



Effects Of Institution Capacity In Public Procurement Reforms On Procurement Performance Of Government Ministries In Kenya

Joel Kenyakisa¹, Esther Kiruja²

¹Jomo Kenyatta University Of Agriculture And Technology
Email : Joelkataka@Gmail.Com

²Jomo Kenyatta University Of Agriculture And Technology
Email : Eskanyua@Gmail.Com

ABSTRACT:

Public procurement operates in an environment of increasingly intense scrutiny driven by technology, programme reviews, and public and political expectations for service improvements. The objective of this study was to determine effects of institution capacity in public procurement reforms on procurement performance of government ministries in Kenya. The study used a descriptive survey research design as the study sought to describe characteristics of a population or phenomenon being studied. The target population of the study was 90 staff working in the 18 ministries in Kenya. This was a composition of supply chain officers, finance managers, procurement officers, human resource officers and logistic officers working in government ministries. The study adopted a stratified sampling in determining sample size of 45 respondents from the ministries. The data collection instrument was a questionnaire. Quantitative data collected was analyzed by the use of descriptive statistics means, standard deviations and frequencies. The information was displayed by use of bar charts, graphs and pie charts and in prose-form. Qualitative data which

was collected using open ended questions was analyzed using content analysis and presented in

prose form. Inferential statistics regression and correlation were conducted. The study revealed clearly that institution capacity affect the procurement performance of government ministries in Kenya. The study concludes that Kenya has undertaken efforts to reform and modernize its Public Procurement System. From the finding, and conclusions the study recommended that to ensure effective administration of the procurement process, the management should be keen to follow up procurement processes as stipulated in the Act and also putting in place measures that will help in achieving effective administration of the procurement process

Key words; Public procurement reforms, procurement performance, institution capacity, government ministries

INTRODUCTION

Public procurement is central to the government service delivery system and promotes social, industrial or environmental policies (Cane, 2004). Sound public procurement reforms are among the



essential elements of good governance (World Bank, 2002). Otieno (2004) noted that the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. Public Procurement has important economic and political implications to the country (Raymond, 2008). Dolbeer (2011) points out that the problem with Procurement Reforms that are in PPDA of 2005 and the Regulation of 2006 is that there is lack of consensus, between the length in which reforms processes should be carried out, and stages of checking success.

There are no clear key performance indicators to gauge whether procurement reforms in PPDA of 2005 and Regulation of 2006 have resulted to quality and efficient service delivery (McCrudden, 2004). In the past decades, the public procurement reforms in Kenya have undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s to the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006. In line with the country's public procurement reform agenda, government of Kenya in 2006 committed herself to ensuring transparency and accountability in public procurement. The procurement reform in Kenya is yet to harmonize the processes of procurement in the public sector to secure a judicious, economic and efficient use of state resources in public procurement.

Procurement in the public sector aims to achieve multiple objectives. These include: economy, efficiency, fairness (i.e. non-discrimination among potential suppliers), accountability, transparency and where more than one country is involved, respect for international obligations. PPOA policy, 2009 highlights that public procurement can further be used as an instrument for the attainment of broader national socio economic objectives such as supporting employment to citizens and

income creation through preference for local suppliers; promoting indigenous micro, small and medium enterprises and improvement of regional integration through cross - border trade.

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Main actors in the Kenyan public procurement system, like PPOA, PPARB, PPD and KISM (Kenya Institute of Supplies Management) have build up their capacities to an extent that they are able to perform their duties in accordance with their legal obligations and in line with best international standards. Government ministries implement public procurement reforms reform to enhance public procurement process as required by law. In 2008, Kenya's GDP was estimated at Kshs. 2.09 trillion putting the total expenditure on procurement by the Government at around Kshs. 209.9 billion annually. Public Entities are also confronted with procurement issues such as professionalism, limited career development opportunities for procurement staff in the public service and weak contract management skills (GOK, 2003). Procurement reforms in public sector seek to harmonize processes of procurement in the public sector so as to secure judicious, economic and efficient use of state resources.

II .LITERATURE REVIEW



Theoretical Review.

Institutional Theory

Institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 1987). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Institutional theory states that organizations exist in an institutional environment which defines and delimits its social reality (Scott, 1987). In the current study. The institutional theory therefore points out the need to focus on the institutional factors that could influence strategy implementation and performance.

The emphasis on public procurement reforms used as an innovation policy instrument challenges currently institutional practices and skills. The article is based on the assumption that the innovation research community could inform this policy discourse, in particular by drawing on institutional theory. It should be noted that the idea of using public procurement as a policy tool is not new. Over the years, public procurement has been used to accomplish a variety of policy objectives to increase overall demand, stimulate economic activity and create employment; to protect domestic firms from foreign competition; to improve competitiveness among domestic firms by enticing national champions” to perform R & D activities to remedy regional disparities and to create jobs for marginal sections of the labor force (Martin, 1996).

Institution capacity

The challenges to the institutionalization of national laws are pervasive in developing countries. The National Public Procurement

Authority of Sierra Leone in its 2005 report outlined several challenges bedeviling the operations of the Authority. Some of them include: inadequate funding, deficient staff strength and organizational and logistical limitations. The report recommended among other things, that the law could achieve its objective if there is a concerted effort by all stakeholders, backed by a very firm political will and adequate budgetary support, to streamline and improve public procurement procedures in Sierra Leone (NPPA Annual Report, 2005). Annual reports of the Public Procurement Authority (PPA), since its establishment, have always cited inadequate funding as the leading barrier to smooth operations of the Authority. Lack of adequate office accommodation was specifically reported in the 2008 and 2007 annual reports (PPA Annual Report, 2007 & 2008).

Political will is the demonstrated credible intent of political actors (elected or appointed leaders, civil society watchdogs, stakeholder groups etc.) to attack perceived causes or effects of corruption at a systemic level (Sahr, 1998). Historically, successful reform programmes around the globe indicate that the paramount success factor is strong political will demonstrated by a commitment from leadership at all levels of government (Sahr, 1998). However, those who wield power lack the moral courage or capacity to exercise that power to ensure the needed change. Kosack (2008) argued strongly that success chalked in several countries around the world in areas of access to basic education was due to political will of the leaders in those countries and their commitment to increasing access to education.

The principal challenge in assessing political will is the need to distinguish between reform approaches that are intentionally superficial and designed only to bolster the image of political leaders and substantive efforts that are based on strategies to create change (Sahr, 1998). Political



commitment is a necessary condition for procurement reforms to curb corruption. Without political will and commitment by the leadership of a country, grand corruption is perpetuated at an alarming rate with petty corruption becoming endemic and more difficult to stop (Philip, 2002). There are tangible indications of political will by some stakeholders at the lower levels to effect change, but this cannot be achieved if those at the apex of the pyramid, lean back (Szeftel, 1998). Thus the battle against corruption should begin with a strong political will and explicit commitment to eradicate all its manifestations (Osei-Tutu, Badu & Owusu-Manu, 2009).

Public procurement Reform efforts are oftentimes unsuccessful due to the combined influence of inadequate strategies, political resistance, failure to sustain long-term reform efforts and the lack of knowledge about appropriate tools to establish systemic change (World Bank, 1994). Kagwe (2005) indicated that the perceptions among Kenyans about corruption in public service have unfortunately gone higher despite all the laws passed to fight against this menace. This was attributed to several factors including, loopholes in the legislative provisions of the public procurement and conflicts of interests (Kagwe, 2005).

Ambe (2011) investigated public procurement challenges in the South African public sector. The study was an exploration of challenges experienced in the field of procurement within the South African public sector. To institute procurement best practices, a supply chain management system was adopted in South Africa in 2003. The procurement process was granted constitutional status and has been used to address past inequitable policies and practices. It promotes aims which are, arguably, secondary to the primary aim of procurement. For the exploration, a conceptual analytical approach was employed and some of the key guiding pillars of public procurement in South Africa divulged. The

challenges restraining effective and efficient implementation of public procurement are also revealed. The article concludes by recommending the development of competency through customized (separate) training materials and programmes, the involvement of stakeholders in the bidding process and the employment of good strategic sourcing practices.

III .RESEARCH METHODOLOGY

The study used a descriptive survey research design as the study sought to describe characteristics of a population or phenomenon being studied. Descriptive research design portrays an accurate profile of persons, events, or situations (Robson, 2002). Surveys allow the collection of large amount of data from a sizable population in a highly economical way. The target population of the study was 90 staff working in the 18 ministries in Kenya who comprised of the heads of supply chain, finance, procurement, human resource and logistics in government ministries.

According to Cooper and Schindler (2008), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population.

Stratification aimed to reduce standard error by providing some control over variance. From each stratum the study used simple random sampling to select the respondents. This gave all the respondents equal chances of being selected for the study. According to Cooper and Schindler (2008), stratified random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used. Mugenda and Mugenda (2003) indicated a sample size of 10% or 20% will be sufficient for a study. The study took 50% of the population to select a sample size of 45

respondents from the selected nine ministries. The respondents comprise supply chain managers, finance managers, procurement managers, human resource managers and logistics managers working in government ministries.

The questionnaire was used which contained open and close ended questions. The researcher carried out a pilot study to pretest and validate the questionnaire. The researcher selected a pilot group of 10 individuals from the target population to test the validity of the research instrument. Quantitative data collected was analyzed by the use of descriptive statistics means, standard deviations and frequencies. The information was displayed by use of bar charts and graphs. Statistical package for social sciences (SPSS version, 21) was used. Qualitative data which was collected using open ended questions was analyzed using content analysis and presented in prose form. Inferential statistics regression and correlation were conducted to establish the relationship between public procurement reforms and procurement performance in government ministries in Kenya. A multi regression model was applied to determine the relationship between the effects of institutional capacity on public procurement reforms and the procurement performance of government ministries in Kenya.

IV. DATA ANALYSIS AND INTERPRETATIONS

Response rate

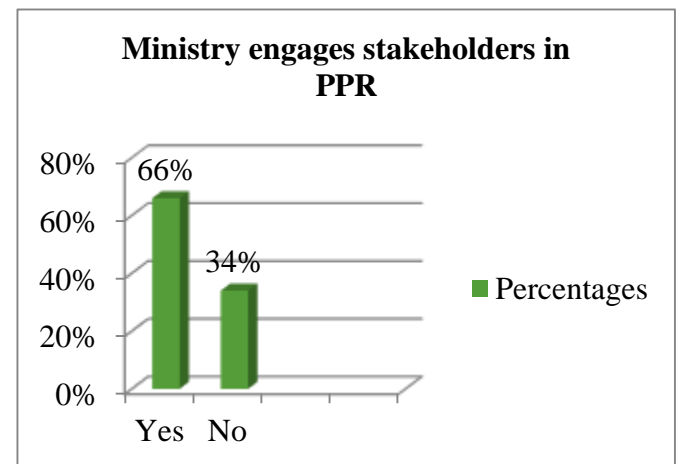
From the study, the sample size was 45 where 40 respondents responded and returned the questionnaires. This constituted to 88.88% response rate. Mugenda and Mugenda (2003) indicated a respondent rate of 50%, 60% or 70% is sufficient for a study and therefore a respondent rate of 88.88% for this study was sufficient.

In this study, reliability was ensured through a piloted questionnaire that was subjected to a sample of 5 staff, who were not included in the study. The 5 staffs were selected from government

ministries in Kenya. The pre-test was conducted by the principal researcher (Neuman, 2000). From the findings, the coefficient was approximately 0.80 which is closer to 1 making the instrument very reliable.

EFFECTS OF PUBLIC PROCUREMENT REFORMS ON PROCUREMENT PERFORMANCE

Whether ministry engages stakeholders in public procurement reforms



The study sought to know whether the ministry engages stakeholders in public procurement reforms in the ministry. From the findings, majority 66% of the respondents indicated that the ministry engages stakeholders in public procurement reforms in the ministry while 34% of the respondents indicated the ministry does not engage stakeholders in public procurement reforms in the ministry.

Extent to which organizational culture affects procurement performance in the ministry

	Frequency	Percentage
Verv great	40	100
Total	40	100



The study sought to investigate the extent to which organizational culture affects the procurement performance in the ministry. From the findings, all the respondents indicated that the organizational culture affects the procurement performance in the ministry to a very great extent.

Existing law support on public procurement reforms influence service delivery

	Frequency	Percentage
Verv	25	62
Great	10	25
Moderate	5	13
Total	40	100

Table 4.3 shows the respondents response on the extent to which the existing law support on public procurement reforms influence service delivery in government ministries. From the findings, majority 62% of the respondents indicated that existing law support on the public procurement reforms influences service delivery in government ministries to a very great extent most 25% of the respondents indicated that existing law support public procurement reforms influence service delivery in government ministries to a great extent while 13% of the respondents indicated to a moderate extent.

Institution capacity affecting procurement performance

Institution capacity	Mean	Standard deviation
Sufficient knowledge about appropriate tools to establish public procurement reforms	4.79	0.63
Sustainable long-term reform efforts	4.70	0.71

Enhanced logistical framework	4.65	0.53
Availability of political goodwill for the procurement reforms	4.49	0.33
Political resistance to public procurement reforms	4.90	0.81
Adequate office accommodation	4.61	0.45
Inadequate strategies to enhance public procurement reforms	4.74	0.58
Existence of good leadership in making procurement reforms decisions	4.41	0.31
Moral courage by leaders in guiding procurement reforms	4.85	0.79
Effective public procurement reform approaches	4.93	0.87

The study sought to know the extent to which respondents agreed with the given statement concerning institution capacity affecting procurement performance in the ministries. The study found that most of the respondents strongly agreed that effective public procurement reform approaches, political resistance to public procurement reforms, moral courage by leaders in guiding procurement reforms and sufficient knowledge about appropriate tools to establish public procurement reforms affects procurement performance as indicated by a mean of 4.93, 4.90, 4.85 and 4.79 with standard deviation of 0.87, 0.81, 0.79 and 0.63. Most of the respondents strongly agreed that inadequate strategies to enhance public procurement reforms, sustainable long-term reform efforts, enhanced logistical framework and adequate office accommodation affects procurement performance as indicated by a mean of 4.74, 4.70, 4.65 and 4.61 with standard deviation of 0.58, 0.71, 0.53 and 0.45. Most of the respondents agreed that availability of political



goodwill for the procurement reforms and existence of good leadership in making procurement reforms decisions affects procurement performance as indicated by a mean of 4.49 and 4.41 with standard deviation of 0.33 and 0.31.

The study conducted a Pearson correlation analysis and noted that there existed a very strong positive correlation between effects of institution capacity on public procurement reforms and the procurement performance of government ministries in Kenya at 95% confidence level. The strength of association between institution capacity and the procurement performance of government ministries in Kenya was strong and positive having scored a correlation coefficient of 0.755 and a 95% precision level. The correlation was statistically significant since it had a P- Value

of 0.02 which was less than 0.05 hence statistically significant.

A multiple regression model was applied to determine the extent to which public procurement reforms affects procurement performance of government ministries in Kenya. Adjusted R² is called the coefficient of determination which indicates how the procurement performance will varies with variation in effects of public procurement reforms which includes institution capacity. The value of adjusted R² is 0.832. This implies that, there was a variation of 83.2% of procurement performance varied with variation in effects of public procurement reforms on the procurement performance of government ministries in Kenya at a confidence level of 95%.

:Coefficients (

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.852	0.000	.375	2.445	.001
	Institution Capacity	.827	0.593	.632	2.712	0.003

V. CONCLUSION

From the above regression model, it was found that procurement performance of government ministries in Kenya would be at 3.852 holding effects of public procurement. The study established that increase in institution capacity significantly affected procurement performance of government ministries in Kenya ($r = -.827$, $p = 0.003 < 0.05$).

The study established that the ministry engages stakeholders in public procurement reforms in the ministry. Organizational culture, existing law



support on the public procurement reforms influences service delivery in government ministries to a very great extent. The study found that effective public procurement reform approaches, political resistance to public procurement reforms, moral courage by leaders in guiding procurement reforms and sufficient knowledge about appropriate tools to establish public procurement reforms affects procurement performance. inadequate strategies to enhance public procurement reforms, sustainable long-term reform efforts, enhanced logistical framework and adequate office accommodation, political goodwill for the procurement reforms and existence of good leadership in making procurement reforms decisions affects procurement performance.

The study concludes that Kenya has undertaken efforts to reform and modernize its Public Procurement System. Kenyan Public Procurement System Reform initiatives were geared towards improving the public procurement system by enhancing accountability and transparency with the aim of achieving value for money and attracting investments by creating a sound business climate.

The study concludes that the procurement departments of ministries in Kenya have an enriched institution framework which involves the use of appropriate measures of public

procurement. Good institution capacity characterized by norms and values supportive of excellence, teamwork, profitability, honesty, a customer service orientation, pride in one's work, and commitment are useful to the achievement of procurement performance in the government ministries.

VI. RECOMENDATION

The study recommended that to ensure effective administration of the procurement process, the management should be keen to follow up by following processes as stipulated in the Act and also putting measures in to place that will help in achieving effective administration of the procurement process. Procuring entities should constantly train their employees, update their software, implement good strategies, and comply with regulations at every stage of any procurement process.

Ministries are faced with the problem of not having enough information about the procurement procedure, its inputs, outputs, resource consumption and results, and are therefore unable to determine their efficiency and effectiveness. The study recommended that such a problem requires establishment of clear procurement procedures and performance standards.

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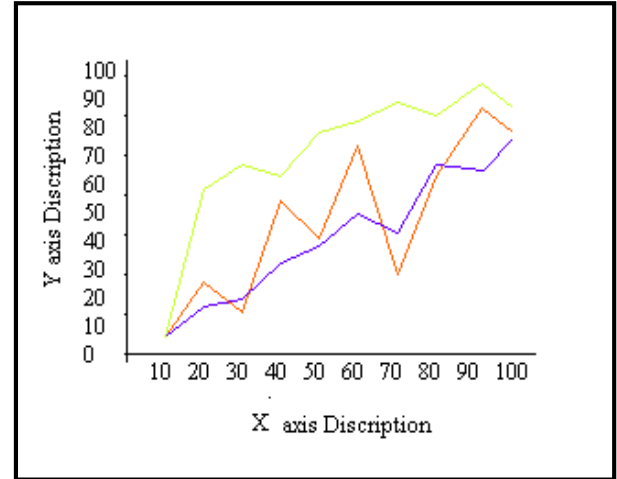
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