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Spotlight on the PSEMAS administration contract

Concerns of tender manipulation have emerged as a heavy cloud hangs over the politically exposed incumbent

In early April 2019 then finance minister Calle Schlettwein announced that the contract to administer the lucrative Public Service Employees Medical Aid Scheme (PSEMAS) had been extended for a year, to 31 March 2020.

The longstanding administrator Methealth Namibia Administrators, which has been the administrator since 2004, thus got another year administering a scheme beset by deficits, waste and fraud.

By 31 March 2020 the tender process had still not been finalised and the contract was extended again for a few months.

On 4 June 2020 the PSEMAS administration tender, with reference number NCS/ONB/CPBN-03/2020, was finally advertised with a closing date of 22 July 2020.

And that was when questions emerged.

The accusations

In early July 2020, in a report published in the *Republikein*, one of the potential

bidders for the PSEMAS contract, Bertus Struwig of Prosperity Health, indicated that there were a number of serious concerns and suspicions with how the tender had been designed.

In short, Struwig alleged that the tender specifications had been designed to favour the incumbent, Methealth Namibia Administrators.

This was a serious allegation as it pointed to corruption in the tender design phase (see: Bid design corruption?) with the aim being to ensure that the contract was awarded to a specific firm / company.

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On 9 July 2020 the Central Procurement Board of Namibia (CPBN) appointed a technical committee to look into the allegations, specifically the tender specifications, according to a statement by CPBN spokesperson Johanna Kambala quoted in another *Republikein* report on 22 July 2020, the day the tender was supposed to have closed.

In response (see: CPBN's response to allegations) to a query about the allegations from *Procurement Tracker Namibia* at that time, CPBN's Kambala stated: "CPBN wishes to confirm that it has received requests for clarifications from various bidders who are bidding for the bid in question. This is in terms of Regulation 34 (1) of the Public Procurement Regulations in the Public Procurement Act, 15 of 2015 and Instruction to Bidders (ITB) 10.1 of the bidding document. The aforesaid provisions accord the bidders an opportunity to seek for clarification to a provision contained in a bidding document to enable the bidder to bid."

She added: "In compliance to Regulation 34 (3), CPBN has responded in writing to all bidders who approached it for clarifications."

And concluded: "The Central Procurement Board of Namibia strongly believes in a fair and transparent procurement system, hence, after considering the clarifications sought by bidders, the CPBN Board resolved at a meeting held on 9 July 2020 to appoint a Technical Committee to review the evaluation criteria in the Standard Bidding Document of the PSEMAS bid. This has resulted in the bid closing date being extended from 22 July 2020 to 24 August 2020. The outcome of the Technical Committee will inform the Board on the way forward pertaining to this bid."

Bid design corruption?

In a front-page article of the *Republikein* of 8 July 2020, the director of Prosperity Health, Bertus Struwig, essentially alleged that the processes to award the PSEMAS administration contract had been corrupted. What Struwig alleged pointed to the following types of tender corruption (with the aim being to ensure that the contract is awarded to the incumbent administra-

tor Methealth Namibia Administrators):

- Getting rid of competition - by ensuring that the tender specifications / criteria favour the incumbent firm / company;
- Subverting competitive processes - once again, by ensuring the tender is tailor-made to favour a specific firm / company.

Problematic past

The finance ministry-PSEMAS-Methealth arrangement has a long troubled history replete with political exposure, conflict of interest, forensic audits and wasteful and fraudulent expenditure.

Methealth Namibia Administrators is a politically exposed company which counted former finance minister and now prime minister Saara Kuugongelwa-Amadhila's brother, Tylvis Kuugongelwa, among shareholders, as well as late Swapo stalwart and black economic empowerment (BEE) heavyweight Aaron Mushimba, who was the brother-in-law of former president Sam Nujoma.

Kuugongelwa-Amadhila was finance minister until early 2015.

For most of the more than 15 years that Methealth Namibia has administered PSEMAS the scheme has been plagued by perennial deficits, wasteful expenditure and fraudulent claims, costing taxpayers hundreds of millions of dollars annually, according to an International Monetary Fund (IMF) fiscal risk assessment report of 2018.

According to reports, Methealth Na-

mibia's poor fraud management system was already flagged as far back as 2010, following a forensic audit from 2008-2009. However, nothing came of this report while Kuugongelwa-Amadhila was finance minister, and reports since then indicate that fraud has only worsened.

In 2017 another forensic audit was completed under finance minister Calle Schlettwein and it appeared yet another forensic audit was done in 2019.

Three forensic audits and an IMF report later, indications are that substantive improvements to the way PSEMAS was being administered have been slow to implementation by mid-2020, even after former finance minister Schlettwein indicated in April 2019 that the PSEMAS administrator, Methealth Namibia, was a major part of the problem. Interestingly, PSEMAS reforms are being steered by a unit within the office of prime minister Kuugongelwa-Amadhila.

Despite all this, Methealth Namibia Administrators once again appears to be the front-runner in the bid to administer PSEMAS.

The next phase in the awarding of the PSEMAS administration tender will commence after 24 August 2020.

CPBN response to allegations

As per the law, the CPBN approved the bid documents, and thereby the bid specifications / criteria, for the PSEMAS administration tender (NCS/ONB/CPBN-03/2020).

On 28 July 2020, in response to questions concerning this tender, the CPBN stated:

"The Central Procurement Board of Namibia (CPBN) issued the Bid :

PROCUREMENT OF THE ADMINISTRATION OF THE PUBLIC SERVICE EMPLOYEES MEDICAL AID SCHEME (PSEMAS) on behalf of the Ministry of Finance on 4 June 2020. This bid was advertised as an Open National Bidding in line with Section 29 (a) of the Public Procurement Act of 2015 (Act No. 15 of 2015), which is open for all Namibians to apply.

"Being the end-users, it is the responsibility of the public entities to craft the specifications and criteria in the bidding documents in line with Section 2 of the Public Procurement Act (PPA), namely, promotion of transparency, competition, fair-dealing, efficiency and most importantly, empowerment of Namibians. In terms of Section 9 (1)(f) the Board approves standard bidding documents submitted by the public entities by following a rigorous process before approval is granted.

"The PSEMAS bidding document went through the same process of scrutiny and was eventually approved by the Board with the premise that the procurement method, specifications and evaluation criteria met the principles of competitive supply, fairness to all prospective bidders."

Procurement corruption on ACC radar

Procurement Tracker Namibia approached the Anti-Corruption Commission (ACC) to shed light on some long-standing, high-profile cases of alleged procurement corruption.

Hosea Kutako International Airport saga

President Hage Geingob repeatedly refers to having stopped a corrupt tender for the upgrading of the Hosea Kutako International Airport (HKIA) in 2015/16.

The president has now said this in consecutive states of the nation speeches since 2018 and he said so again in a statement on Sunday, 12 July 2020, at a media briefing to address the ruling Swapo Party's implication in the Fishrot fisheries corruption scandal.

However, while the president has repeatedly claimed to have thwarted corruption around the HKIA upgrades, it is unclear whether there has actually ever been an investigation into the matter and whether a case or cases have been brought against those implicated.

Procurement Tracker Namibia asked the ACC whether there actually was or has been an investigation into this matter and what the status was of such an investigation.



Photo: Wikipedia

Hage Geingob

ACC response:

"Since 2016, The Anti-Corruption Commission (ACC) investigated multiple allegations of corrupt practices against the board and officials of NAC, which involves millions of Namibian Dollars. The initial allegations mainly involved awarding of multiple tenders to certain preferred company/companies at alleged inflated prices without following normal tender procedures as prescribed by the

Procurement Act, 2015 (Act No. 15 of 2015).

"The matter you referred to whereby the H.E. President Hage Geingob, had to stop a corrupt tender for the upgrading of the HKIA, was adjudicated in the High Court and Supreme Court of law. Entirely, halting of this tender has a bearing on the corrupt allegations investigated by the Anti-Corruption Commission. Accordingly, multiple files have been forwarded to the Office of the Prosecutor-General in November 2017. Therefore, ACC awaits for the PG's decision on the matter."

Ramakhutla-CPBN website allegation

In early 2019 it was reported that the Ministry of Finance in August 2018 had initiated an investigation into the conduct of Ms Lischen Ramakhutla, deputy chairperson of the Central Procurement Board of Namibia (CPBN), over allegations of an irregularly awarded tender for the building of the CPBN website to a company in which her brother is/was involved.

In early 2020 *Procurement Tracker Namibia* was informed that the matter was referred to the ACC for investigation. Has this investigation been conducted? If it has been conducted, what was the outcome? If an investigation was still underway, when would it be completed (and why was it taking so long)?



Photo: The Namibian

Lischen Ramakhutla

ACC response:

"Indeed, an investigation into allegations of corruption in the awarding of a tender at CPBN is ongoing, this follows a case that was registered with the ACC last year (2019). Unfortunately, we can't determine the completion dates of this particular investigation."

Transparency update

Contrary to what the Public Procurement Act of 2015 promises, the public procurement system still suffers from substantial deficits in transparency. Here are the latest examples:

CPBN annual reports still not available

As pointed out in previous editions, the Central Procurement Board of Namibia (CPBN) has to date, three-and-a-half years into its existence, not yet issued an annual report.

In response to a query, CPBN spokesperson Johanna Kam-

bala stated on 9 July 2020: "As you are aware, the declaration of the state of emergency by His Excellency the president in March 2020 had a negative impact on many activities and CPBN was not spared from such impact. The completion of CPBN's 2017-2018 annual report is one such activity negatively affected.

"In our last communication I did indicate to you that the 2017-2018 annual report will be done and tabled in parliament by end of May, however this could not take place due to the lockdown that took place during the month of March to May 2020.

Public entities responsible for ‘prevalent misuse’ of emergency procurement

In June 2019 the Procurement Policy Unit (PPU) in the finance ministry requested category 1 public entities (ministries and some large state-owned enterprises and regulators) to submit reports on their emergency procurements for the 2017/2018 and 2018/2019 financial years.

From these reports the PPU determined that there was “prevalent misuse” of the emergency procurement method (direct procurement).

Following are the public entities that were responsible for most emergency procurements over or during the two years:

2017/2018

For 2017/2018 the PPU listed 125 emergency procurement transactions across category 1 public entities, although it seems they double counted the 18 transactions of the Ministry of Sport, Youth and National Service (MoSYNS), which if that was the case would mean there were only 107 transactions in that financial year.

The Ministry of Gender Equality and Child Welfare (MoGECW) engaged in the most emergency procurement transactions, with 39 transactions.

The Ministry of Defence (MoD) engaged in 23 emergency procurement transactions and the MoSYNS engaged in 18 transactions.

In terms of the value of such transactions, the cumulative value of the MoGECW’s 39 transactions was given as N\$411,486.87, although it should be noted that the PPU report does not list values for six of the transactions.

The cumulative value of the MoD’s 23 emergency transactions was roughly N\$4,5 million, while the cumulative value of the MoSYNS’s 18 transactions was almost N\$2,1 million.

These three entities together accounted for roughly N\$8 million in emergency procurements for 2017/2018, out of a total of almost N\$78

million for all category 1 public entities.

The entity that accounted for the bulk of the value of emergency procurements was Nampower, which spent almost N\$55 million through just nine transactions.

2018/2019

According to the PPU, in 2018/2019 the number of emergency procurement transactions across category 1 public entities was lower than the previous financial year, at 92, as was the total value of such transactions, at just over N\$58,8 million.

The most prolific user of emergency procurement transactions in 2018/2019 was the Ministry of Fisheries and Marine Resources (MFMR), with 45 such transactions with a cumulative value of over N\$11,3 million.

Second with the most emergency procurement transactions was the Municipality of Walvis Bay, with 15 transactions at a cumulative cost of N\$661,188.24.

In terms of the largest spending, the Namibia Airports Company (NAC) spent almost N\$17,9 million in one transaction. NAC had just two emergency procurement transactions for the year, with the smaller one costing just N\$80,000.

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However, it is worthy to note that we are in the final stages of finalizing this report with the advertising agency that was awarded this bid and we are hoping to have the annual report ready by end of August 2020.”

State of emergency and lockdown procurement still shrouded

On 7 May 2019 the Procurement Policy Unit requested that all state entities submit reports on emergency procurements conducted for the 2017/18 and 2018/19 financial years. Such reports were to have been submitted by end May 2019.

In early June 2020 finance ministry spokesperson Tonateni Shidhudhu indicated the following to *Procurement Tracker Namibia*: “The Procurement Policy Unit (PPU) has not yet received reports on procurement of essentials which were permissible as per Directive of 27 March 2020 by the Minister of Finance. Such reports shall be requested from public entities in due time and will be made available in July 2020.”

Despite repeated requests, July 2020 has come and gone and *Procurement Tracker Namibia* is still waiting to hear from the PPU or the finance ministry with regard to this matter.

Procurement plans and reports still outstanding

According to the Public Procurement Act of 2015, all procuring public entities are supposed to submit annual procurement plans to the Procurement Policy Unit (PPU) in the finance ministry at the start of the state’s financial year (1 April every year).

However, almost halfway through the 2020/2021 financial year and only 46 out of roughly 170 procuring entities appear to have submitted annual procurement plans, judging by what is available through the webpage of the PPU.

Similarly, state procuring entities are also supposed to submit quarterly procurement reports, within a month after the end of the quarter. Once again, for 2020/2021, only the first quarter reports of 17 public entities are viewable through the PPU webpage, with the second quarter drawing to a close at the end of August 2020.



Photo: Namibia Airports Company

COVID-19 emergency food relief procurement spending

Since shortly after the COVID-19 state of emergency was declared in March 2020 the Namibian government has been providing food relief to vulnerable groups and communities across the country. In May 2020 *Procurement Tracker Namibia* requested a list of

suppliers and details of expenditure on such emergency food relief from the Office of the Prime Minister (OPM). Below is a table detailing the emergency food procurement undertaken by the OPM up to 6 August 2020.



LIST OF SUPPLIERS AND FOOD EXPENDITURES FOR COVID-19

FOOD ITEMS' SUMMARY

Company Name	Description	Total Quantity	Quantity Delivered	Balance (Qty)	Total Amount (N\$)	Amount claimed (N\$)	Committed Balance (N\$)
Omhalanga	Supply & Delivery Maize Meal	139,361	119,361	20,000	10,484,439.31	9,020,388.31	1,464,051.00
Agri Mills	Supply & Delivery Maize Meal	8,302	8,302	-	689,066.00	689,066.00	-
Namib Mills	Supply & Delivery Maize Meal	94,933	87,232	7,701	8,247,167.28	7,509,411.48	737,755.80
Omaheke Maize	Supply & Delivery Maize Meal	8,973	8,973	-	777,241.26	777,241.26	-
Goal Maize	Supply & Delivery Maize Meal	63,488	63,488	-	4,535,554.90	4,535,554.90	-
Southern Choice	Supply & Delivery Maize Meal	21,626	21,626	-	1,829,538.00	1,829,538.00	-
Kamunu	Supply & Delivery Maize Meal	8,302	-	8,302	572,838.00	-	572,838.00
Etosha	Tinned Fish	600,000	600,000	-	10,062,000.00	10,060,199.99	1,800.01
Pick n Pay	Refreshment - Nampol	3	3	-	113,632.65	113,428.54	204.11
African Marketing	Rice - Nampol	5	5	-	949.35	949.35	-
Bokomo Namibia	Supply & Delivery Maize Meal	34,973	34,973	-	2,895,094.70	2,895,094.70	-
NWR/MOHSS	Refreshment - Returning Namibians				215,023.50	215,023.50	-
Onyaanya Mahangu Milling & Supplier	Supply & Delivery Mahangu Meal	5,000	-	5,000	775,000.00	-	775,000.00
Shikumweni Trading Enterprises	Supply & Delivery Mahangu Meal	5,000	-	5,000	692,380.00	-	692,380.00
Usura Wetu Milling	Supply & Delivery Mahangu Meal	5,000	2,500	2,500	690,492.00	348,657.90	341,834.10
NT Okawa Trading	Supply & Delivery Mahangu Meal	2,500	-	2,500	350,000.00	-	350,000.00
Metro/MOHSS	Food Variety	-	-	-	175,799.86	175,799.86	-
Fedics Food Services	Food Variety				61,383.18	61,383.18	-
Ines Various Caterers cc	Food Variety				26,200.00	26,200.00	-
GRAND TOTAL					43,193,799.99	38,257,936.97	4,935,863.02

(Source: Office of the Prime Minister)