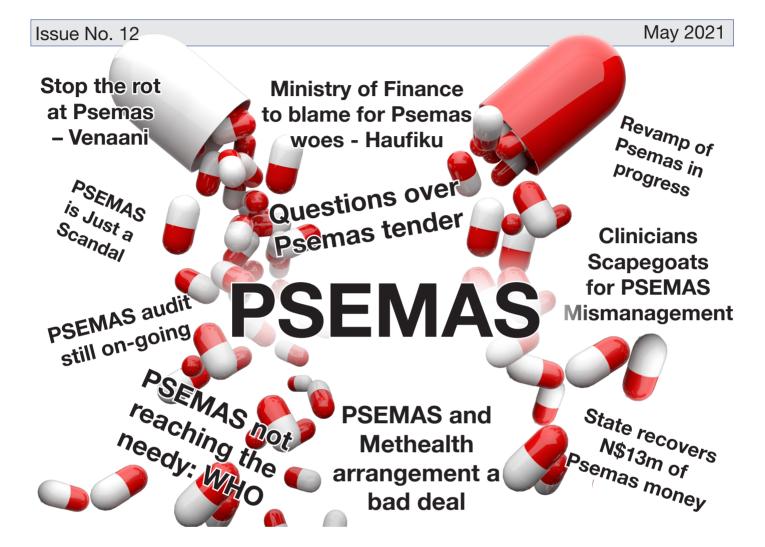
PROCUREMENT TRACKER NAMIBIA





The PSEMAS conundrum

The administration contract remains up in the air as politically connected companies circle

The administration contract for the Public Service Employees Medical Aid Scheme (PSEMAS) remains in the hands of incumbent administrator Methealth Namibia Administrators following the cancellation of the latest round of bidding for the contract in early December 2020.

As indicated in Issue 11 of Procurement Tracker Namibia (PTN), Methealth Namibia Administrators, which counted some ruling Swapo Party connected individuals among its shareholders, has reportedly had a spotty record as administrator of the multi-billion dollar PSEMAS.

Methealth Namibia Administrators' contract has been extended six times over recent years as the finance ministry has repeatedly failed to finalise successive processes for the awarding of the administration contract. Methealth Namibia

Administrators has reportedly pocketed hundreds of millions of dollars through these extensions.

In the last round of bidding in 2020, questions were raised around the bid specifications, which appeared to have been designed to favour Methealth Namibia Administrators, thus raising the spectre of bid design corruption and leading to an investigation and an extended bidding process, and the eventual disqualification of all bidders in November-December 2020.

Interestingly, Methealth Namibia Administrators did not bid for the PSEMAS administration contract in 2020 – a contract valued at over N\$300 million over the contract period – but it remains the administrator following the cancellation of the last contract bidding process.

The questions that arise in the wake of this failed process are: What happened and who is involved?

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What happened?

What happened was that on 2 December 2020 the Central Procurement Board of Namibia (CPBN) issued a notice to all bidders that the process to procure an administrator for PSEMAS had been cancelled because all the bidders had been disqualified "due to the fact that the bids were non-responsive".

What "non-responsive" largely meant, according to the executive summary of the bid evaluation report attached to the notice of cancellation, was that all of the bidders failed to submit some or other relevant and required documentation in their bids. At the same time, some bidders were also additionally disqualified over their shareholding (fully Namibian-owned entities were called for) and structures (joint ventures were not considered).

There were just six bidders for the PSEMAS administration contract and all six fell at the first hurdle of submission of "Mandatory Documents", with the bid evaluation committee not going any further to consider any of the bids on administrative, technical and working capital requirements.

Who is involved?

The six companies that submitted bids for the PSEMAS administration contract between 4 June 2020 and 23 September 2020 were: Integrated Wellness Solutions (Pty) Ltd; Maungo Consultancy CC T/A GoMed; NamHealth (Pty) Ltd; Keyplot Investments (Pty) Ltd; Amalgamated Fund Administrators Namibia (Pty) Ltd; and, Prime Health

Namibia (Pty) Ltd.

Two of these bidders have direct links to the ruling Swapo Party, namely: NamHealth (Pty) Ltd; and, Prime Health Namibia (Pty) Ltd.

Another bidder, Keyplot Investments (Pty) Ltd, is 100% owned by United Africa Group (UAG), which is co-owned by former Swapo Party parliamentarian Martha Namundjebo-Tilahun.

Both NamHealth and Prime Health Namibia have the ruling party's main commercial arm, Kalahari Holdings, as a shareholder. Prime Health Namibia also has another ruling party holding company as shareholder, namely Zebra Holdings.

Additionally, most of the shareholding in Prime Health Namibia is held by the commercial and investment arms of ruling party affiliated unions, under the

Why this matters

Ruling party headed state organs, such as the Ministry of Finance, are adjudicating and handing contracts to ruling party owned and affiliated commercial entities, raising threats of conflicts of interest and political capture of strategic state resources (PSEMAS) by ruling party affiliated persons and entities. In the process, the credibility, fairness and competitiveness of procurement and decision-making processes are undermined and needlessly clouded by suspicions of corruption.



The fact that the PSEMAS administration contract has not been awarded has not hurt either Kalahari Holdings or Zebra Holdings, for both have been benefiting from the current arrangement of continued extensions of the Methealth Namibia Administrators contract.

National Union of Namibian Workers (NUNW) umbrella.

What is more, the fact that the PSE-MAS administration contract has not been awarded has not hurt either Kalahari Holdings or Zebra Holdings, for both have been benefiting from the current arrangement of continued extensions of the Methealth Namibia Administrators contract.

According to the current finance ministry webpages for PSEMAS, the scheme is being jointly administered by Methealth Namibia Administrators and NamHealth.

Zebra Holdings is a reported share-holder in Methealth Namibia Administrators, while Kalahari Holdings is a minority shareholder in NamHealth, along with the National Youth Service, a statutory and state-owned entity dominated by ruling party appointees.

With the PSEMAS administration tender set to be re-advertised as called for by the CPBN chairperson, Patrick Swartz, in his bid cancellation notification letter of 2 December 2020, watch for these entities to resubmit their bids for this lucrative multi-year contract.

Slow PSEMAS reform

The Public Service Employees Medical Aid Scheme (PSE-MAS) has been plagued by waste, fraud and mismanagement for years, with the result that the scheme has become inefficient and unsustainable.

Reforming PSEMAS has been on the cards for more than a decade, going back as far as 2007 when a PSEMAS coordinating committee – consisting of the executive directors in the Prime Minister's office, the finance and health ministries, and trade union representatives – was created by the Cabinet of former President Hifikepunye Pohamba to spearhead reforms. However, not much appears to have come of this, while since then PSEMAS inefficiencies have worsened.

In June 2017, a PSEMAS reform unit was established to revive the functions of the PSEMAS coordinating committee,

but implementation remained problematic.

In the latest attempt, on 24 July 2020, a PSEMAS reform task team was created by the finance ministry under the PSEMAS coordinating committee to investigate and recommend an appropriate benefits structure and governance model for the scheme.

Among the specific duties of the reform task team is to propose a "robust functional governance structure and institutional arrangements for PSEMAS"; to analyse and "propose a sound management and administration framework"; and, to propose a "robust financial risk management framework" and a "sustainable financing model".

These processes appear ongoing and Procurement Tracker Namibia will endeavour to report on them later in 2021.



Stink remains around Defence sanitiser procurement

A COVID-19 related emergency procurement transaction in 2020 continues to raise questions

In early March 2021, newly installed Windhoek mayor Job Amupanda splashed documents across social media platforms that he alleged implicated then defence minister Peter Vilho in a corrupt emergency procurement transaction.

The transaction in mid to late 2020 involved the purchase of large quantities of hand sanitisers and disinfectant fluids, along with masks, at what were publicly and roundly condemned as massively over-inflated prices.

However, despite the allegations of corruption against Vilho having been reported on by the media and the controversy making a turn in parliament, where Vilho was pressed to provide answers by the political opposition, what actually transpired remains unclear.

The allegations

Windhoek mayor Amupanda, pointing to documents he posted online, alleged that a company called Phoenix Capital Investments CC, which he said had links to Peter Vilho, had been irregularly awarded a procurement contract by the Ministry of Defence (MoD) to supply masks, hand sanitisers and disinfectant.

The controversy revolved mostly around the cost of hand sanitisers which were to be supplied in either quantities of 1,000 or 450 units - 25 litre containers of hand sanitiser at a cost of N\$5,000 each - depending on which document was viewed.

Amupanda alleged that the irregular transaction, for what another document purporting to be from a health ministry lab indicated to be a sub-standard hand sanitiser, transpired in September and October 2020.

The documents Amupanda posted



Peter Vilho

26 June 2020 for 1,000 masks, 1,000 (25 litre) containers of hand sanitiser and 1,000 (25 litre) containers of disinfectant; a tax invoice, dated either 9 July 2020 or 7 September 2020, from Phoenix Capital Investments CC for 1.000 masks, 450 (25 litre) containers of hand sanitiser and 97 (25 litre) containers of disinfectant.

The MoD purchase order reflected an amount of just over N\$8,2 million, while the Phoenix Capital Investments CC tax invoice was for almost N\$3.2 million.

Amupanda alleged that two payments – the nearly N\$3,2 million in September 2020 and the roughly N\$8,2 million in October 2020 – totalling over N\$11 million were ultimately made to Phoenix Capital Investments CC, but he did not provide additional documentary evidence for this amount.

What we found

According to a MoD first quarter (April - June 2020) procurement report, which

is viewable in a folder on the Ministry of Finance (MoF) website, a contract numbered G/EP/08-02/2020 was awarded to Phoenix Capital Investments CC on 18 June 2020 to supply "COVID-19 Items" to the MoD at a cost of almost N\$9,5

The contract was awarded using the direct procurement method, as the COV-ID-19 state of emergency was in effect at

It thus seems that the purchase order with the same contract number and dated 26 June 2020 was issued a week after the contract award.

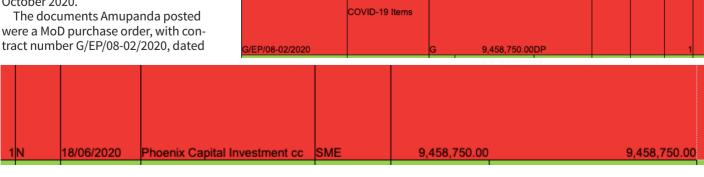
The MoD first quarter procurement report indicates that the N\$9,5 million was paid, but does not indicate when. but it is plausible that such a payment could have been made either in July or September 2020, which was the period of the second quarter and for which a quarterly procurement report is not available on the MoF website.

However, the MoD third quarter (October - December 2020) procurement report does not reflect any procurements from or payments to Phoenix Capital Investments CC in that quarter.

No fourth quarter (January - March 2021) procurement report is available on the MoF website.

What should happen

Given the seriousness of the allegations, the differing amounts and quantities reported and the evident information gaps, this MoD procurement transaction (G/EP/08-02/2020) should be thoroughly investigated by the Procurement Policy Unit (PPU) and a report should be produced and action taken against those responsible for any irregularities, if such are proven.



Public procurement in the news

State procurement practices have again been in the news for all the wrong reasons over recent months

Schools food tender set aside

On 18 March 2021, the Review Panel set aside the awarding of a multi-year, almost N\$3,6 billion school food supply contract awarded by the Central Procurement Board of Namibia (CPBN) on behalf of the Ministry of Education, Arts and Culture.

The tender in question was advertised between early June and early September 2020, with 96 bids submitted during that period for the contract.

The decision to award the contract to nine companies was communicated on 22 February 2021.

The Review Panel received requests for review from 11 disqualified bidders.

During its review of the award the panel found that the CPBN bid evaluation had not been in compliance with the Public Procurement Act of 2015, and ordered that qualifying bids be reconsidered, including some of those that had previously been disqualified.

(- Review Panel / MoF)

Health backtracks on vaccine tender

In early March 2021, the Ministry of Health and Social Services (MoHSS) advertised a tender for the supply of COVID-19 vaccines to the ministry.

A public storm erupted immediately around the advertisement, with many among the public calling on the health ministry not to involve "middlemen" in the procurement of vaccines, fearing they would inflate prices and overcharge the country.

A civil society organisation, the People's Litigation Centre (PLC), wrote to health authorities requesting them to not go ahead with awarding vaccine supply contracts to "middlemen", but to rather approach vaccine manufacturers directly and procure from them.

By late March 2020, due to public and political pressure, the MoHSS returned all the bids and cancelled the tender.

MoHSS executive director Ben Nangombe indicated at the time that the ministry had made a direct approach to vaccine manufacturers to procure vaccines for the country.

(– Namibian Sun)

Health, finance disagree over disciplining of official

In late March 2021 it was reported that

the Ministry of Health and Social Services (MoHSS) had cleared a senior official of misconduct.

Senior pharmacist and head of procurement at the Central Medical Stores, Fabiola Vahekeni, had been implicated in the irregular awarding of a N\$7 million medicine supply contract to a company owned by her close associates, using the pretext of an emergency. The company imported unauthorised medicines from China, which were confiscated, and Vahekeni was investigated for gross misconduct.

Both the health ministry and the Procurement Policy Unit (PPU) in the finance ministry investigated the matter, ultimately reaching divergent conclusions about Vahekeni's role.

On 24 March 2021 it was reported that a health ministry investigation had exonerated Vahekeni, while correspondence form the PPU called on the ministry to institute disciplinary charges against Fabiola Vahekeni on grounds of gross misconduct.

According to MoHSS the matter is closed.

(– Namibian Sun)

NAC sanitiser procurement in the spotlight

In March 2021, Namibia Airports Company (NAC) chief executive officer Bisey Uirab had to defend the state entity's procurement of 1,035 litre units of hand sanitiser at a cost of N\$375.20 per litre, for a total amount of N\$388,332, from an entity called Crewfield Investment CC.

Uirab's defence of the transaction followed a question in the National Assembly to works minister John Mutorwa from Popular Democractic Movement MP Nico Smit about the cost of the hand sanitisers.

Smit stated that the unit price had been inflated and implied that the procurement had been irregular.

Reports on the matter are unclear on when the procurement was done, but indications are that it was in 2020, and / Uirab stated in the NAC's defence that at the time demand for hand sanitiser was high and supply had been constrained.

The transaction was an emergency procurement.

(– The Namibian)

Conflicts, favouritism cloud setting up new board

In mid March 2021 it was reported that

the chief executive officer of the newly formed Namibian Investment Promotion and Development Board (NIPDB), Nangula Uaandja, had hand-picked management consultants to help her set-up the new entity.

In an interview Uaandja admitted to picking former and current associates to help her start up the NIPDB and awarding them contracts without going to tender.

Uaandja's justification for this was that her associates were well qualified and experienced to help with setting up the new state entity.

Uaandja dismissed any suggestion of a conflict of interest in how the awarding of consultancy contracts was handled and appeared to brush aside questions about the sidestepping of normal procurement processes to issue consultancy contracts.

(– Namibian Sun)

ACC investigation of 'medicine-rot' going very slow

At the end of March 2021 it was reported that investigations of allegations of corruption within the health ministry laid with the Anti-Corruption Commission (ACC) by former health minister Bernard Haufiku had still not been resolved.

Haufiku said he submitted evidence of procurement corruption around medicines and medical equipment to the ACC in 2015-2016, but by early 2021 had still not heard that progress had been made in bringing those implicated in health procurement corruption to book.

However, an ACC spokesperson indicated that Haufiku's allegations were still under investigation, but could not say when investigations against implicated companies and individuals would be finalised.

(- Namibian Sun)

And something positive ...

On 4 March 2021, finance minister Ilpumbu Shiimi signed cooperation agreements with the Namibia University of Science and Technology (NUST), the University of Namibia (UNAM) and the Namibia Institute for Public Administration and Management (NIPAM) for the launch of procurement management qualification and training programmes at these tertiary and training institutions.



Snapshots from the CPBN annual report 2017/18

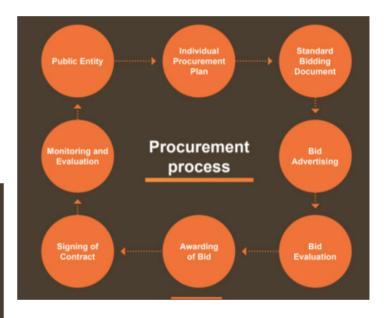
The Central Procurement Board of Namibia (CPBN) in March 2021 finally released an annual report, albeit for the 2017/18 financial year. Following are some snapshots of some of the more interesting content in the report.

Transitional Procurement Matters

Striving for best practises, the procurement process proved to be a major setback. Despite the hurdle, the Board approved twenty (20) contract extensions valued at N\$1 514 404 181,65, three (3) price increases valued at N\$22 867 157.95. and five (5) contract variations valued at N\$22 385 469,27 during the year under review.

	Directors' fees	Total
P.P. Swartz (Chairperson and Administrative Head of CPBN)	1,250,000	1,250,000
L. Ramakhutla (Ms.) (Deputy Chairperson and Deputy Administrative Head – CPBN)	1,083,333	1,083,333
M. Nakale (Ms.) (Chairperson of the Audit and Risk Committee)	332,578	332,578
J. Muadinohamba	335,418	335,418
H. Herman (Ms.) (Chairperson of the Human Resource Committee)	273,498	273,498
E.P. Shilongo	367,970	367,970
M. Iyambo (Ms)	105,241	105,241
H.C. Loftie-Eaton	338,424	338,424
T. Ndove	84,943	84,943
	4,171,405	4,171,405

Category	Stakeholder	Stakeholder Interests
Associations	Association for Local Authorities in Namibia Independent Growth Sector – Steel manufacturing and metal fabrication State-Owned Enterprises CEO Forum	Seek to engaged CPBN on public procurement challenges, and find solutions for it Seek closer collaboration to improve public procurement.
Public Entities	Ministry of Agriculture, Water and Forestry Ministry of Education, Arts and Culture Ministry of Health and Social Services Ministry of Health and Social Services Ministry of Judiciary Ministry of Judiciary Ministry of Works and Transport City of Windhoek Air Namibia (Proprietary) Limited Meat Corporation of Namibia National Petroleum Corporation of Namibia (Proprietary) Limited Namibia Airports Company Namibia Ports Authority Namibia Power Corporation Namibia Ower Corporation Namibia Training Authority Namibia Training Authority New Era Publication Corporation Roads Authority Roads Contractor Company Road Fund Administration Social Security Commission Telecom Namibia Limited University of Namibia Limited University of Namibia Limited University of Namibia Limited	Seek to understand CPBN expectation with respect to the application and implementation of the PPS Seek to understand specific legislation impediments and the handling of these impediments in transitional procurement matters
Civil Society Organisations	Institute for Public Policy Research	Seek to raise important societal issues relating to public procurement
Regional Procurement Bodies and Regulations	Public Procurement and Asset Disposal Board of Botswana Central Procurement Board of Mauritius	Advance the profession through leadership engagement and advocacy Seek collaborations to build capacity, share best practices and provide technical support



Namibian Registered Suppliers

The Board found it equally difficult to implement the empowerment and industrialisation policies of Government in the absence of a common approach and directive in that regard. The CPBN is aware of the importance of building the local business as it will provide a bigger pool of suppliers that can compete in the future and it will generate needed job creation for young Namibians. It is therefore recommended that the PPU speed up the guidelines on preferential treatment of Namibian owned businesses in the public procurement process.

Procurement law amendment proposals

In a process that started in 2019, the Procurement Policy Unit has been sourcing input on proposed amendments to the procurement law over recent months. Following are some of the notable amendment proposals to strengthen integrity in the public procurement system.

Back in 2019, as it started becoming clear that there were moves afoot in government to amend the Public Procurement Act of 2015, the IPPR submitted some proposals for amendments to the law to the Procurement Policy Unit (PPU) in June 2019.

Some of these proposals have now been incorporated among the amendment proposals that the PPU has been sharing publicly in consultations in 2021.

The following table captures what we proposed and how it has been approached by the PPU / Ministry of Finance (MoF).

Annual procurement plans

IPPR proposal (June 2019)

PART 4: Accounting Officers, Internal Structure and Bid Evaluation Committees – Timelines and deadlines for compilation and submission of annual procurement plans

(4) An accounting officer must - (a) engage in procurement planning, plan each step of the procurement process and prepare annual procurement plan;

Our concern:

While the law and regulations state that an accounting officer must engage in procurement planning and produce an annual procurement plan, nowhere does it stipulate a timetable or deadline for compiling and submitting annual procurement plans to the Procurement Policy Unit.

The question we wish to see asked and answered during the amendment review process are:

How is it possible to finalise the annual budgets of publicly funded institutions for both capital and operational expenditures that require procurement in the absence of an annual procurement plan?

The sequence we would expect would be the following:

- 1. Budget ceilings issued by MoF showing what is available for capital and operational procurements;
- Annual procurement plans compiled based on these budget ceilings;
- 3. Annual negotiations on the budget;
- 4. Final procurement plans and annual budgets agreed and included on the annual Appropriation Act.

Our position:

We believe strongly that either the law or regulations should specify a timeline and deadline for compilation and submission of annual procurement plans to the PPU by public entities on an annual basis.

PPU proposal (March 2021)

PPU concern:

The Act and the regulations thereto, state that the Accounting Officers of public entities should file their annual procurement plans with the Procurement Policy Unit, however there is no date stipulated. This has created discrepancy in that some entities submit their annual procurement plans on time while others not

Proposed remedy:

It is therefore proposed that each public entity must submit their Annual Procurement plan 3 months before the commencement of the new financial year. Therefore, a proposal to amend section 25(4)(a) to read: "An Accounting Officer must: Engage in procurement planning, plan each step of the procurement process and prepare an annual procurement plan to be submitted to the Procurement Policy Unit 3 months before the commencement of the new financial year."

Procurement integrity & disclosure of interest

IPPR proposal (June 2019)

PART 10: Procurement Integrity – 66. Conduct of staff members of public entities:

- (2) A staff member referred to in subsection (1) must -
- (a) disclose his or her interest or the interest of his or her close relative, if any, in terms of section 76, and in this paragraph, "close relative" means parent, sibling, spouse, child or grandchild, having substantial financial interest in the bidding entity;

and

(b) withdraw from the procurement process if there is a potential conflict of interests, unless the Board or public entity decides that the conflict is trivial to affect the impartiality of the staff member.

Our concern:

According to the law conflict of interest only exists where a "close relative" is involved, which sets a very narrow limit and goes against best practices on the topic.

Our position on Section 76(1)(b) Disclosure of interest:

This section could be strengthened to include a reference to friends and associates, which would be inline with the provisions of the Charter for the Public Service in Africa, which refers to "family members and friends". Going even further, the code of conduct for US government officials refers to "any family member or other personal or professional acquaintance".

Furthermore, the section that reads "unless the Board or public entity decides that the conflict is trivial to affect the impartiality of the staff member", should be deleted entirely, as unnecessary questions and controversy could arise around what is considered "trivial" in the context of public procurement in a society grappling with corruption and pervasive negative perceptions of the integrity of public officials.

PPU proposal (March 2021)

PPU concern:

The current conflict of interest exists only where a close relative is involved. "Close relative means: - Parent, Sibling, Spouse, Child or Grandchild, having substantial financial interest in the bidding entity. The above scope is too narrow and needs to be broadened in fighting against corruption, bribery and nepotism in procurement. Furthermore, section 66(2)(a) talks about substantial financial interest. The word "substantial" is subject to subjective interpretation.

Proposed remedy:

Section 66 (2)(a) to read as follows:

A staff member referred to in subsection (1) must: (a) disclose his or her interest or the interest of his or her close relatives, friends and associates if any, in terms of section 76, and in this paragraph, "close relative" means parent, sibling, spouse, child, grandchild, cousin, nephew or niece, having substantial financial interest in the bidding entity. The word "substantial" to be deleted from the sentence.

Additional proposals:

New section 66(3) to read as follows:

A Board member, staff member of the Board or a public entity that was involved in the bid preparation process at any stage of a bid and such person indicates that he/she wishes to recuse himself/herself at a later stage because of conflict of interest, such person and the entity he/she is conflicted are prohibited from participating in the bidding process as a bidder or supplier. All staff members employed in a particular Ministry/Agency shall not conduct business/procurement with the same public entity.

20. Section 76(1)(b) Disclosure of interest:

The words "trivial nature or consequences" lead to different and subjective interpretations. What is trivial to one person is not trivial to the next. Furthermore, the word "may" at the start of subparagraph (b) gives rise to discretion. This person will be allowed to sit until a determination is arrived at.

Subparagraph (b) to be amended with the following underlined words. (b) will not participate in the deliberations or any part of the decision- making process in relation to that matter, unless the Board, Review Panel or public entity, directs otherwise after having considered the matter and found the conflict of interest to be of no bearing on the matter.

Annual procurement plans & quarterly procurement reports

By the end of the 2020/21 financial year, at the end of March 2021 ...

... out of about 178

government procuring entities ...

... about 127

appear to have submitted annual procurement plans for 2020/21 to the Procurement Policy Unit (PPU) ...

... this means that

about 71%

of government procuring entities are compliant with the Public Procurement Act (2015) ...

At the same time,

only 62 (or 35%)

state procuring entities submitted quarterly reports for April-June 2020 ...

And only 56 (or 31%)

entities submitted quarterly reports for July-September 2020 ...

While only 55 (or 31%)

state entities submitted quarterly reports for October-December 2020 ...

And only 13 (or about 7%)

had submitted quarterly reports for January-March 2021 ...

By the end of April 2021, a month into the 2021/22 financial year,

only 5 (or about 3%)

state entities had submitted annual procurement plans for the new financial year.

... which adds up to continued serious transparency challenges and non-compliance

with the law in the public procurement system.



Procurement Tracker Namibia is compiled by IPPR research associate Frederico Links (fredericojlinks@gmail.com), and is financially supported by the Hanns Seidel Foundation (HSF). Procurement Tracker Namibia can be downloaded from www.ippr.org.na or www.hsf.org.na and printed copies are available from the IPPR or HSF.