An empirical analysis of the obstacles derailing Procurement Process in Public Institutions in Kenya

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Abstract
Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector. Public procurement thus means procurement by a procuring entity using public funds (Sherman, 1999). The items involved in public procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports. Public procurement practitioners have always faced challenges imposed upon by a variety of factors including market, legal, political, organizational, socio-economic and other environmental factors. Market conditions have a great influence on public procurement practitioners’ effort to maximize competition. Moreover, the market determines whether or not socio-economic conditions of procurement are accomplished, whether or not a governmental entity can fulfill its needs, the timeliness of fulfillment and the quality and costs of purchased goods, services and capital assets. This paper will analyze the factors that derail procurement in public institution in Kenya and make recommendations on the way forward.

Keywords: Procurement, Corruption, institutions, public entity

Background of the study
Procurement is the acquisition of goods or services while Public procurement is defined as the purchase of commodities and services with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state. It is favourable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collusion. Procurement fraud is a major impediment to effective and efficient procurement process which is dishonestly obtaining an advantage, avoiding an obligation or causing a loss to public property or various means during procurement process by public servants, contractors or any other person involved in the procurement.

The Public Procurement System in Kenya has evolved from a crude system with no regulations to an orderly legally regulated procurement system. The Government’s Procurement system was originally contained in the Supplies Manual of 1978, which was supplemented by circulars that were issued from time to time by the Treasury. The Director of Government Supply Services was responsible for ensuring the proper observance of the provisions of the Manual. The Manual created various tender boards for adjudication of tenders and their awards. A review of the country’s public procurement systems was undertaken in 1999 and established that: There was no uniform procurement system for the public sector as a whole; it did not have sanctions or penalties against persons who breached the regulations in the Supplies Manual, other than internal disciplinary action. Consequently application of the rules was not strict and many of the norms were not followed, The Supplies Manual did not cover procurement of works. The dispute settlement mechanisms relating to the award procedures as set out in the Manual were weak and unreliable for ensuring fairness and transparency, Records of procurement transactions in many cases were found to be inaccurate or incomplete or absent, which led to suspicions of dishonest dealings at the tender boards. The systems had other institutional weaknesses that not only undermined its capacity for carrying out their mandates effectively but also led to a public perception that the public sector was not getting maximum value for money spent on procurement.

This procurement system had several deficiencies that contributed to huge losses in public funds. This gave rise to the Public Procurement and Capacity Reform Project, which was mandated to assess the country’s procurement processes and systems. It revealed that the Public Procurement systems lacked transparency, accountability and fair competition. The study further revealed that Procurement staff were not adequately trained and lacked professionalism, there was lack of a professional body to oversee and instill discipline among Procurement Officers and the Procurement Policies and Procedures were scattered in various government documents with no clear harmony. Conflict of interest was rife as Public officials participate in private enterprise with their organizations. The system only allowed appeals by the accounting officers, Permanent Secretaries in the relevant government ministries, departments and agencies and it was marred by a lot of inefficiencies due to
Procurement over the years has evolved from merely being transactional (cost focused) to being strategic in its approach. This transformation can be majorly attributed to the changing macroeconomic conditions around the globe. History shows that organizations have relied on procurement when the going was tough. World Wars, oil embargos and recessions are few of the events that have brought forward the importance of procurement. Organizations around the globe today are coming to terms with the potential of the procurement function within their organization. They are increasingly relying on the efforts of procurement professionals to deliver on the crucial aspect ‘the bottom line’.

It can be said without doubt that technology has been the major force in the transformation and rise of the procurement function. Procurement professionals have leveraged technology in numerous areas of procurement to ensure it delivers value to the bottom line and at the same time add value to organizational processes. This act of procurement has now placed procurement in the strategy room of business houses across the globe. Past performance, Technical ability, Management capability, Price, Methodology, Tender evaluation, and Tender submission are perceived to be the dominant contractor prequalification criteria affecting all project performance in terms of cost, time, quality, and customer’s satisfaction. While, financial consideration was perceived to affect only time, quality, and customer’s satisfaction.
The procurement bidding process

Procurement is an important and expensive business activity for organizations. This is because organizations usually spend a large portion (even up to 70%) of their revenue/operational budget on purchasing goods and services. The importance of procurement function among institutions, an organization is reflected in the fact that the Maintenance, Repair and Operations (MRO) procurement expenditure is reported to be about $150 billion per annum. Despite such importance, procurement function still suffers from two chronic inefficiency problems: First, procurement is traditionally a labor-intensive activity and, as such, managers spend considerable time on ‘non-value-added activities’ Second, traditional procurement process permits infamous maverick buying practice which represents a situation where employees make unplanned purchases from no preferred suppliers at a higher price, the impact of procurement activities on the operation and effectiveness of public sectors in Kenya, it is essential that these activities be performed by qualified staff with high professional and ethical standards and using sound procedures anchored in appropriate policies and regulations.

Information is critical to an effective and efficient procurement process, on the other hand financing is the engine that drives it. In the case of Kenya ensuring adequate financing for the procurement remains an important part of procurement. Procurement officers, whether directly or indirectly, must be knowledgeable about the products as well as the interacting issues and the many stakeholders who can potentially affect the process or who may have legal responsibility. Public procurement has, for long, been overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries.

Problem statement

Transparent management is another concept which is closely related to accountability and public institutions in Kenya leaves a lot to be desired in this facet. The idea behind transparency is that by actively disclosing information on how decisions are made, as well as measures of performance, we can improve public deliberation, reinforce accountability and inform citizen choice. In addition, transparency helps to document and disseminate information on the scope and consequences of corruption, information which can help build support for anti-corruption programmes and target enforcement efforts.

Public procurement systems are central to the effectiveness of development expenditure. Budgets get translated into services largely through the governments’ purchases of goods, services and works. It is estimated that 15% of the world’s Gross Domestic Product (GDP) is spent through public procurement (Development Assistance Committee, 2005). It is further estimated that public procurement accounts for 9%–13% of the GDP of the economies of developing countries. In Angola, public procurement accounts for 58%, it accounts for 40% in Malawi while in Uganda, and it accounts for 70% of public spending (Thai, 2001). But the area of procurement is increasingly prone to internal factors (Trionfetti, 2000).

The basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation.

Transparency International (2005) estimated that Kenya lost about KShs.475 billion to shoddy procurement deals in seven years (1998-2003). Therefore, the need for reforms became urgent as the local business community complained that inefficiencies in Public Procurement were contributing to unsuitable business
environment. The government of Kenya in conjunction with the World Bank, the African Development Bank (ADB) and International Trade Centre (ITC), initiated the Public Procurement reform process in the late 1990s. This reform process was meant to create a system that allowed, among other things, a proper delegation of authority incentives, procurement thresholds, procurement planning and development of supplies manuals. The reforms process focused on addressing the issue of Procurement laws establishing appropriate procurement institutions and entities as well as creating adequate and timely evaluation and mechanisms. The reforms were aimed at increasing transparency in procurement systems, creating reputable agencies and ensuring that procurement laws were streamlined to conform to International Procurement laws and standards (Odhiambo and Kamau, 2003). This study sought to find out whether the reforms initiated in the public sector are implemented fully and the impediment of the procurement process.

Literature Review

Procurement is an important part of efficient goods and services management and supply and is critical for all levels of organizations. An effective procurement process ensures the availability of the right goods and services in the right quantities, available at the right time, for the right user and at reasonable prices, and at recognizable standards of quality. The operational principles of procuring goods and services include quantification, registration, selection and efficient management. Thus, procurement is not simply the act of buying but encompasses a complex range of operational, business, information technology, safety and risk management, and legal systems, all designed to address an institution’s needs (Ombaka, 2009). Specifically, management of procurement determine, accredit, and monitor appropriate supply sources; evaluate suppliers’ performance; choose a buying strategy or approach; monitor goods and services delivery; assess the use outcomes; and evaluate new products and the goods and services market. Successful procurement is also a collaborative process, involving people with skills in purchasing, finance, management, specialties, quality control, and even the end user.

Odhiambo and Kamau (2003) observed that good governance is a fundamental building block of a just and economically efficient Public Procurement system. Studies of Public Procurement in the three East African countries have shown that corruption in Public Procurement has mainly been through hidden violation of laid down procurement rules. In this case, procurement officers may be involved in malpractices, such as misusing the power of invitation by only inviting preferred firms, favouring certain firms at the short listing stage, to design tender documents in favour of particular firms or release confidential information. While corrupt procurement staff can in their own interest choose to violate procurement rules, they work in most cases under the influence of powerful politicians. Since mid 1999 the African countries have identified and implemented an extensive set of measures in the area of governance, including anti-corruption measures.

In Kenya, governance, established the Kenya Anti-Corruption Authority (KACA) to fight corruption head-on. Therefore, strong procurement management in the public sector is a tool for achieving political, economic and social goals. In the era of diminishing resources and increased demand for accountability and transparency in government, the stakeholders of the public sector are demanding more effective and efficient use of public resources. However, Procurement in the health sector is slightly different due to its unique environment. Lyson (2006) asserts that the applications of all methods of inventory management are problematic for health care systems. Some of the problems include inaccurate demand estimation or forecasts; and communication breakdown.

One of the basic rules of procurement is that in the end, it is important to think in terms of the total cost of ownership. This includes not only the purchase price, but also time and resources that are expended in the pursuit of the ownership. By understanding the steps involved with procurement, it is possible to get a better understanding of the real cost involved with attaining any good or service (Baily et al 2004). Many public procurement activities suffer from neglect, lack of direction, poor co-ordination, lack of open competition and transparency, differing levels of corruption and most importantly not having a cadre of trained and qualified procurement specialists, who are competent to conduct and manage such procurements, in a professional, timely and cost effective manner. Inflexible and bureaucratic systems of procurement contribute to unacceptable contract delays, increased costs, the potential for manipulation of contract awards and lack of fair competition, all of which create the perception in the population at large, that public expenditure is slow, ineffective, expensive and often corrupt.
Public procurement has, for long, been overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries. Transparent management is another concept, which is closely related to accountability and Kenya leaves a lot to be desired in this facet. The idea behind transparency is that by actively disclosing information on how decisions are made, as well as measures of performance, we can improve public deliberation, reinforce accountability and inform citizen choice. In addition, transparency helps to document and disseminate information on the scope and consequences of corruption, information which can help build support for anti-corruption programmes and target enforcement efforts.

Accountability is government's obligation to demonstrate effectiveness in carrying out goals and producing the types of services that the public wants and needs (Segal and summers, 2002). Lack of accountability creates opportunities for corruption. Brinkerhoff (2004) identifies three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior. Strategies to help increase accountability include information systems which measure how inputs are used to produce outputs; watchdog organizations, public boards or other civic organizations to demand explanation of results; performance incentives to reward good performance; and sanctions for poor performance. In South Africa, a district public planning and reporting system was used to improve management control and hold government agents accountable for their decisions. By combining financial and service data, the reporting system drew attention to clinics and programmes that had unusual indicators, and helped officials to explore root causes for performance differences, including possible corruption (Vian and Collins, 2006).

Public procurement has, for long, been overshadowed with inefficiency, corruption and disregard of fundamental "value for money" considerations. This has adversely impacted the rate and quality of progress in realizing the objectives of national development, especially in developing and transition countries (Tan et al., 2009). Employees may neither engage in, nor give the appearance of engaging in, dishonest or unethical actions. Both are injurious to the public’s perception of honest government. As a government employee, you might have access to procurement and other nonpublic information that could affect a contract bid or the award process. There is a risk that such information could be used to affect the results of the award process (Wymer and Regan, 2005). Improper disclosure of such protected information could violate numerous laws, as well as ethics rules. It also could subject you to administrative actions, as well as civil or criminal penalties. Management in contracting authorities should ensure that there is an appropriate focus on good practice in purchasing and, where there is a significant procurement function that procedures are in place to ensure compliance with all relevant guidelines.

According to Wee (2002) ethics are the moral principles or values that guide officials in all aspects of their work. Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency. Ethical behavior includes avoiding conflicts of interest, and not making improper use of an individual’s position. Ethical behavior is important in public procurement as it involves the expenditure of public money, and is subject to public scrutiny. Public officials should always behave ethically and fairly, including in their business undertakings. Ethical behavior supports openness and accountability in a procurement process and gives suppliers confidence to participate in the Government marketplace. Ethical behavior can also reduce the cost of managing risks associated with fraud, theft, corruption, and other improper behavior; and enhance confidence in public administration (Wee, 2002).

An important and effective way to maintain ethics awareness in agencies is to provide training for employees (Amos and Weathington, 2008). Ethics training and seminars can be provided, along with training in more specific areas, such as procurement procedures, record keeping, records management, and accountability and administrative law. Regular reviews or audits of procurement processes can be done to ensure probity is being considered and achieved (Amos and Weathington, 2008).

**Professionalism of Procurement personnel**

Brian (2006) asserted that the change in emphasizing from purchasing as a reactive administrative activity to one that is proactive and strategic, has resulted into numerous lists of the skills and attributes that purchasing staff should possess in order to maximize their contribution to the achievement of organizational goals. A study on responses of a large sample of American purchasing executives indicated that a purchaser should have the following skills and attributes; Total cost analysis negotiation strategies and techniques, supplier/partner management, ethical conduct, supplier evaluation, quality techniques, purchasing strategy and planning,
price/cost analysis, Electronic data interchange, and interpersonal communication. For one to have these attributes or skills she/he must be trained in the field of purchasing and supply chain. It was with this realization that the supply chain management in line with professionalism as practiced by accountants, lawyers, doctors, teachers who operate within their respective code of conduct as provided by the constitution of Kenya. The Government through the act of Parliament came up with a policy which created the supplies Practitioners Management Act (2007). The Act was assented to by the President on 22/10/2007 and became operational on 30/10/2007. In its administration provisions, the Act came up with the establishment of Kenya Institute of Supplies Management whose core function was to establish, monitor, improve and publish the standards of the suppliers’ practitioner profession and safeguard the interest of all supplies practitioners.

Oakland (2003) asserted that the purchasing staff should be knowledgeable about the general and specific specification. The primary purpose of purchasing is to contribute towards obtaining the best-quality products or service in terms of fitness for use at the least possible total cost. Purchasing staff are intermediaries between users and suppliers. They are responsible for checking the completeness of the product/service specifications. When negotiating with suppliers, purchasing staff must know what they are negotiating for. The satisfaction of the user requirements depends on obtaining reliable suppliers. It is the duty of the Procurement staff to source for the right suppliers for goods, services and works. Purchasing staff should be expert in the applications of value analysis and provision at the design/specification stage of innovative suggestions aimed at achieving cost reduction without detriment to the required performance, reliability, quality and maintainability. Procurement staff should be able to advice on whether or not any of the requirements stated in the specifications are reliable to cause commercial, environmental or legal problems.

The Public Procurement and Disposal Manual (2009) require that the Procurement unit must be staffed with Procurement professionals. The staff should have technical skills in Procurement. This is because Procurement requires significant technical input. If the functions of the procurement unit are to be performed efficiently, then the Procurement unit needs to be equipped with technical know-how and ethical attributes. PPDR 2006(25) (2) spells out the qualification and experience of procurement professionals at different levels. Purchasers can get into problems due to lack of knowledge.

**Public Procurement Principles**

The Public Procurement and Disposal Manual (2009) states the following as principle to be applied in order to achieve sound procurement practice:-

- Strict compliance with the legal regulatory framework when effecting procurement is by achievement of economy and efficiency in the delivery of service, promotion of value for money through effective competition and careful procurement planning, ensuring fairness, equity and completion in tender invitation, evaluation and award of Procurement contracts; Observance of ethics in all aspects of Procurement and ensuring that Procurement Practice is devoid of perceived or actual corruption, promotion of transparency and accountability in the whole procurement and disposal process, promotion of health and safety standards as well as environmental protection; Strict adherence to the use of appropriate documents for all the steps of procurement and disposal cycle to maintain comprehensive record of transactions; Transparency in the procurement process and implementation of tendered contracts through wide dissemination of procurement opportunities by advertising in at least two Dailies of nationwide circulation and communicating any relevant information to all tender participants at the same time; Competition should be exercised by extending equal opportunity to eligible parties to participate in the public procurement. Single sourcing procurement is not allowed, unless justified, because it denies other potential bidders an opportunity. The procurement processes should be uniform in all public entities. To ensure that effective and efficient methods are used, the procurement process should be simple and adaptable to advance in modern technology.

Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications. If the above principles are well implemented, the following procurement risks will be well managed, that is corruption practice (fake corruption), fraudulent practice, Fruitless and wasteful expenditure, overspending and unauthorized expenditure and under expenditure. PPDA (2005) sets clear objectives to provide a system for ensuring:

- Transparent, efficient and economic Public Procurement; Accountability; A fair opportunity to all prospective suppliers of goods, works and consultancy services. The prevention of fraud, corruption and other malpractices in Public Procurement; improvement in social and economic capacity in Kenya, including providing opportunities for local enterprises and individuals to participate in an economic manner as suppliers, contractors and subcontractors in Public Procurement.
Public Procurement System Management

The Public Procurement Oversight Authority was established as a dedicated professional system manager to report on system results, implement policies, guide individual procuring organization, oversee large contracts, establish a bid protest procedure, and provide for a trained professional procurement workforce. The authority shall not interfere in the award of any specific procurement contract hence controlling inappropriate interference in the operations of the procuring organization. Among other powers of the Authority include the requiring Procurement entities to provide information required to carry out its function; Provide training, technical assistance or advice to procuring organizations and to private sector, necessary or convenient to prepare them for conducting and participating in Procurement proceedings; Publish information relating to its functions and activities as it thinks fit; and Prepare relevant documentation necessary to implement the Act or to effect further development of Public Procurement in Procuring Entities.

The operational level of government is centered in procuring organizations, which must safeguard government resources through Procurement process. A procuring organization is responsible and it’s Accounting Officers and other officials concerned are accountable for Public Procurement in accordance with the Act, its Regulations and Manuals issued by the Authority. To assist the Accounting officer in doing this, a Tender committee is to be established in every procuring organization, supported by specialized procurement units. The tender committee is to be staffed with personnel who are well-informed concerning Public Procurement, and whose professional qualifications meet the guidelines issued by the Authority. The accounting officer or, his or her representative is the chair of the Tender committee. Other members of the committee may be appointed by the accounting officer. It may consist of at least three members and shall include an accounts officer or budget professional and the head of procurement unit as the secretary. Ad hoc members will provide necessary technical legal and business expertise to the tender committee. The functions of this committee include: verification of proper procurement and Manuals issued by the Authority. To assist the Accounting officer in doing this, a Tender committee is to be established in every procuring organization, supported by specialized procurement units. The tender committee is to be staffed with personnel who are well-informed concerning Public Procurement, and whose professional qualifications meet the guidelines issued by the Authority. The accounting officer or, his or her representative is the chair of the Tender committee. Other members of the committee may be appointed by the accounting officer. It may consist of at least three members and shall include an accounts officer or budget professional and the head of procurement unit as the secretary. Ad hoc members will provide necessary technical legal and business expertise to the tender committee. The functions of this committee include: verification of proper procurement planning and availability of funds: Approval of the invitation to bid and the bidding documents; Approval of the use of single-source procurement in accordance with the regulations; conducting the opening of bids, comparing and evaluating the bids hence selecting the winning bid and awarding of the contracts.

CONCLUSIONS AND IMPLICATIONS

The study found that procurement process in Kenyan Government Ministries for public care supplies was affected by factors such as; accountability to a very great extent and justification of results to internal or external monitors to a moderate extent. The government officials used discretion to license and accredit facilities, providers, services and products, opening risk of abuse of power and use of resources. High amounts of discretion without adequate controls could create opportunities for corruption. Performance incentives to reward good performance increased accountability at Kenya government ministries and that the boards or other civic organizations to demand explanation of results increased accountability at Kenya government ministries. The study further concludes that ICT adoption affected procurement process at Kenya government ministries to a great extent. ICT adoption enhanced the process of effective tendering through advertising, sourcing reviews, prequalification, potential for cost savings and greater awareness of new development. Adopting ICT enabled Kenya government ministries to provide excellent service to their suppliers in an effective and transparent manner.

In addition, the study concludes that operating procedures affected procurement process at Kenya government ministries to a very great extent. Conflict of interest affected the setting of user fees for supply registration. Market approval (or registration) of products was usually granted on the basis of efficacy, safety and quality.

RECOMMENDATIONS

The study recommends that examination and evaluation of offers be made effective. Accountability and measurement of goals and results need to be considered since they affect procurement process at Kenya government ministries. Procurement results need to be reported to internal or external monitors since this affects procurement process at Kenya government ministries. The government officials need to be encouraged to use discretion to license and accredit facilities, providers, services and products to reduce opening risk of abuse of power and use of resources. Adequate controls should be put in place reducing opportunities for corruption. Performance incentives need to be offered to employees to reward good performance. This will help to increase accountability. The study further recommends Kenya government ministries to adopt ICT adoption. This will enhance the process of effective tendering through advertising, sourcing reviews, prequalification, potential for cost savings and greater awareness of new development. It will also enable Kenya government ministries to provide excellent service to their suppliers in an effective and transparent manner.
In addition, the internal process should be enhanced at Kenya government ministries. Conflict of interest should be put on a check since it affects the setting of user fees for drug registration. Market approval (or registration) of pharmaceutical products should be granted on the basis of efficacy, safety and quality. Moreover, ethics need to be enhanced at Kenya government ministries. Separation of key functions contributed to professionalism, accountability.

REFERENCES


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