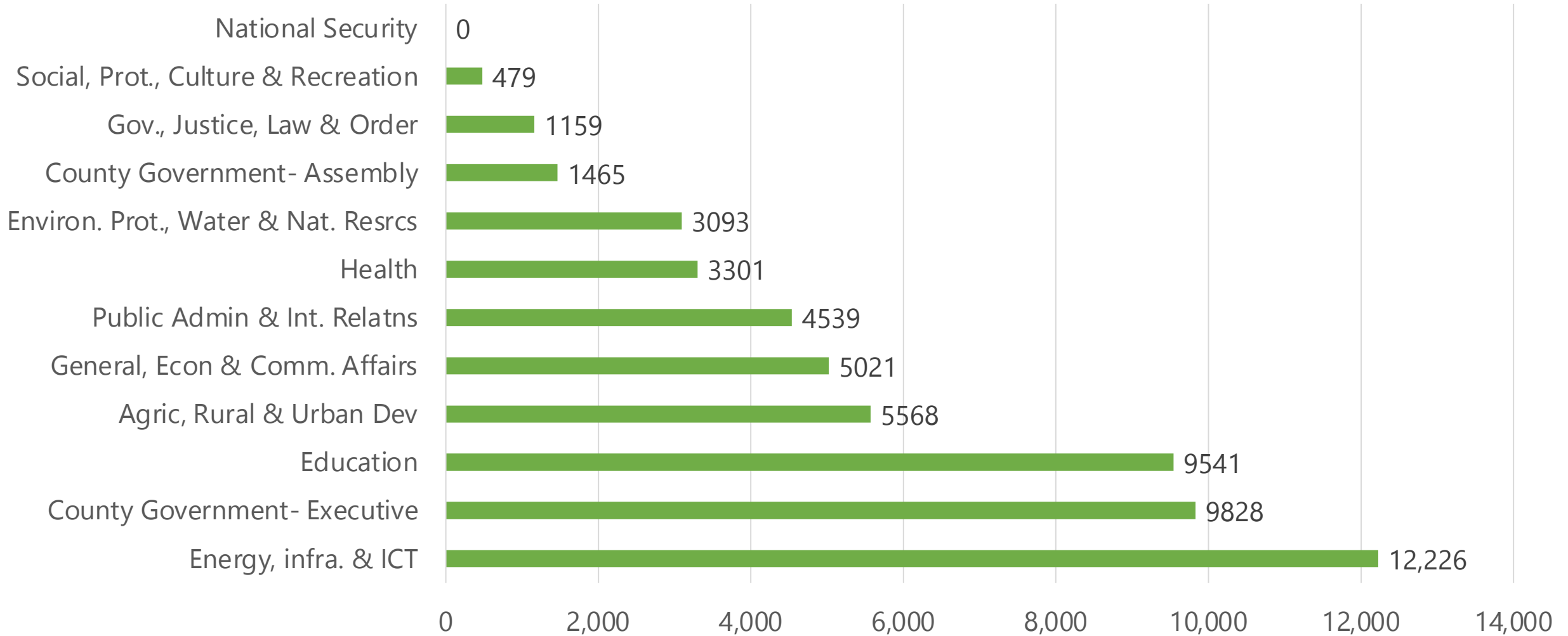
The PPRI

- The **PPRI (index)** ranges between 0 - 100
 - represents the risk probability/likelihood of each respective contract to be fraudulent
- The dynamic database is developed to allow growth in scope, over time
- **Object:** A permanent repository of data that can be used to determine fraud risk trends and identify risk patterns ahead of time
- **Utility:** Can be queried by policymakers, journalists, scholars, the public.

Progress: Development of the Index

1. Same Sources of Data- Public Procurement Information Portal, OAG Reports
2. Same Variables: 13 (FY of contract, tendering period, supplier, p.category, p.method e.t.c)
3. Number of Contracts: 26,0000 (first PPRI issue), 56,220 (FY 2023/24) as of April, now at 101,935 contracts
4. Red flags: 4 Predictors of Risk: Procurement method, value of the contract, time, procuring entity's audit opinion
5. Principle Component Analysis- Index-tool for identification of 'likely' patterns of fraud and contract monitoring

Number of Contracts; All financial years (2015/16-2023/24)..As at April.



Findings- Sectors (All financial years)

The top leading sectors in terms of level of financial risk in public procurement include:

1. National Security with a mean PPRI index of 67.41 points
2. Health (36.65 points)
3. Agriculture, Rural and Urban Development (36.44 points)
4. Energy, Infrastructure and ICT (35.14 points).

PEA issue: These sectors also happen to command large budget tickets.

Findings; Departments

- County Governments have relatively high risk levels with a mean index of 35.22 points
 - (Assembly 37.12 points and Executive 34.92 points)
- Ministries and State departments with an overall mean of 33.44 points
- State Corp. & SAGAs with 33.37 points

Issue: Low Disclosure levels by MDA's (Executive)

Procurement Category

- Procurement Category (PCs)
 - Works (35.6 points) has the highest prevalence of financial risk among the procurement categories followed by disposal (34.1 points)

Issues on Compliance

- Overall level of compliance – 9%
- More than 4000 procurement entities (MDA's, SAGA's, Counties, Schools, Universities)
- Compliance around sectors – varies..
- Issue of National Security (Not everything is classified)

Why Compliance with contract disclosures has to go up?

1. Allows scrutiny (Practise)
2. Incentives.
3. Allows other assessement for Value For Money and lawfulness
4. The loop required to close the beneficial ownership
5. Public Accountability
6. Checking for patterns of fraud and early warning system.

Policy Recommendations

PPRA is Mandated to monitor, assess and review the public procurement and Asset Disposal system to ensure they respect including Article 227 of the constitution on public procurement.

1. Compel procuring entities to disclose all contracts & its beneficial owners, in a more transparent way, and in an easily accessible manner
2. Review contracts issued on-->direct and selective procurement methods, and assess its compliance on PPRA's market prices of goods, services and works
3. Publish summaries of disclosures (or lack of) on PPIP, and include it as part of the PPRA's report to Parliament.
4. Develop Regulations on how to enforce sanctions when agencies/MDA's/accounting officers don't meet compliance issues in laws

National Treasury

- National Treasury Functions; Develop Policy for National Executive, Design & Prescribe an efficient procurement system for County & National Executive, Reviews of Procurement system, policy on common user items, institutional arrangement for common user agreements for NT.
- Article 225: Control of Public Money
 1. Punish all material breaches on basis of public procurement
 2. Link sum share of conditional grants to audit opinions and budget performance to incentivise enhanced financial management
 3. Enhance funding of PPRA to make increase the frequency of the assessments of the Procuring entities and to make PPIP more robust and comprehensive
 4. Require Accounting Officers to strengthen Internal Control Systems of Procuring Entities with Adverse and Disclaimer of audit opinion

Office of the Auditor General

- Check for compliance levels on PPIP and report them as Queries in annual audits
- Legal Basis : Article 138(1), PPADA No 33. 2015

County Treasury

- Ensure compliance with Procurement Disclosures on PPIP
- Undertake assessments on strenght of public procurement system from time to time
- Call for Public consultations with relevant stakeholders

Parliament

- Amend the law to add a sanction clause on failure to disclose contracts within required timelines
- Use powers of the purse to deal with PF