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## **AN ASSESSEMENT OF FACTORS LEADING TO IMPRUDENT PROCUREMENT PRACTICES IN PUBLIC INSTITUTIONS IN ZAMBIA – THE CASE OF NDOLA AND KITWE DISTRICTS**

**BY**

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## DECLARATION

I hereby declare that this Dissertation is my original work, that work of other persons has been duly acknowledged and that it has not been presented for a degree in any other institution for similar purposes.

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Supervisor's Signature ..... Date:.....

Mr. Mukata Wamulume

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## **CERTIFICATE OF APPROVAL**

This dissertation of Trevor Ntanda Chiputa is approved as fulfilling the partial requirements of the award of a Master of Business Administration by the University of Zambia – Zimbabwe Open University.

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## **ABSTRACT**

Procurement in Zambia is governed by the Public Procurement Act Number 12 of 2008 and the Public Procurement Regulations of 2011 while the Zambia Public Procurement Authority (ZPPA) is the body that has the mandate to regulate and control public procurements in Zambia. ZPPA has over the years been facing imprudent procurement practices in government institutions leading to the quality and quantity of procured goods and services not meeting the requested specifications. In some cases actual expenditure is higher than budgeted funds. Furthermore, this has led to most government projects not being implemented as planned and also negatively affect the standing of the government with its stakeholders. It's against this background that the research sought to assess the factors that negatively affect prudent procurement practices in public institutions in Zambia ( with specific reference to Ndola and Kitwe districts) and to identify possible strategies as measures of intervention.

The research was qualitative and it utilized both primary and secondary data. The research sampled procurement professionals from ten public institutions in Ndola and Kitwe cities of Zambia. The study identified the main factors that lead to imprudent procurement practices in public institutions in Zambia as unethical practices, political interference, lack of compliance to regulations and procedures, size and capacity of staff in procurement units, inconsistencies between local and international regulations, lack of ICT equipment and wrong perceptions. The assessment also recommends the following strategies and measures in order to enhance prudent procurement practices: improve capacity of procurement staff through training and development, ensure procurement policies support prudent practices, integration of procurement functions with ICT and minimize political interference in public institutions.

## **DEDICATION**

To: Chaila, Waana, Buuyana and my immediate young brother, the late Mwiche (may your soul rest in peace).

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## **LIST OF ACRONYMS**

AGR: Auditor General Report

DEBS: District Education Board Secretary

DHMT: District Health Management Team

DSBL: Drug Supply Budget Line

CIPS: Chartered Institute of Purchasing and Supply

CSO: Civil Society Organisation

CTC: Central Tender Committee

HDI: Historically Discharged Individuals

GDP: Gross Domestic Product

ICT: Information Communication Technology

LPO: Local Purchase Order

MFDP: Ministry of Finance and Development Planning

MOE: Ministry of Education

MOH: Ministry of Health

MOJ: Ministry of Justice

MPC: Ministry Procurement Committee

PPA: Public Procurement Act

PEMFA: Public Expenditure Management and Financial Accountability

PPADB: Public Procurement and Asset Disposal Board

PSCAP: Public Service Capacity Building Project

PSRP: Public Service Reform Programme

PSU: Procurement and Supplies Unit

SMME: Small, Medium and Micro Enterprises

SPSS: Statistical Package for Social Sciences

RFQ: Request for Quotations

TAZAMA: Tanzania Zambia Oil Company Limited

TR: Tender Regulations

SMME: Small Medium and Micro Enterprises

ZAFFICO: Zambia Forestry and Forest Industrial Corporation

ZESCO: Zambia Electricity Supply Corporation

ZIPS: Zambia Institute of Purchasing and Supply

ZPPA: Zambia Public Procurement Authority

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## **CHAPTER ONE**

### **BACKGROUND OF THE STUDY**

#### **1.1 Introduction**

Procurement is a crucial element in the working functions of any state. It refers to the purchasing of goods and services in the right quality, from the right source and the right price all to meet a specific need. Every government has the obligation to provide essential services to its citizens. The close relationship between procurement and development demonstrates that there is need for transparency and accountability in the manner in which procurement is conducted (Masime 2009). Procurement is the process in which public or private organizations buy supplies or services to fulfill various functions such as shelter, transport and the need for infrastructure, among many others (Talluri 2008). According to (Chopra 2005), procurement is the process of obtaining goods and services from the preparation and processing through to receipt and approval of the invoice for payment. Procurement commonly involves purchase planning, standards determination, specifications development, supplier research and selection, value analysis, financing, price negotiation, making the purchase, supply contract administration, inventory control and stores, and disposal and other related functions (Corsten 2009). Public procurement is concerned with how public sector organizations spend taxpayers' money on goods and services (Hall 2009). Public procurement is guided by principles of transparency, accountability, and achieving value for money for citizens and taxpayers. Globally, in many developed nations, public sector expenditure is substantial. Government organizations across the world tend to spend between 8 per cent and 25 per cent of GDP on goods and services (OECD 2006). In the UK, public procurement expenditure is approximately £150 billion (DEFRA 2007). Government is often the single biggest customer



within a country, and governments can potentially use this purchasing power to influence the behavior of private sector organizations (Charles 2007). In particular, it has been noted that public procurement can be a lever to deliver broader government objectives, such as stimulating innovation in supply markets, using public money to support environmental or social objectives, and for supporting domestic markets (McCrudden 2008).

In other term(s), Public procurement is ‘the purchase of commodities and contracting of construction works and services if such acquisition is effected 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 the state. Public procurement thus means procurement by a procuring entity using public funds (World Bank, 1995). The items procured range from simple goods or services such as needle or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports (Odiambo et al, 2003).

Public procurement operates in an environment of increasingly intense scrutiny driven by technology, programme reviews, and public and political expectations for service improvements (Bolton, 2006; Eyaa & Oluka, 2011). Currently, in Zambia, procurement is of particular significance in the public sector and has been used as a policy tool due to the discriminatory and unfair practices during apartheid (Bolton, 2006). Procurement is central to the government service delivery system, and promotes aims which are, arguably, secondary to the primary aim of procurement such as using procurement to promote social, industrial or environmental policies (Cane, 2004). Prior to 1994, public procurement in South Africa was geared towards large and established contractors. It was difficult for new contractors to participate in government procurement procedures. However, public procurement in South Africa has been granted

constitutional status and is recognized as a means of addressing past discriminatory policies and practices (Bolton, 2006: 193).

Procurement has two fundamental elements to the delivery of specific services to the communities;

- It makes more transparent the actual levels of performance achieved by different ministries and spending agencies of the government, making it possible for them to be held accountable for their actions and creating a positive incentive for government agencies to improve their performance for the betterment of the people they are serving, the community; and
- It also makes it easier to estimate the volume of public money that flows through the procurement process.

Public procurement is estimated to account for between 10 and 15% of GDP and is therefore one of the top three types of spending (besides salaries and debt payments), if not the most important. In Zambia, this is estimated at 10% of GDP. Therefore, a well-functioning procurement system based on transparency, competition, economy and efficiency and accountability is critical for good economic management and addressing leakages of government funds, improving the effectiveness of public expenditure in poverty reduction and enhancing the public's confidence in government intentions and programs.

A major impediment in achieving effective and efficient public procurement systems in countries like Zambia has been the fragmentation, ambiguities and limited scope of laws, implementing regulations, and procedures. This has given rise to inconsistency, confusion and lack of accountability in the procurement process. In countries where modern procurement laws have been promulgated, such as Zambia, poor implementation and enforcement of the provisions of the legal and regulatory framework has led to imprudent procurement practices and providing opportunities

for corrupt practices. This has also limited the ability for political leaders to meet their promises of economic and social improvements which is strongly related to how well procurement functions.

## **1.2 Statement of the Problem**

Public procurement plays a very critical role in development programs of any country and accounts for 10 – 15% of Gross Domestic Product (GDP). Therefore a country's procurement system needs to be prudent, effective and efficient in order to obtain value for money. A well-functioning procurement system is based on transparency, accountability, and fairness. Proper procurement of public goods, works, and services is crucial for good economic management and addressing leakages of government funds. Failure to properly manage the procurement process can lead to wasted effort and poor development results and consequently to increased poverty and deprivation of social and economic rights of the citizenry.

The 2017 national budget of Zambia stands at about K64.5 billion (budget speech, 2016), over half of the budget is spent in procurement of various goods, works and services (Karhrin Frauscher, 2016). However, on an annual basis the government loses about 20% of the national budget due to procurement and supply irregularities such as: failure to follow procurement procedures; undelivered materials; and unaccounted for stores (Auditor General's Report, 2016), The observation within civil society is that there are high levels of corruption in the procurement and supply processes in Zambia. Zambia loses millions of Kwacha due to corruption and corrupt tendencies every year. For Example, according to the Auditor General's Report of 2010, the government lost K649, 210,800 due to non-delivery of materials in the same year.

This state of affairs has been attributed to imprudent procurement and supply practices, lack of transparency and accountability in the procurement system, lack of enforcement of transparency and accountability provisions in the legal and regulatory frameworks and lack of capacity by civil society organizations (CSOs) and citizens to effectively participate in the procurement process. CSOs and citizens can only participate effectively in the procurement process if they have access to adequate information about the procurement process. Release of adequate information also promotes accountability and transparency in the procurement system. However, studies undertaken in the health, education and construction sectors revealed weaknesses in the legal and regulatory frameworks with regard to release of information and accessibility to such information. The studies also revealed the lack of capacity of CSOs and citizens to actively and effectively participate in public procurement. The studies further revealed poor procurement practices.

It's against this background that the study was undertaken to assess factors leading to imprudent procurement practices in public institutions in Zambia this is due to the enormous impact that public procurement has on national development, economic empowerment, poverty reduction, social and gender equality and environmental sustainability as it plays a big role in the distribution of resources and economic opportunities. Enforcement of prudent procurement practices in public institutions will lead to a rise in the gross domestic product, gross national product and employment while poverty and disease will be reduced and furthermore, positive contributions of public procurement towards poverty reduction, job creation and growth of the economy at large.

### **1.3 Aim of the Study**

The main aim of undertaking this study is to assess the factors leading to imprudent procurement practices in public institutions and to determine possible measures of intervention against them.

## **1.4 Research Objectives**

### **1.4.1 General Objective**

The general objective of this study is to assess the factors affecting prudent procurement practices in public institutions. To achieve this objective, the following specific objectives will be accomplished:

### **1.4.2 Specific Objectives**

1. To assess the factors affecting prudent procurement practices in public institutions in Zambia.
2. To determine the extent to which prudent procurement practices affect the public procurement system in Zambia.
3. To establish measures to mitigate against imprudent procurement practices in public institutions in Zambia.

## **1.5 Research Questions**

1. What are the factors affecting prudent procurement practices in public procurement institutions in Zambia?
2. To what extent do prudent procurement practices affect public procurement system in Zambia?
3. What measures can be employed to ensure prudent procurement practices in public institutions?

## **1.6 Significance of the Study**

Prudent procurement practices have a direct impact on government expenditure and programs. This is because in public institutions it is only the procurement function that is vested with

authority to purchase all goods and services for government programs. Therefore the important role of prudent procurement practices cannot be over emphasized. The study thus is important because it shall identify factors that affect prudent procurement practices in Zambia, these factors hence impact negatively on government's development and economic agenda of the country.

The study shall be of great importance to various stakeholders because:

- (i) The findings shall provide strategies against imprudent procurement practices in public institutions. This will ultimately result into improved transparency and accountability in the procurement process, enhanced citizens' confidence in government institutions, enhance citizen's participation in procurement decisions, less opportunities for corrupt practices and ultimately boost economic development and standards of living for all citizens.
- (ii) Furthermore, the findings of this study are expected to be of significance to various scholars who might be involved in procurement research activities since the report will provide ready reference material that could equip them with more knowledge on factors leading to imprudent procurement practices in public institutions in Zambia.

### **1.7 Scope and Limitations of the Study**

The study was limited to a sample of public institutions in Kitwe and Ndola. However, the sampling was maximum representative sampling. Ten public institutions were targeted i.e. Ministry of Health (MOH), ZESCO Limited, INDENI Limited, Tanzania Zambia Oil Pipe Line Limited (TAZAMA), Ministry of Education (MOE), Provincial Administration, Ndola City Council, Kitwe Central Hospital, Copperbelt University (CBU) and Zambia Forestry and Forest Industrial Corporation (ZAFFICO).

The researcher was motivated to undertake this study on public institutions because all his ten years of work experience has been spent in the public sector and eight out of the ten years on the Copperbelt Province of Zambia hence information from the ten sampled institutions was relatively easy to access.

The challenges experienced included some of the respondents not filling or completing the questions or some issues being misunderstood, inadequate responses to questionnaires and unexpected occurrences like people going on leave before completing the questionnaire. This was mitigated through constant reminders to the respondents during the period the questionnaires were administered to them. The organizational confidential policy restricted most of the respondents from answering some of the questionnaires. This was considered to be against the organization confidentiality policy to expose the organization confidential matters.

### **1.8 Operational Definitions**

“Corrupt practice” means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence the action of a public officer in the procurement process or in contract execution;

“Fraudulent practice” means a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract.

“Collusive practice” means a plan or arrangement between two or more bidders, designed to establish bid prices at artificial or non-competitive levels.

“Coercive practice” means harming or threatening to harm directly or indirectly, persons or their property to influence their participation in the procurement of a contract.

“Procurement” means acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise or any combination thereof.

“Prudent” means acting with or showing care and thought for the future.

“Public procurement” refers to the process by which public authorities such as government departments or local authorities, purchase works, goods or services from companies.

“Public institution” means a ministry, government department, statutory corporation or body, a local authority or a company in which the Government has a majority or controlling interest.

### **1.8 Ethical Considerations**

This research attempted to collect data and make useful information without damaging reputation or integrity of its respondents, the public institutions researched on. All the data collected was entirely for the purpose of the research and no other unsanctioned purpose.

Participants were treated with respect, names were kept anonymous and instead pseudo names were used, consent was obtained from participants before they participate in the study and participants were made to understand what the researcher was doing and the findings were shared with them for their validation.

The findings of the research were purely used for educative purposes. The findings will not by any means be used to discredit any party involved both on the respondent’s side and the institutions they represent.



## **CHAPTER TWO**

### **LITERATURE VIEW**

#### **2.0 INTRODUCTION**

This second chapter reviewed contemporary publications on effective prudent procurement management practices. It begins by examining the theories of the concept of the procurement management prior to examining issues on international and local perceptives of public procurement practices. Challenges to public procurement practices were also discussed as well as its organizational management. Efforts were also be made to discuss how organizations use procurement management to achieve corporate goals.

#### **2.1 Concept of Procurement Management**

Procurement management, in the view of Bolton (2004) is an important strategic activity that ensures that sufficient materials and services are available for the smooth operation of a company. However, Azeem (2007) indicates that, procurement now plays a new role in corporate performance involving value generator, integrator and networking, positioned as a core competency, a driver of business strategy, and enabler of additional business.

Procurement management process according to Hardcastle (2007) includes purchase, acquisition planning, contracting planning, seller response request, seller selection, contract administration, and contract closure. Dixit (2004) submits that, procurement management covers relationship between sellers (or contractors, subcontractors, vendors, service providers, or suppliers) and buyers (client, customers, purchaser, service requestors).

Tookey et al. (2001), explains that a procurement management environment which includes elements of law, finance and accounting, risk management and politics; and where practitioners from each of these professions at times claim this function as their subordinates. This claim-staking is recognized explicitly in the various management frameworks that can be found worldwide for procurement governance and is indicative of the lack of agreement, including within reform agendas, about what government procurement entails or of its strategic significance. This lack of agreement about the scope and nature of public procurement, in the view of Boateng (2008), is very familiar and varied within organizations and even between procurement practitioners as it is between these professions. For organizations in which procurement is conceived of as a mid to low level back-room activity driven by compliance, process management will be the status quo, and relatively few agendas of performance or wider policy will be met, and reform becomes endemic.

Soriede (2006) indicates that, alternatively where organizations conceive of procurement in terms of organizational performance usually in terms of indicators such as budget impact broader policy expectations and compliance will be neglected. Frequently too, public sector organizations of a scale does not seem to justify anything more than a clerical approach to this function. Even where the impacts of these elements are acknowledged, there is often insufficient scope or incentive for management to coordinate or collaborate with other public sector agencies, or to develop the means and roles to reconcile transparency with substantial bodies of regulations as well as with efficient and effective related policy goals such as business development.

Hawking and Stein (2004) are of the conviction that, these elements do not readily co-exist and may even seem incompatible. For example, the commercial and operational realities of procurement efficiency and effectiveness generate management responses in opposing terms of

both centralization and devolution. Only where organizations or governments recognize the appropriate scope of public procurement, balancing the process, performance and strategic imperatives, can they develop the skills, incentives, performance measures, organizations and management tools to deliver the full range of political/community expectations. In the absence of a comprehensive framework such as this, government reforms can be expected to remain piecemeal and cyclical.

Callender and Matthews (2002) mention that, procurement practitioners respond to the requirements of their own organization and will generally identify their role in terms of process management/simple procurement vs. performance management /complex procurement vs. strategic procurement and policy depending on whether they are in a small or a larger operational organization or a central policy agency. But this role identification cannot quarantine these managers from the inherent tensions which arise from the conflicts between centralization and decentralization that is a consequence of these alternate roles. Westring (1997) points out that, efforts to strengthen or reform public procurement will often include centralization vs. decentralization or devolution considerations but have rarely reconciled or even recognized the tensions between these basic constituents of the procurement environment, and instead have identified the need for change with the outcomes of these problems and in doing so have often preserved or even deepened the underlying divergences. Understanding these complex issues is often unappetizing both to executives and to politicians, making their reconciliation seem unachievable. The emergence of technology into this field is, however, beginning to reshape the possibilities.

## **2.2 Public Procurement Practices – International Perspective**

According to the Acevedo et al. (2010), the last decade of the twentieth century had witnessed the start of a global revolution in the regulation of public procurement. Actually, challenges in procurement reforms are beyond procurement regulations to include procurement process, methods, procurement organizational structure, and workforce. Arrow smith and Trybus (2003) submit that, procurement reforms occur constantly in all countries, developed as well as developing countries. The scope of reforms varies, from reforming the whole procurement system if the system is completely dysfunctional such as the on-going procurement in Sierra Leone after a long civil war and the successful reform in Gambia, or fixing some narrow areas in a well-developed procurement system in developed countries.

In “challenges in public procurement: comparative views of public procurement reform in Gambia,” Witting and Jeng (2005) describe how procurement reform was implemented in The Gambia. Through a joint effort of the World Bank, Government of The Gambia and the International Trade Centre WTO/UNCTAD (ITC), a team of procurement experts developed a comprehensive approach to modernize the public procurement system of Gambia in a model combining elements of a Central Tender Board with Procurement Policy Office. Local capacity is being developed in the Gambia Public Procurement Authority and in the Procuring Organizations to support transparent public procurement systems. Positive and objective changes lie in the new legal, regulatory and organizational framework as demonstrated by a survey of Procurement Organizations. Nevertheless, challenges remain in extending and sustaining the reforms. Westring (1997) indicates that, the role of civil society in public procurement reforms in the Philippines highlights the role of Procurement Watch Inc. (PWI), a civil society organization, which was at the forefront of the advocacy for the Government Procurement Reform Act (GPRA). Prior to the

passage of the GPRA, there were over a hundred guidelines governing public procurement. The GPRA sought to standardize and institutionalize procurement reforms and address the lack of transparency and accountability that have long plagued the Philippine government in its procurement. Tookey et al., (2009) pointed out that, to steer the process of change, support from the highest levels of leadership in the government and the private sector were found to be essential. PWI became the cog that linked different branches of government, and garnered support from the private sector.

Dixit (2004) explains that, in reforming public procurement sector in Turkey, the government spends around U.S. \$25 billion on purchased goods, services and construction works each year. It can be easily understood how vital it is to have a transparent and competitive public procurement system for the country. This essay presents both a comparison of the public procurement legislation before and after the reform and a comparison of some aspects of a newly introduced system with some developed countries' public procurement systems.

According to Boateng (2008), in December 2003, the Canadian Prime Minister initiated a comprehensive review of Canada's federal procurement, to ensure a "best of breed" approach with demonstrated high value for Canadian taxpayers, and created the Canada Parliamentary Secretary's Task Force on Government- Wide Review of Procurement for this purpose. In "Government-wide review of procurement: redesigning Canadian procurement," the Task Force on Government-Wide Review of Procurement reported on the work of the Task Force to date (mid-way to its planned December 2004 report and recommendations), and set out its initial conclusions. This government-wide review had examined all aspects of procurement, from fundamental concepts such as fairness and open competition, through procurement processes and organization, to management oversight and public accountability.

In the view of Azeem (2007), the U.S. Federal procurement agencies have many socioeconomic, and in particular, small business goals, but these goals are currently measured on a single metric: the percentage of total agency dollars that are awarded to small business. Finding the balance between the benefits of public procurement reform and benefits derived from small business participation is a public policy challenge. In balancing socioeconomic and public procurement reform goals, effective metrics for measuring small business participation in public procurement, Hunja (2003) support the argument that in order to accurately measure small business participation in a trans-procurement transformation environment, more effective metrics are required. The existing metrics are ineffective and that the new metrics measure small business participation with greater efficacy.

In the view of Hawking and Stein (2004), the evolution of procurement, from a bureaucratic, manual process to an IT systems-based approach has not obviated the apparent need to continue the search for a perfect public procurement system. In a tale of two cities in the search for the perfect procurement system, Vives et. al. (2009), examine the way in which two state-based jurisdictions in Australia have sought to develop their unique versions of a perfect procurement system. Apart from the classic management choices between centralized or decentralized procurement platforms, the procurement policy choices, represented by lowest purchase price or value-for-money, also have to be resolved. Knight et. al. (2008) states that, conflicting demands include the need to enhance government management of procurement within the constraints of a tender-driven contracting policy framework, while assuring high levels of probity, accountability and transparency, whilst also satisfying the diverse governance expectations of stakeholders.

According to Hardcastle (2007), in public procurement partnerships, recent experience with public procurement efforts in the U.S. suggests dissatisfaction with both governmental deliveries of

services and resulting efforts to privatize or outsource these services. There is increasing recognition that both approaches should be combined to acquire increasingly complex goods and services, relying upon public procurement partnerships. Various trends have impacted public acquisition in recent years, further supporting the need for partnerships.

These include a declining public procurement workforce, an expanded role for procurement practitioners, and the complexity of acquiring information technology systems, the need for flexibility in negotiating contracts and partnership arrangements, as well as the increasing visibility of risks and the need to manage them effectively.

According to Giancarlo Spagnolo and Federico Dini (2009) “Reputation Mechanisms and Electronic Markets: Economic Issues and Proposals for Public Procurement,” online feedback mechanisms, “ also known as reputation systems, “ have been successfully implemented in the most important private e-markets, such as Yahoo, Amazon and eBay. These appear very effective in fostering trust and cooperation among anonymous trading partners. Then they discuss how public procurement practices differ for public electronic markets and supply contracts systems, providing some simple “rules of thumb” for public (and private) procurement agencies that plan to set up a feedback mechanism.

In the United States, a new procurement approach, which was recently initiated, is explored by Ken Buck in overcoming resistance to a paradigm shifting change in the federal sector: share-in-savings (SiS) contracting: from concept to application. Rawlinson (1999) explains that the evolution of the SiS concept, is characterized as the ultimate performance-based contract. Cole (2001) notes that, while the concept has been codified in federal statute and used successfully by many state governments, its adoption at the federal sector, until recently, has been limited even

with policy emphasis at the highest levels in government on increasing the number of performance-based contracts, there has still been resistance from both the public and private sectors. Using data driven, participatory action research, the author addresses some of the reasons for the slow rate of acceptance; and then analyzes the impact of strategic initiatives aimed at increasing acceptance and ultimately greater utilization of the concept.

In the United Kingdom, public procurement policy may be categorized in terms of their regulatory, commercial and socio-economic focus. According to Acevedo et. al. (2010), public procurement policy in terms of a framework of values culminating in the concept of public value, reflects not only government goals but also broader societal values. The author found that there has been partial delivery of commercial improvements. These improvements, however, have been uneven across departments as there has been an overemphasis on regulatory requirements at the expense of socio-economic development. While procurement's contribution to wider government policy is increasing, its full potential will only be realized when it is delivering on socio-economic policies and thereby contributing across the full range of values. This argument will be illustrated with particular reference to a pilot project on increasing employment through public service and construction projects in Northern Ireland.

In benchmarking municipal public procurement activities in Finland, Bolton (2004) observed that, there are different kinds of procurement and logistics activities in municipalities and hospital districts. The authors examine whether there were differences in procurement between the municipal public organizations in Finland and how the Finnish municipal public entities differ from benchmarking information in other countries. They try to identify best practices in different parts of municipal public procurement. Azeem (2007) states that, although the provision of basic public services has historically been considered a core state function, during the last decade



governments have been increasingly moving toward the various options of private participation in a constant quest to improve the quality of services in a cost-effective manner. There appear to be considerable advantages in “contracting out” services using performance-based schemes that delegate service to providers under legally binding agreements tying payments to measurable outputs delivered at a predefined quality level. Soriede (2006) mentioned that, public procurement is a multifaceted challenging field; and public procurement practitioners have faced numerous challenges caused by diverse factors.

### **2.3 The Zambian Public Procurement System-Local Perspective**

Public procurement in Zambia is governed by the Public Procurement Act No. 12 of 2008 and the Public Procurement Regulations of 2011. Prior to this, public procurement was governed by the Zambia National Tender Board Act No. 30 of 1982. The objectives of the Public Procurement Act of 2008 are to:

1. Ensure transparency and accountability in public procurement; and
2. Regulate and control practices in public procurement in order to promote: Integrity; Fairness; and Public confidence.

The Act also provides for the total decentralization of procurement whereby procuring entities will be responsible for all their procurements without referring to any other body. The Act, which is based on the UNCITRAL Model Law on Procurement, has adopted clauses for international best practice.

### **2.3.1 Institutional Framework**

The Act has provided for an institutional framework for the effective and efficient implementation of the Act, with provisions for separation of functions, enhancing transparency and accountability, appeals mechanism and an oversight function.

The Act has established the Zambia Public Procurement Authority (ZPPA) as an oversight and regulatory body, responsible for policy, regulation, standard setting, compliance and performance monitoring, professional development and information management and dissemination.

Under the Act, a procuring entity is responsible for the management of all procurement activities within its jurisdiction while the controlling officer or chief executive officer is responsible and accountable for ensuring that all the procurements of the procuring entity are undertaken in accordance with the Act.

The Act requires a procuring entity to appoint a procurement committee which is the highest approvals authority in the procuring entity and responsible for ensuring that all procurement is undertaken in accordance with the provisions of the Act. The procurement committee is required to have not more than two members from the private sector.

The Act further requires the establishment of procurement units within the procuring entity to be responsible for managing all procurement activities.

### **2.3.2 Procurement System Weaknesses and Challenges**

The Zambian procurement system despite having a relatively modern legal and regulatory framework faces a number of challenges resulting from non-enforcement or weak enforcement of the provisions of the Act, including sanctions for breach, resistance to change, limited capacity and simply incompetence in some cases. The Act for example, requires procuring entities to

publish annual procurement plans and contract awards but these requirements are not being adhered to by most, if not all procuring entities. The publications are meant to enhance transparency and accountability and therefore the non-adherence to the provisions is not only a breach of the law but also inhibits transparency and accountability. The Auditor General has, year in year out, been reporting cases of procuring entities not complying with procurement procedures in the procurement of goods, works and services with no sign of this practice coming to an end.

The general challenges which are still being faced include, but are not limited to, the following;

1) Non-preparation of Annual Procurement Plans: Although the law requires procuring entities to prepare annual procurement plans as part of the budget preparation process, many have not developed these plans leading to haphazard implementation of programs.

Associated with this has been the underfunding of the work plans which dampens the interests of the staff and disorganizes activity plans

2) Lack of Capacity by the private sector to participate in public procurement: Private sector participation in the supply of goods, works and services to the public sector are minimal. Local traders, suppliers, consultants, contractors, architects and engineers have not built enough capacity to participate in procurement opportunities particularly when the values are big. Local suppliers and contractors often do not have capacity to raise credit and bid securities from local banks and insurance companies due to the high interest rates and other conditions such as collateral. As a result a large proportion of contracts are awarded to foreign companies.

3) Suppliers who would like to participate in public procurement find the procurement procedures cumbersome: Local suppliers are sometimes excluded when the procurement is too big and they find the procedures unfamiliar and cumbersome.

4) Poor Procurement practices: An assessment of procurement practices in the Zambian procurement system undertaken in 2007 (OECD-DAC, 2007), revealed that:

- The percentage of invitations for open tenders publicly advertised was at 36.67% which was low. This was due to the fact for some tenders the special formal tendering (selective) method was used.
- There were no contracts with completion reports.
- The percentage of open tenders opened publicly and recorded was at 67% when it should have been 100%.
- 77% of tenders were rejected during the tendering process. This was a high figure. This could be an indicator of lack of capacity of the private sector to submit responsive bids or a faulty tender evaluation process.
- It was noted that the average number of days between tender closing and contract signing was 113 days.

5) Enforcement: There is particular concern about the lack of enforcement of the provisions of the procurement legal and regulatory framework by the ZPPA. The result of which is the poor compliance by the public spending agencies leading to mis-procurements, increasing opportunities for corrupt practices, etc.

6) Oversight: The Office of the Auditor General (OAG) exercises oversight over public procurement and has been doing a commendable job in exposing weaknesses, poor practices, corruption cases etc. in the public procurement system resulting in a reduction in both losses to Government and poor service delivery.

Over the years these revelations by the OAG have been submitted before Parliament but there does not seem to be any improvement in the performance of MPSAs in this regard.

Every year the Auditor General's Report contains recommendations by the Public Accounts Committee (PAC) which remain outstanding. There is therefore, particular concern with how Parliament keeps an eye on the activities of the Executive. It is precisely in the oversight function that many commentators detect the greatest weakness of the Zambian Parliament. Various studies have noted serious lack of ministerial accountability to Parliament.

Parliament is not able to hold individual ministers accountable for their performance because they are supposed to be collectively accountable, and moreover doing so is perceived as infringing upon the presidential prerogative since the President appoints the ministers and they are accountable to him for their performance, and only he has the power to sanction them. These weaknesses and challenges are highlighted in the specific cases of the Ministries of Health, Education and Works and Supply and the construction sector.

### **2.3.3 Examples of Specific Institutional Challenges of Procurement in Public Institutions**

Procurement in the Ministry of Health is the responsibility of the Procurement and Supplies Unit (PSU). The procurement of pharmaceuticals and related supplies is one of the key roles of the PSU. The procedure for the procurement of drugs and medical equipment and supplies is that the user department initiates the procurement through a purchase requisition which is submitted to the PSU. The PSU confirms the availability of funds and counter checks the requirements in terms of quantities and specifications. The PSU then determines the method of procurement and develops the appropriate solicitation document, invites offers and coordinates the evaluation of the offers received. The PSU then obtains the necessary approvals from the Procurement Committee to

proceed with the procurement. Once due approvals are obtained the PSU arranges for the signing of the contract.

The storage and distribution of pharmaceuticals and medical supplies is done by the Medical Stores Limited, a parastatal company under the Ministry of Health and the Ministry of Finance and National Planning. The management of Medical Stores Ltd has been contracted to Crown Agents. The mandate of Medical Stores Limited is the storage and distribution of medicines and allied products to district health offices and hospitals. District health offices in turn distribute to health centers and clinics within their districts.

In an effort to strengthen procurement and supply chain management, towards the end of 2006, the government and donors established an adhoc entity called the Drug Supply Budget Line (DSBL) Unit. The role of this unit is to coordinate and monitor drug-related activities relating to procurement and supply chain management in the sector. In addition, the DSBL also compiles information relating to drug consumption and schedules.

The process of procuring drugs and medical supplies always starts at the hospital or the District Health Management Team (DHMTs) levels. Requirement schedules are prepared for all hospitals and clinics by the DHMTs and sent to the DSBL Unit which raises the purchase requisition.

Procurement in the Zambian health sector has been a subject of great attention to a number of stakeholders. Several evaluations have raised concerns on the lack of transparency, poor adherence to standards of good governance and risks of corruption in procurement (OECD-DAC, 2007).

Furthermore, internal reviews of MoH Procurement and Supplies Unit have identified many areas of risk for corruption and weaknesses in procurement (CYMA, 2011). Major weakness in MoH procurement procedures and practices include:

- Several assessment reports have pointed out that there is insufficient or no follow-up on goods and services to ensure adherence to quality specification, timely delivery etc., after contracts are signed. Assessment reveal that many pharmaceutical consignments arrive without the standard documentation, with expired or about-to-expire drugs, inappropriate quantities, discrepancies between goods received and tender specifications, etc.
- The oversight function is not institutionalized and many suppliers and apparently many officers in the PSU are aware of this weakness. Oversight is supposed to be conducted by the OAG and ZPPA. However, the Auditor General's office often conducts the audit after 2 years or more. Even then, the Auditor General's reports of the past four years point out that procurement procedures are still being flouted in the Ministry. The ZPPA has never undertaken any procurement audit of the Ministry.
- Political interference is also a major problem in procurement process (MoH, 2008).
- Finally, the lack of access to information at the PSU has been cited as a major cause of concern about the transparency of the procurement process and activities.

The result of these weaknesses is that many stakeholders remain apprehensive about the procurement procedures and practices in the Ministry. In 1999, donors in the sector withheld their financial support on account of dissatisfaction with procurement practices (MoH, 2000). In 2008/09 the Global Fund for HIV/AIDS, TB and Malaria (GFATM) withheld its certification of the PSU to procure drugs under the Programme and outsourced it instead. In 2009 the donors again suspended aid due to embezzlement of resources by civil servants, a case that is equally related to procurement practices.

## **Ministry of Education (MoE)**

Like in other Ministries, procurement in the Ministry of Education is the responsibility of the Procurement and Supplies Unit (PSU). The procurement procedure is similar to that of MoH, in that the user department raises a purchase requisition. The purchase requisition is authorized by the Head of Department and submitted to the PSU. The PSU verifies the budget allocation, specifications, determines the procurement or selection method, and proceeds with inviting offers or proposals. Upon receipt of offers, the PSU coordinates the evaluation of the offers or proposals and obtains the necessary authorities to proceed with the procurement. The PSU then arranges for the signing of the contract.

Major weakness in MoE procurement procedures and practices are:

1) The current practice within the Ministry requires the School Infrastructure Section (SIS) to carry out all activities for the construction of schools from detailed engineering design and preparation of tender documents, participation in the tendering and evaluation process to construction supervision. The decision by the Ministry to use in house capacity to carry out all activities for civil works has proved to be a challenge given the wide geographical spread of the sites and the need for close supervision at all sites. This results in poor quality of works since there is inadequate supervision or checks on projects.

2) Although the Ministry of Education has adopted best procurement practices, the institutional arrangements tend to delay procurement processes. It has been observed that procurement delays mainly occur during: a) the approval of draft bidding documents by ZPPA, or the Ministry Procurement Committee (MPC), b) the approval of the recommendations for contract award by the MPC, c) the approval of draft contract by the MoE management and Ministry of Justice (MoJ)



respectively. The review and approval of draft contracts by MoJ before the successful bidder is invited to contract negotiations or signing sometime takes as long as 90 days in the worst scenario. Another source of delay is the issuance of “No Objection” by donors, especially for World Bank funded projects.

3) At the district level, the Assistant Buildings Officer (ABO), the District Education Board

Secretary (DEBS) and heads of schools are involved in procurement. At this level the procurement is delayed or hampered by: a) lack of transport; b) inappropriate procurement structures; c) low qualifications among those involved in procurement processes; d) low staffing levels; e) lack of capacity to prepare tender documents and tender inquiries; f) poor capacity to evaluate bids; g) low thresholds; and h) delays in the granting of No Objections by donors in some cases (where applicable).

4) Poor procurement record management at all the levels, Headquarters, province and district.

### **Construction Industry**

Studies undertaken in this sector (Colmak Associates, 2010) revealed a number of weaknesses in procurement procedures and practices. These weaknesses included:

1) Procurement files are often incomplete and missing. This was attributed to the procurement department not having procedures or instructions on how to structure an official procurement filing system and to maintain individual files. Without a proper filing system, supporting papers are inadequate for good contract management. Poor contract management has resulted in many avoidable losses to government.

2) Bidding Statistics- For the works contract sampled there were no invitations for expression of interest undertaken. For consultancy work, most design and supervision assignments were done in-house except for RDA which outsourced consultancy work. The low availability of statistics on the number of bidders in most of the cases could be attributed to all sampled

Procurement Entities never disclosing pre-contract reports such as the tender evaluation report which would invariably contain information on the number of companies bidding or expressing interest.

3) Duration- From all the sampled projects only one was delivered within the original contract period. All the other sampled projects experienced contract overruns, typifying the experiences of most projects in Zambia. On average the sampled projects experienced contract schedule overruns of 137%

4) Procurement planning was inadequate and in certain instances was not in existence, a component that is essential for an efficient and economic procurement system.

The net result of these weaknesses in the procurement system is lack of transparency and accountability, misapplication of funds, corruption, inefficiency and loss of confidence by the population in government programs. For instance according to the Auditor General's Report of 2008 Report, there were various overwhelming financial irregularities in the procurement of 100 hearses in the Ministry of Local Government and Housing. Contrary to the Application Act of 2008, out of the total amount of K50,000,000.00 provided for Recurrent Grants to Local Authorities, the Ministry of Local Government and Housing misapplied a total of K14, 920,000.00 on the procurement of one hundred (100) hearses from Beijing Automobile Works Company of

China. The purchase of the hearses raised a lot of public outcry and Government vehemently defended this decision.

The malpractices have continued as shown in the Auditor General’s Report of 2010. The Auditor General’s Report for the year ended December 2010, contains 75 paragraphs on issues that could not be resolved. The major irregularities are mostly due to failure to adhere to regulations. In addition, there were weaknesses in internal control systems, wastage in the use of resources, poor management of contracts, failure to follow tender procedures, delays in completion of projects, poor workmanship and non-adherence to contract terms and conditions among others as shown in the table below.

**Table 1: Auditor General's Report 2010 (Figures in unrebased Kwacha)**

Findings	2010 (K)	2009 (K)	2008 (K)
Misapplication of Funds	220,628,818,731	95,238,162,121	7,865,627,697
Unvouched Expenditure	74,793,881,735	89,325,590,024	28,337,559,092
Unaccounted for Stores	43,921,118,882	32,676,447,022	20,805,216,887
Failure to Follow Tender Procedures	2,540,559,305	1,189,103,954	2,627,420,322
Undelivered Materials	649,210,800	345,542,984	894,335,504
Unauthorised Expenditure	4,808,969,418	13,684,411,726	4,916,418,128

This state of the Zambian procurement system has been attributed to a large extent, on the lack of disclosure of information which could make it possible for stakeholders, including civil society, to monitor and oversee the system effectively.

## **2.4 Ethics and Professionalism in Public Procurement**

According to the ZIPS Code of Ethics (2003), Ethics have their basis in the field of philosophy and identify common principles associated with appropriate actions, moral duty and obligation. They are principles of conduct governing an individual or group concern for what is right or wrong, good or bad. Professional ethics are guidelines or best practice that embodies ideals and responsibilities that inform practitioners the principles they should adopt in certain situations. Professional ethics in public procurement requires practitioners to always make decisions that are in the best interest of other people and the country at large.

Ethical procurement prohibits breach of the public's trust by discouraging a public employee from attempting to realize personal gain through conduct inconsistent with the proper discharge of the employee's duties. Employees in the public service are bound to uphold certain values and any attempt to realize personal gain by conduct inconsistent with the proper discharge of the employee's duties is breach of the public trust.

The value of transactions in the procurement process along with pressures to lower cost could result in bribery, corruption and other practices which could be deemed as unethical. In the public sector where goods and services are funded by public expenditure, it is imperative that procurement operates ethically, with impartiality, transparency and professionalism.

Ethics are the set of moral principles or values guiding our behavior. In a business setting ethical behavior is the use of recognized social principles involving justice and fairness throughout a business relationship. When interacting with suppliers, an ethical buyer treats them in a just, decent, fair, honest and fitting manner. Being ethical means following a code viewed as fair by those within the profession as well as the community.

Three rules are understood to be a part of ethical behavior:

- First buyers must commit their attention and energies for the organization's benefit rather than their personal enrichment. Ethical buyers do not accept outside gifts or favors that violate their firm's policy. Ethical buyers are also not tempted or influenced by the unethical practices of salespeople and do not have personal financial arrangements with suppliers;
- Second, a buyer must act ethically towards suppliers or potential suppliers. This means treating each supplier professionally and with respect; and
- Finally, buyers must uphold the ethical standard set forth.

It is essential that public procurement professionals and stakeholders adhere to a well-defined and established code of ethics. The public procurement organization should have an adopted code of ethics and require its employees to uphold and seek commitment to it by all those with whom they engage in their profession. A code or statement of professional ethics usually formalizes the set of ethical standards.

Purchasing managers, more than any other group within a firm experience enormous pressure to act in unethical ways. This occurs for several reasons. First, purchasing has direct control over very large sums of money. A buyer responsible for a multimillion-dollar contract may find sellers using any means available to secure a favorable position. The very nature of purchasing means that a buyer must come in contact with outside and occasionally unethical, sellers. A second reason is the pressure placed on many salespeople. A seller that must meet aggressive sales goals might resort to questionable sales practice.

## **2.5 Empirical Review**

This section reviews the existing empirical studies related to the research topic.

### **2.5.1 Factors Influencing Compliance to Procurement Regulations in Public Secondary Schools in Kenya: A Case of Nyamache District, Kisii County, by Jane Onyinkwa, 2013.**

#### **Conclusion**

Ethics, awareness and training influences the compliance of procurement regulations in public secondary schools. The study acknowledges the importance of ethics, awareness and training in compliance to procurement procedures and regulations. However; a lot needs to be done to improve ethical conduct, knowledge of employees on procurement regulations and training because failure to comply with the regulations school tendering committees and suppliers can lead to major losses for the government funds. The suppliers to the schools also induce unethical practices like corrupting the school tendering committee members and therefore strong enforcements of laws should be implemented. The other factors discovered in field included; improve the effects of compliance on quality of goods and services. The following new valuables found in the course of collecting data: Improving the challenges facing the enforcement of public procurement regulations in public secondary schools. Enhance transparency and accountability. Improve the challenges facing e-procurement in secondary school.

## **2.5.2 Factors Affecting Effective Implementation of Procurement Practices in Tertiary Public Training Institutions in Kenya, by Silas Eliphas Njeru, 2015.**

### **Conclusion**

Based on the study findings, the study concluded that effective implementation of procurement practices in tertiary public training institutions is affected by supplier management followed by training and then procurement policies are the major factors that mostly affect effective implementation of procurement practices in tertiary public training institutions in Kenya.

The study concludes that supplier management is the first important factor that affects effective implementation of procurement practices in tertiary public training institutions. The optimal model of the study shows that supplier management has a significant influence of 0.62998 on effective implementation of procurement practices. This implies that increasing levels of supplier management by a unit would increase the levels of effective implementation of procurement practices by 0.62998. This shows that supplier management has a positive influence on effective implementation of procurement practices. Supplier management factors such as rate of appraising suppliers, supplier selection strategies, supplier performance management and supplier performance evaluation methods, supplier relationship management, payment of suppliers and after sale service from suppliers affects effective implementation of procurement practices in tertiary public training institutions.

Training is the second important factors that affect effective implementation of procurement practices in tertiary public training institutions. The optimal model 152 of the study shows that increasing levels of training by a unit would increase the levels of effective implementation of procurement practices by 0.35517. According to the study findings, training factors such as

training assessment needs, procurement staff qualifications, impact on the applied training and the percentage of procurement employees with professional skills in procurement to a large extent affected effective implementation of procurement practices in tertiary public training institutions. Finally the study concludes that procurement policies is the third important factor that affect effective implementation of procurement practices in tertiary public training institutions. The optimal model of the study shows that procurement policies have a significant influence of 0.317 on effective implementation of procurement practices. Increasing levels of procurement policies by a unit would increase the levels of effective implementation of procurement practices by 0.317. Procurement policies factors such as level of compliance with Public Procurement and Disposal Regulations (2006), procurement planning, management support, budgetary allocation, and preparation of procurement progress reports, procurement records management methods and type of the employed procurement methods to a large extent affects effective implementation of procurement practices in tertiary public training institutions.

### **2.5.3 Enforcing Ethical Practices in the Public Procurement Process in Namibia: Impact on Socio Economic Objectives, by Ms Fransiska Hamutenya, 2014.**

#### **Conclusion**

The Namibia media has been speculating that the current public procurement system in the country has many loopholes – inadequate disclosure by board members, laxity in supervision and auditing, conflict of interest, etc. – all of which make the system prone to abuse. This paper has provided evidence from informed members of the public and some practitioners in the public procurement process in Namibia that supports suspicions of malpractice in the tender award processes. The views of these insiders, most of whom may not be unbiased because of their public sector and



political connections, show the existence of difficulty with access to information on all operations and transactions of the tender agencies. This admission is an indicator of lack of transparency. Also, the paper indicated that the verdict of respondents on institutional control of the tender authorities, usually an indicator of accountability, was “Poor”, and thus gave evidence of laxity in monitoring and auditing practices, which the literature associates with inability to safeguard assets, detect errors, and even prevent fraud. The paper also demonstrated that the Ministry of Finance is not a suitable candidate to referee the activities of tender awards agencies, since the Ministry is also a player in the tender award game.

#### **2.5.4 Theory of adoption**

**Theory of the Five Pillars of Purchasing:** Proper and successful government procurement rests upon certain core principles of behaviour; these are the Five Pillars of Procurement. They are best described as pillars because if any one of them is broken the procurement system falls down (Oppenheim, 2009).

#### **2.6 Research Gaps**

Despite the importance of public sector procurement, the number of studies that have investigated the factors affecting prudent procurement practices in public institutions is still small. Studies by Njeru (2015), Jane Onyinkwa (2013) and Hamutenya (2014) draw much emphasis just on ethics, awareness, training and transparency but fails to address the factors affecting prudent procurement practices in public institutions and most importantly they do not devise any strategies of intervention against imprudent procurement practices in public institutions. This study therefore aims to fill the missing gaps.

## **2.7 Theoretical Framework**

Prudent and successful public procurement rests upon certain core principles of behaviour; these are the Five Pillars of Procurement (Rooyen, 2015). They are best described as pillars because if any one of them is broken the procurement system falls down.

### **The Five Pillars are:**

- (1) Value for Money;
- (2) Open and Effective Competition;
- (3) Ethics and Fair Dealing;
- (4) Accountability and Reporting; and
- (5) Equity.

These guidelines address those five pillars and prescribe a minimum set of standards that are to be observed (Marcelino, 2009)

### **Value for Money**

This is an essential test against which a department must justify a procurement outcome. Price alone is often not a reliable indicator and departments will not necessarily obtain the best value for money by accepting the lowest price offer that meets mandatory requirements. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

The procurement function itself must also provide value for money and must be carried out in a cost-effective way. Procurement organisations, whether centrally located or devolved to individual departments, should:

- a) Avoid any unnecessary costs and delays for themselves or suppliers;
- b) Monitor the supply arrangements and reconsider them if they cease to provide the expected benefits; and
- c) Ensure continuous improvement in the efficiency of internal processes and systems.

### **Open and Effective Competition**

This requires:

- a) A framework of procurement laws, policies, practices and procedures that are transparent, i.e. they must be readily accessible to all parties
- b) Openness in the procurement process
- c) Encouragement of effective competition through procurement methods suited to market circumstances
- d) Observance of the provisions of the Preferential Procurement Policy Framework Act.

Departments need to apply effort and research to get the best possible outcome from the market by ensuring that:

- a. Potential suppliers have reasonable access to procurement opportunities and that available opportunities are notified at least in the Government Tender Bulletin;
- b. Where market circumstances limit competition departments recognise that fact and use procurement methods that take account; of it;
- c. Adequate and timely information is provided to suppliers to enable them to bid;

- d. Bias and favouritism are eliminated;
- e. The costs of bidding for opportunities do not deter competent suppliers; and
- f. Costs incurred in promoting competition are at least commensurate with the benefits received (Oppenheim, 2009).

### **Ethics and Fair Dealing**

In procurement, if all parties comply with ethical standards they can:

- a) Deal with each other on a basis of mutual trust and respect; and
- b) Conduct their business in a fair and reasonable manner and with integrity.

All government staff associated with procurement, particularly those dealing direct with suppliers or potential suppliers, are required:

- a. To recognise and deal with conflicts of interest or the potential therefor;
- b. To deal with suppliers even-handedly;
- c. To ensure they do not compromise the standing of the state through acceptance of gifts or hospitality;
- d. To be scrupulous in their use of public property; and
- e. To provide all assistance in the elimination of fraud and corruption.

## **Accountability and Reporting**

This involves ensuring that individuals and organisations are answerable for their plans, actions and outcomes.

Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability.

Within the procurement framework:

- a) Heads of departments are accountable to their ministers for the overall management of procurement activities;
- b) Heads of Procurement and senior procurement directors are accountable to heads of departments for various high-level management and co-ordination activities;
- c) Individual procurement officers are accountable to Heads of Procurement, and to their clients, for the services they provide; and
- d) All people exercising procurement functions must have regard to these guidelines and are accountable to management.

## **Equity**

The word ‘equity’ in the context of these guidelines means the application and observance of government policies which are designed to advance persons or categories of persons disadvantaged by unfair discrimination.

This fifth pillar is vital to public sector procurement in Zambia. It ensures that government is committed to economic growth by implementing measures to support industry generally, and

especially to advance the development of Small, Medium and Micro Enterprises (SMMEs) and Historically Disadvantaged Individuals (HDIs).

In accordance with the Reconstruction and Development Programme, SMMEs and HDIs need to play a bigger role in the economy. Greater participation in the economy and more diversified representation of blacks and gender in ownership is essential.

The government through the Public Procurement Act number 12 of 2008 has implemented the Preferential Procurement Policy Framework Act as the foundation on which all procurement activities are to be based. Its aim is to:

- a) Advance the development of SMMEs and HDIs;
- b) Promote women and physically handicapped people;
- c) Create new jobs;
- d) Promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in rural areas; and
- e) Support the local products.

Therefore in conclusion, no public procurement system should be operated if it is not founded on these pillars.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter stipulates the research methodology which includes the research design, study population, study sample, sampling techniques, data collection instruments, data collection procedure and data analysis tools that were used.

#### **3.2 RESEARCH DESIGN**

Research Design is the conceptual structure within which research is conducted; the basic plan guides collections, measurement and analysis of data (Kothari, 2002). It is the framework that specifies the types of information to be collected, source of data and data collection procedure.

Due to the nature of the research being qualitative, this study adopted a descriptive research design. The advantage of descriptive study design is its ability to draw information from many different sources such as interviews, observations and historical data. By using this study design, it was helpful in exploring the views of different respondents, as well as different sets of documents or literature related to the study. The study applied a descriptive approach in analyzing trends in the statistics, which was helpful in revealing answers to the study questions. Moreover the study engaged qualitative research approach in building concepts which were used in explaining factors affecting prudent procurement practices in Zambia.

The research method that was adopted was a case study. Researcher Robert K. Yin defines a case study research method as an empirical inquiry that investigates a contemporary phenomenon

within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23).

There are a number of advantages in using case studies. First, the examination of the data is most often conducted within the context of its use (Yin, 1984), that is, within the situation in which the activity takes place. A case study might be interested, for example, in the process by which a subject comprehends an authentic text. To explore the strategies the reader uses, the researcher must observe the subject within his/her environment, such as reading in classroom or reading for leisure. This would contrast with experiment, for instance, which deliberately isolates a phenomenon from its context, focusing on a limited number of variables (Zaidah, 2003).

Second, variations in terms of intrinsic, instrumental and collective approaches to case studies allow for both quantitative and qualitative analyses of the data. Some longitudinal studies of individual subjects, for instance, rely on qualitative data from journal writings which give descriptive accounts of behaviour. On the other hand, there are also a number of case studies which seek evidence from both numerical and categorical responses of individual subjects (such as Block, 1986; Hosenfeld, 1984).

Third, the detailed qualitative accounts often produced in case studies not only help to explore or describe the data in real-life environment, but also help to explain the complexities of real life situations which may not be captured through experimental or survey research. A case study of reading strategies used by an individual subject, for instance, can give access to not only the numerical information concerning the strategies used, but also the reasons for strategy use, and how the strategies are used in relation to other strategies. As reading behaviours involve complex



cognitive processes, each reading strategy cannot be examined in isolation but rather in relation to other strategies (Zaidah, 2003).

### **3.3 STUDY AREA OR SITE**

The study was held in public procurement institutions in Kitwe and Ndola i.e. Ministry of Health, ZESCO Limited, INDENI, TAZAMA, Ministry of Education, Provincial Administration, Ndola City Council, Kitwe Central Hospital, Copperbelt University and ZAFFICO.

### **3.4 STUDY POPULATION**

The study population in research is the totality of the objects under investigation while a sample is a part of the population (Adam et al, 2008). The target population in this study was all the public institutions in Kitwe and Ndola with procurement and supply departments.

### **3.5 STUDY SAMPLE AND TECHNIQUES**

A purposive sampling technique was employed to identify ten public institutions that were required for the collection of data relating to the study. Purposive sampling, also known as judgmental, selective or subjective sampling, is a type of non-probability sampling technique. Non-probability sampling focuses on sampling techniques where the units that are investigated are based on the judgement of the researcher (Slater, 2011). The target sample of public institutions from which data was collected comprised of ten institutions i.e. Ministry of Health (MOH), ZESCO Limited, INDENI Limited, Tanzania Zambia Oil Pipe Line Limited (TAZAMA), Ministry of Education (MOE), Provincial Administration, Ndola City Council, Kitwe Central Hospital, The Copperbelt University (CBU) and Zambia Forestry and Forest Industrial Corporation (ZAFFICO). The ten institutions were of interest to the study since they play a major role in contributing to the

government's service delivery and development programs and hence spend huge amounts of funds in procurement functions.

The target respondents were staff in the procurement and supply department in the ten public institutions. Questionnaires were administered to hundred (100) people i.e. ten questionnaires were distributed in each of the ten institutions. This is in line with Creswell J.W. (1998) who in his studies recommends a minimum sample size of thirty respondents in a qualitative research. Stratified random sampling technique was used to obtain a sample size of respondents; this involved dividing the target population into subgroups in order to get equal representation of staff. The sampling technique was appropriate since the population was divided into subgroups depending on staff characteristics. The nature of issues investigated meant that it was important to accord all the categories of staff an equal chance of representation and this would not have happened through random sampling only. The sample size was 30% of the target population as shown below.

<b>Population Category</b>	<b>Target Population</b>	<b>Sample size</b>
1. Top Level	40	12
2. Middle Level	90	27
3. Operation Level	204	61
<b>Total</b>	<b>334</b>	<b>100</b>

### **3.6 DATA COLLECTION INSTRUMENTS**

The data collection methods or techniques formed an important part of this research. Data collection instrument is a device used to collect data in an objective and a systematic manner for the purpose of the research. Data collection instruments can be questionnaires, interviews, schedules and available records. According to Patton (2002) using more than one data collection instrument strengthens and gives credibility to the study. The use of more than one data collection

instrument portrays a true picture of the case under study. In this regard, the researcher gathered the required data from two (2) main different sources, i.e. questionnaires and interviews. Questionnaires are a paper and a pencil data collection instruments filled in by respondents for the purpose of the research study (Morris 2001). Questionnaires are preferred because according to Dempsey (2003) they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the researched problem. According to Kothari (2003), the information obtained from questionnaires is free from bias and researchers influence and thus accurate and valid data were gathered. Key informant interviews were also used to compliment questionnaires data. The questions addressed by the questionnaires and interview assesses the factors leading to imprudent procurement practices in public institutions in Zambia.

### **3.7 DATA COLLECTION PROCEDURE AND TIME LINE**

According to Morris (2001), data collection procedure is the process of gathering pieces of information that are necessary for research process. The study collected both primary and secondary data sources in order to gather relevant and sufficient information for the study.

#### **3.7.1 Primary Data**

Primary data present the actual information that was obtained for the purpose of the research study. The main research instruments used were qualitative questionnaires and interviews. This was done while focusing on the objectives set in the study. The primary data were collected from the selected respondents within the sample frame in the research population. The analysis of the study was substantially based on this data.

### **3.7.2 Secondary Data**

The researcher referred to various publications of foreign and local origin, books, journals, articles, newspapers, reports obtained from libraries, the PPA and Regulations, Public Entities, and the internet on the subject to obtain additional information in order to answer the questions set in the problem definition.

Data collection for this research took place in a space of a month and two weeks. This was between the third week of December 2016 and last week of January 2017 while data analysis took about two weeks.

### **3.8 DATA ANALYSIS TOOLS**

The data collected in this research was analyzed using Microsoft Excel. According to Laura Fish (2016) the following are the benefits of analyzing data using Microsoft Excel:

- (i) Excel can be used to bring information from various files and documents together, so that it exists in a single location. As well as raw data and information from other spreadsheets, it is possible to import text and images, other objects can be added using the insert tab, or additional spreadsheets can be added to the file;
- (ii) By using formulas across a grid, excel allows users to unlock the potential of their data. Data is inserted in to rows and columns, allowing it to be sorted and filtered and then displayed in a visual presentation. Using pie charts, graphs and clustered columns to data adds meaning to data which may just exist as row after row of numbers; and
- (iii) Excel users can format their spreadsheets using different colour shades, bolds and italics, to differentiate between columns and bring the most important data to the fore by selecting an appropriate colour scheme via the quick analysis button, and by utilizing the formatting tab.

## **CHAPTER FOUR**

### **DATA PRESENTATION OF FINDINGS AND DISCUSSION**

#### **4.1 INTRODUCTION**

This chapter presents the research findings and furthermore the findings are discussed. It basically includes analysis of results from questionnaires. It also shows research findings with reference to various publications of foreign and local origin, books, journals, articles, and newspapers, reports obtained from libraries, public entities, and the internet.

#### **4.2 RESPONSE RATE**

The study population consisted of ten public institutions. Questionnaires were self-administered to procurement staff in ten public institutions from Kitwe and Ndola Cities in the Copperbelt Province of the Republic of Zambia. Out of the ten institutions the questionnaires were filled and returned by eight institutions translating into a response rate of 80%. The high response rate of 80% facilitated gathering of sufficient data that could be generalized to determine factors leading to imprudent procurement practices in public institutions. This was in line with Orodho (2009) that a response rate above 50% contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents about the study problem in the target population.

#### **4.3 CHALLENGES FACED BY PUBLIC PROCUREMENT INSTITUTIONS**

To achieve the objectives of the research and in response to research question one, the author identified factors leading to imprudent procurement practices in public institutions in Zambia based on data collected through questionnaires and interviews. To establish the extent to which prudent procurement practices affect the public procurement systems in Zambia, employees in

public institutions were asked to rate the factors faced in their respective procurement departments.

Below is the scale of rating (table 2).

**Table 2: Scale of Ratings**

Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
1	2	TA	3	4	TD

The following, (table 3) are the ratings (in percentages) as per individual factors:

### Factors Facing Procurement Departments

From table 3 below, all the factor statements have an agree rating of at least 60% and therefore, proving the fact that the size of procurement does affect prudent procurement practices in public institutions.

**Table 3: Ratings of Factors Facing Procurement Departments**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
Size of Procurement	A	There is low capacity of Procurement personnel to handle huge and complex procurements	25	35	60	10	30	40
	B	Specifications are too difficult to be interpreted	40	25	65	25	10	35
	C	There are usually cost overruns	25	35	60	10	30	40
	D	Funding has usually been a challenge for your organization	30	35	65	15	20	35
	E	Lack of enough preparation, assessment and planning	30	45	75	10	15	25

## Legislation and Guidelines

Results obtained in table 4 below, indicated that Factor Statement C and D had a high agree ratings of 65% and 75% respectively indicating that the two factors affect prudent procurement practices in public institutions while Factor Statement A and B had disagree ratings of 65% and 70% respectively, indicating that the two factors do not affect prudent procurement practices.

**Table 4: Ratings on Legislation and Guidelines**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
<b>Legislations and Guidelines</b>	<b>A</b>	The fear for negative publicity has led to a growing emphasis on the legal aspects of the tendering process	15	20	35	25	40	65
	<b>B</b>	Local laws such as taxes affect projects	20	10	30	35	35	70
	<b>C</b>	Lack of understanding of the legal and regulatory framework	30	35	65	15	20	35
	<b>D</b>	Procurement acts in a reactive way and is often not involved until the specifications have been defined	45	30	75	15	10	25

## Wrong Perceptions

Table 5 below comprises of factor statements making up wrong perception challenge with agree ratings of at least 55% for all the three factors. The ratings obtained indicate that factor statement B where procurement is perceived to be an operational department and not an advisor/partner of the business received the highest agree rating of 70% while the other two factors (A and B) i.e. procurement personnel receive kickbacks and suppliers agree with one another on how to submit

bids to support their preferred bidder both had the same rating of 65%. It can therefore be concluded that wrong perception does affect prudent procurement practices in public institutions.

**Table 5: Ratings of Wrong Perceptions**

Factor Category	Factor Statement	Rating					
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
<b>Wrong Perception</b>	<b>A</b> Procurement personnel receive kick backs	30	35	65	20	15	35
	<b>B</b> Procurement is seen as an operational department and not perceived as an advisor or partner of the business	40	30	70	10	20	30
	<b>C</b> Suppliers agree with one another on how to submit bid to support their preferred bidder	30	25	55	35	10	45

### **Local versus International Regulations**

From table 6 below, the study concludes that there is usually a conflict between International regulations and local regulations in the public procurement sector. The specific factor statements indicating results that respondents agree that: Local regulation tend to be political (70%), International regulations such the World Bank are more superior compared to local regulations (65%) and Local regulation take long to adapt to international regulation (55%).



**Table 6: Ratings of Local versus International Regulations**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
<b>Local Versus International Regulations</b>	<b>A</b>	Conflict between local and foreign procurement regulations where foreign funding is involved	40	25	65	15	20	35
	<b>B</b>	International regulations such the World Bank are more superior compared to local regulations	35	40	75	20	5	25
	<b>C</b>	Local regulation take long to adapt to international regulation	25	30	55	20	25	45
	<b>D</b>	Local regulation tend to be political	30	40	70	10	20	30

**Unethical Practices**

From ratings obtained in table 7 below, the study concludes that unethical practices is one of the major factors that lead to imprudent procurement practices in public institutions, this is due to the high rating of factor statements of unethical practices such as: receiving bribes 85%; collusion and disclosure of information to bidders 90%; Procurement personnel use friends or relatives as front companies to win contracts 90%; and Certifying work not done according to specifications or scope 70%. According to Ayoti (2012) unethical practices in public procurement are facilitated by a lack of transparency in the system. Ayoti (2012) further argues that the participation of public officials in private enterprises involved in supplies to the public sector has been a key source of corruption in public procurement, since the rules established to guard against conflict of interest

are breached – those charged with enforcing the law may be the ones breaking it. Easy access to information will quickly expose such practices.

**Table 7: Ratings of Unethical Practices**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
<b>Unethical Practices</b>	<b>A</b>	Bribery and Corruption	50	35	85	10	5	15
	<b>B</b>	Collusion - disclosure of information to bidders	55	35	90	5	5	10
	<b>C</b>	Certifying work not done according to specifications or scope	30	40	70	15	15	30
	<b>D</b>	Procurement officers and end users do not declare conflict of interest	40	25	65	10	25	35
	<b>E</b>	Procurement personnel use friends or relatives as front companies to win contracts	60	30	90	5	5	10

## Compliance

From ratings obtained in table 8 below, It can be concluded that the factor categories such as compliance to regulations and procedures and size and capacity of staff in a procurement unit, had an agree rating of 50% - 55% on average. However, the results obtained also indicate that spillover effects into other areas of the supply chain do not affect prudent procurement practices in public procurement due to the high disagree rating obtained from the research.

**Table 8: Ratings of Compliance**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
Compliance	A	Low compliance to procurement regulations and procedures	30	35	65	20	15	35
	B	Spill-over effects into other areas of the supply chain	45	15	60	20	20	40
	C	Lack of compliance has led to an increase in appeals cases where the procurement process is delayed in the financial year.	30	25	55	15	30	45

**Political Interference**

From results obtained in table 9 below, Political interference is another factor identified in this research that affects prudent procurement practices in public institutions. 70 % of respondents agree to the assertion that political connections play a bigger role in winning tenders. This tendency is not strange in most public institutions in Zambia where government officials use their power and authority influence tendering to go in their favor. From the study it is can be concluded that political interference leads to poor of shoddy works being defended (65%), exaggerated costs (75%) and low capacity of suppliers/contractors being contracted (60%) as evidenced by the ratings of responds who agree with the factor statements.

**Table 9: Ratings of Political Interference**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
<b>Political Interference</b>	<b>A</b>	Political connections play a big role in winning tenders	40	30	70	15	15	30
	<b>B</b>	Poor or shoddy work is defended	35	30	65	20	15	35
	<b>C</b>	Costs done due to political interference are exaggerated	50	25	75	15	10	25
	<b>D</b>	Capacity of contractors to undertake projects is low	25	35	60	20	20	40

**Technology**

Results obtained in table 10 below indicate that lack of modern ICT leads to factors affecting prudent procurement practices in public institutions. The need to have modern technology in procurement can never be overemphasized. Results shows that most public procurement works in Zambia use manual systems thereby leading to low efficiency (60%), high prone to manipulation of data, high cost of stationary (65%) and delayed work (70%).

**Table 10: Ratings of Technology**

Factor Category	Factor Statement	Rating						
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree	
<b>Technology</b>	<b>A</b>	Manual systems of records is used and is highly prone to fraud	45	35	80	10	10	20
	<b>B</b>	Processes made slower because of lack of technology	30	30	60	15	25	40
	<b>C</b>	Manual system highly prone to manipulation of data	25	20	45	25	30	55
	<b>D</b>	Costs are usually high due to high usage of stationery such as paper.	40	25	65	25	10	35

Factor Category	Factor Statement	Rating					
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
E	Lack of modern technology contributes to long approval processes	50	20	70	15	15	30

#### 4.4 EFFECTS OF IMPRUDENT PROCUREMENT PRACTICES

In line with the objectives of the study, the report identified the effects of imprudent procurement practices and respondents were asked to rate how these effects affect their organizations, Table 11 below shows the results.

**Table 11: Ratings of Effects of Imprudent Procurement Practices**

S/N	Effects of imprudent procurement practices	Rating					
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
E1	Projects being completed beyond agreed planned budgets	40	30	70	20	10	30
E2	There is delayed start of project due to time spent to conform to applicable regulations	50	30	80	10	10	20
E3	Stakeholder confidence is low , Project takes longer than estimated resulting in contractors seeking price adjustments	30	35	65	10	25	35
E4	Project quality is not high	35	45	80	10	10	20
E5	Challenges affecting procurement directly contribute to poor performance of other departments.	30	35	65	15	20	35
E6	Quality is often compromised and the cost of the projects are exaggerated	40	30	70	20	10	30
E7	Performance, quality and costs are abnormal	50	30	80	10	10	20
E8	Management of procurement logistics, vendor relationship management and customer relationship management is difficult	20	35	55	25	20	45

The results obtained in table 11 above indicate an agree rating of at least 55% for the effects of imprudent procurement practices in public institutions with E2 and E7 having the highest rating of 80% while E8 with the lowest of 55%.

The effects of imprudent procurement practices identified by the this study include: projects being concluded beyond planned budget, the project life cycle is always extended, poor quality goods, abnormal costs, poor relationship management, etc.

#### **4.5 POSSIBLE STRATEGIES LEADING TO PRUDENT PROCUREMENT PRACTICES**

For this study, it was imperative to outline strategies to ensure prudent procurement practices in public institutions. The report again identified some possible strategies that could be thought to be helpful in ensuring prudent procurement practices in public Institutions.

From the results obtained in Table 12 indicate a minimum agree rating of 60% (i.e. the sum of strongly agree and agree) on each possible identified strategy intervention of factors affecting prudent procurement practices in public institutions. The study concludes that possible strategies to be adopted as measures of intervention with the highest agree rating from respondents include:

- Adopt modern procurement methods such as e-procurement (85%) – modern best practices for procurement enables you to improve spend management, streamline purchasing and achieve higher margins;
- Procedures must be followed at all times (80%) – this is in order to institute a level playing field in the procurement process and avoid unfair practices and shortcuts that would lead to uncompetitive decisions being made;

- Institute organizational ethical policies and initiatives that avoid unethical practices (80%) - A procurement process which is based on sound ethical practices can have tremendous impact on the economy of any country (Odemba 2011). The need to effectively regulate and monitor the ethics and ethical conduct of officials involved in the procurement system to ensure transparency and accountability is generally accepted (Kotoka, 2010) ;
- Build training capacity e.g. sending staff to attain higher qualifications (75%) – All employees in the purchasing department should be well trained and even they should be given refresher courses to ensure they are up to date with the policies and procedures of the purchasing department; and
- Supervision and monitoring should be enforced (70%) - The laxity in monitoring, supervision and auditing practices implies that safeguarding of assets, detection of errors, and prevention of fraud in the procurement process is highly compromised (Stemele, 2009).

**Table 12: Ratings of Possible Strategies**

S/N	Proposed measures of intervention	Rating					
		Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
PS1	Build training capacity by sending staff to attain higher qualifications	35	40	75	10	15	25
PS2	Simplify legislation and guidelines to avoid ambiguity, bureaucracy etc.	25	45	70	5	25	30
PS3	Institute training and enforce disciplinary measuring against erring officers	40	20	60	10	30	40
PS4	Review local and International legislation and harmonize the two	30	35	65	25	10	35
PS5	Institute organizational ethical policies and initiatives that avoid unethical practices	45	35	80	10	10	20
PS6	Supervision and monitoring should be enforced	30	40	70	20	10	30
PS7	Procedure must be followed at all times	40	40	80	10	10	20
PS8	Adopt modern e procurement methods	50	35	85	5	10	15

## **4.6 DESCRIPTIVE STATISTICS**

Descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data (Tronchim 2006). The study used descriptive statistics to present the frequency and the percentages of the gathered data on factors affecting prudent procurement practices in public institutions in Zambia.

### **4.6.1 Size/Complexity of Procurement Department**

It is a well-known fact that the workload or complexity of the procurement unit affect prudent procurement practices. Therefore, based on the organization's profile, the following questions were asked; and their responses are shown in figures below.

The histogram above shows that 40% of the organizations engage over 100 supplying companies in a year. Having too many supplying companies has its own pros and cons. The advantage being that it brings about competition amongst suppliers hence reduced price and improved quality for the organizations. The disadvantage is that it make the process longer and tedious especially when the system is computerized where suppliers bid for projects using a computerized system. A very large supply base also tends to sway the attention of procurement such that the department would have no time to concentrate on strategic issues affecting it.



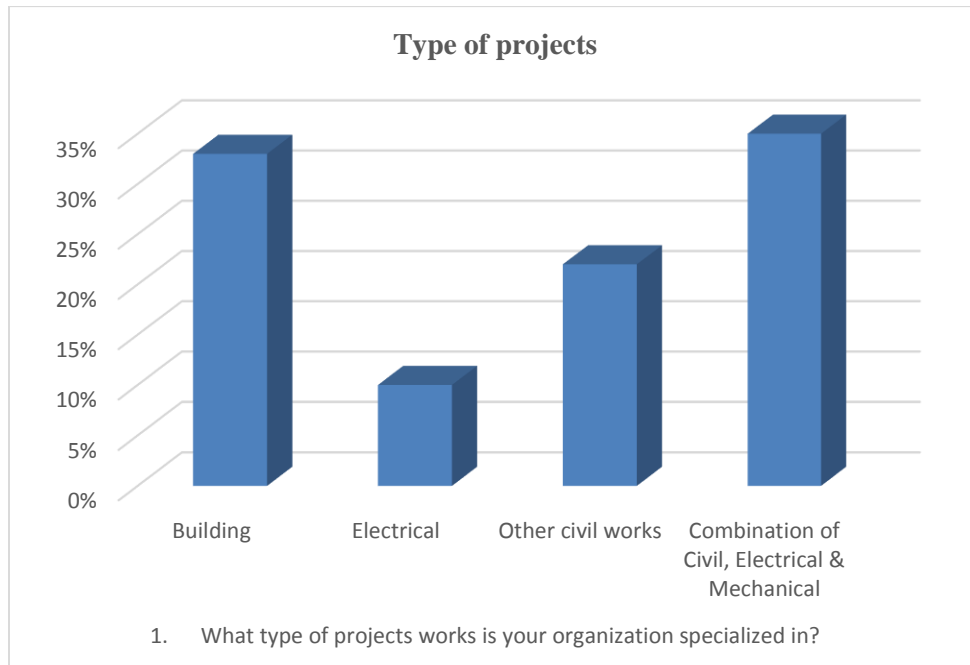
**Figure 1. Number of Supplying Companies**



#### **4.6.2 Type of Projects**

Figure 2 shows type of projects. The results obtained indicate that most institutions undertake a combination of civil, electrical and mechanical projects followed by building projects. This most building and electrical projects are quite complex and require very highly technical details and scope to undertake and thus usually take longer period to deliver due to the complexity. Most complex projects also involve colossal sums of money and attract a lot of interest from suppliers/contractors. Due to the pressure to obtain business, some suppliers/contractors resort to unethical practices in order to obtain the contracts in their favor.

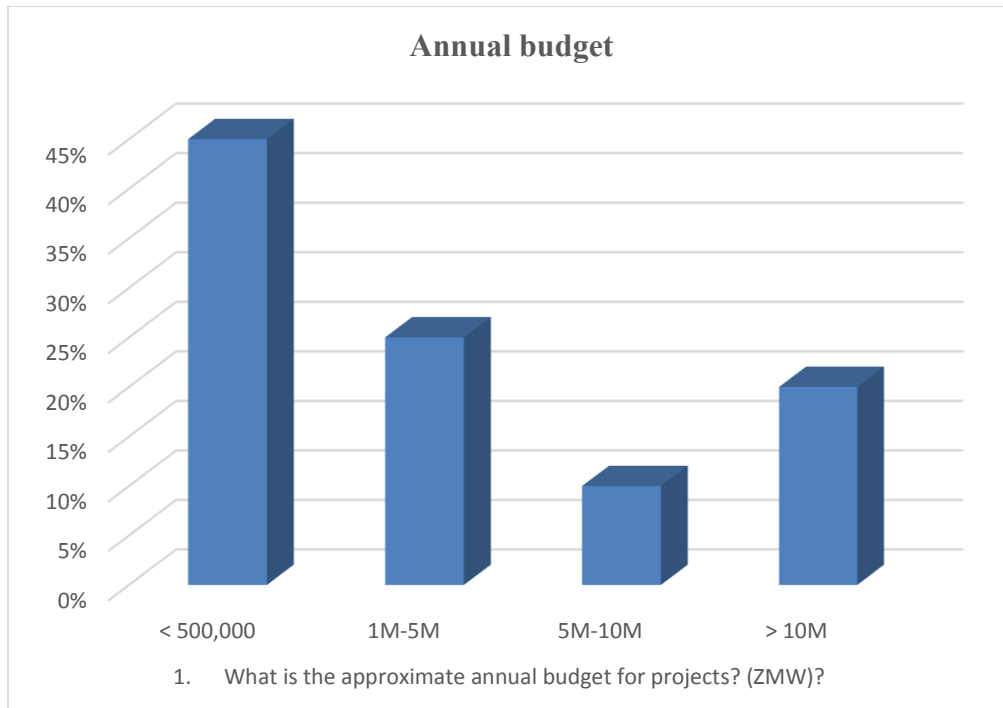
**Figure 2. Type of Projects**



### 4.6.3 Annual Project Budget

Figure 3 below shows the approximate annual budget for projects in public procurement institutions. 45 % of organizations shows that their annual project budget lies below ZMW500,000 approximately. The result implies that there is limited budget allocation for projects in public procurement institutions this has adversely affected most public institutions and thus are unable to implement programs such as ICT systems, undertake capacity building programs for procurement staff, adopt modern procurement methods such as e-procurement, which would assist to fight imprudent procurement practices.

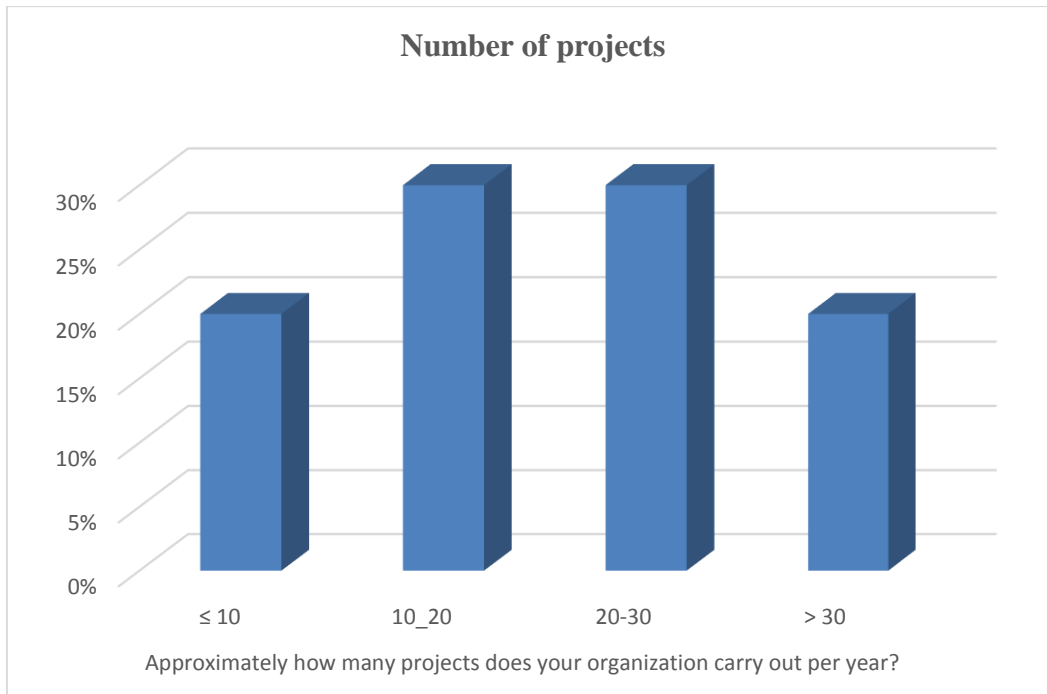
**Figure 3. Annual Project Budget**



#### 4.6.4 Number of Projects

Figure 4 below shows the number of projects carried out by public procurement institutions surveyed. The largest percentage (60%) rating lies between 10-20 projects. 20 % for 10 projects and below; another 20% for projects above 30. Having too many projects in a single year can have adverse effect on the effectiveness and efficiency procurement works this is because projects are so demanding and involving and thus the department would have no time to concentrate on other aspects of its mandate which affect its work as the it would just be focusing on ensuring that the projects are delivered and completed at the expense of other very important issues such as Instituting organizational ethical policies and initiatives that avoid unethical practices and ensuring that procedures are followed at all times.

**Figure 4. Number of Projects**



#### **4.7 DISCUSSION OF FINDINGS**

The findings of the research are discussed hereunder.

##### **4.7.1 Size and capacity of procurement units**

Factors such as low capacity of personnel (i.e. in terms of education, work experience and adequate staff levels) to handle huge and complex procurements lead to imprudent procurement practices as there will be lack of understanding of complex matters, no adherence to procurement procedures & policies and a lack of focus on strategic issues due to work over load. As a result this leads to cost overruns for the organisations and also the organisation would not be able to attract good funding from funders of various projects due to negative perception. It is therefore important to ensure that procurement units are manned by highly competent and qualified personnel due to the strategic importance of the function.

#### **4.7.2 Legislation and Guidelines**

From results obtained in Table 4, it is clear that a lack of understanding of the legal and regulatory framework (i.e. procurement law) leads to an increase in imprudent procurement practices as practitioners will perform functions their own way and not in accordance with the law. Results in Table 4 also indicate that procurement acts in a reactive way especially when it's not involved from inception of the procurement process. It is very important that procurement is involved in all processes relating to the procurement process so that it can offer advice on how things will be conducted in accordance with the legal and regulatory framework.

#### **4.7.3 Wrong Perceptions**

Results obtained in Table 5 indicate that procurement is perceived to be an operational function instead of a strategic one, this will lead to the function being subordinated to other department such as finance, production or human resources. As a result of this, procurement would not be able to contribute more effectively as it would lack top level representation and support in the organization. Another factor of great concern which leads to imprudent procurement practices is collusion, i.e. when suppliers for example agree to submit one bid for a preferred bidder. Such practices do not promote competition and transparency and therefore the procuring organization will not obtain value for money from its contracts.

#### **4.7.4 Inconsistencies between Local and Foreign Regulations**

Where there is foreign funding involved, it is very important that the terms of reference are clearly defined before the procurement process commences as this is a source of conflict as some funders have rules on how the tendering processes should be conducted, etc. therefore it is also important

that it is clearly spelt out which tendering procedures will be followed as certain funders believe that their procedure are more transparent and therefore would be more appropriate to be used.

#### **4.7.5 Unethical Practices**

Unethical practices lead to procurement personnel to conduct themselves outside the confines of the law. Typical examples of unethical practices identified in this study include bribery, disclosure of information to bidders, certifying works not done to specifications, failure to declare interest and the use of friends/relative's companies by procurement personnel to win contracts. Unethical practices have adverse effects on the organization such as loss of goodwill, procurement of over priced goods/services, poor quality goods/services, lack of transparency and accountability in the procurement process.

#### **4.7.6 Lack of Compliance to Regulations**

The key to attainment of compliance is the understanding of procurement regulations by procurement practitioners. From the findings in the study, it has been established that one of the main problems identified as leading to low levels of compliance is lack of understanding of procurement law and regulations. Therefore it is of utmost importance for organizations to ensure that sensitization workshops in public procurement law and regulations are conducted to all procurement professionals and also amendments and/or changes are communicated as and when they occur.

#### **4.7.7 Political Interference**

Procurement Units in public institution must be allowed to perform their functions independently without undue influence or interference from other stakeholders if real benefits are to be recorded.

It has been observed from the findings in the study (refer to Table 9) that political interference and undue pressure is one of the factors leading procurement professionals to imprudent practices for fear of losing their jobs. Furthermore, it has also been observed that most of the suppliers/contractors who are engaged due to political connections do not have the requisite requirements/capacity to supply the required goods/services hence when they are engaged most of them end up failing to perform or asking for price adjustments. This development has disadvantaged other suppliers/contractors and also frustrates government development programs.

#### **4.7.8 Information Communications Technology (ICT)**

The use of ICT has brought more good than harm to most organizations. The findings of the study indicate that manual systems are so prone to manipulation, fraud, high levels of inefficiencies and also increase organizational costs thus contributing to imprudent procurement practices. The study has also revealed that most government institutions in Zambia still use the manual system hence are so prone to malpractices and inefficiency. It is imperative that all public institutions move to ICT systems if imprudent procurement practices are to be reduced.

#### **4.7.9 Strategies Leading to Prudent Procurement Practices**

These have been discussed in detail under section 4.5 and include but not limited to adopting modern procurement methods such as e-procurement, the government to ensure that procedures are adhered to at all times, instituting organizational ethical policies and initiatives that avoid unethical practices, capacity building of procurement staff, supervision and monitoring should be enforced, etc.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 INTRODUCTION**

This chapter discusses the conclusions based on the findings and discussions are put forth for the recommendations of the study based on both policy and practice. Finally, the chapter presents the study limitations and recommendations for further areas of research.

#### **5.2 CONCLUSION**

Based on the study findings, the study concludes that the major factors that affect prudent procurement practices to a large extent in public institutions in Kitwe and Ndola are unethical practices, political interference, lack of compliance to regulations and procedures, size and capacity of staff in a procurement unit, inconsistencies between local and international regulations, lack of ICT equipment and wrong perceptions.

Finally, the study concludes that the main strategies which would be implemented as measures of intervention against the factors affecting prudent procurement practices in public institutions include: adopting modern methods of procurement such as e-procurement; ensuring that all staff adhere to procurement procedures at all times; Institute organizational ethical policies and initiatives that avoid unethical practices; Build training capacity by sending staff to attain higher qualifications in procurement and supply; supervision and monitoring especially for junior staff should be enforced and strengthened.



### **5.3 RECOMMENDATIONS**

The government must ensure that procurement units are manned by procurement professionals with requisite qualifications, experience and high levels of integrity. The size of the procurement unit should also be adequate in proportion to the amount of work and the size of budget of an organization. This measure will assist public institutions in so many ways as procurement professionals with requisite qualifications and experience will assist the organizations to reduce cost overruns by implementing procurement and supply chain strategies and also ensuring that specifications sent out in tender documents are well interpreted.

Furthermore, the government must ensure that procurement policies support prudent procurement practices in public institutions in Zambia, the management of these public institutions should improve on the level of procurement regulations compliance, design, support and encourage all staff to execute procurement functions in accordance with the procurement regulations and policies, use effective procurement procedures, improve on relationship between management and stakeholders and also employ better methods of managing organization resources.

The management of public institutions should invest extensively in employees training especially in factors affecting prudent procurement practices by emphasizing and promoting the culture of learning organizations that is different from the current trends where many institutions use seminars and workshops as the only method of training. Other than just employing professional trained procurement staff, management should continuously train the staff on emerging issues in prudent public procurement practices.

The government must also effectively integrate procurement functions with ICT based systems through application of e-procurement methods, use of automated procurement systems; implementation of supportive ICT infrastructure for encouraging adoption of ICT based procurement systems and training of procurement staff on ICT skills in public institutions.

There is need for the government to continuously sensitize procurement professionals on the dangers of unethical practices to both themselves, the organization and the country at large. Stiffer punishment should be instituted to deter would be offenders of unethical practices such as fraud, corruption, collusion, etc.

The ruling party in government should stop interfering with public procurement as the practice in most cases leads to shoddy works, exaggerated costs, poor quality goods/works, etc. by the contracted suppliers/contractors, all at the expense of the Zambian people.

#### **5.4 AREAS OF FUTURE RESEARCH**

The study is a milestone for further research in the field of procurement practices in Africa and particularly in Zambia. The findings demonstrated the important factors that affect prudent procurement practices in public institutions in Zambia to include; lack of modern ICT equipment, political interference, lack of compliance to procurement regulations and procedures, unethical practices, conflict between local and international regulations and low capacity of procurement personnel. The current study should therefore be expanded further in future in order to determine the effect of public procurement legal framework on effective implementation of procurement practices. Existing literature indicates that as a future avenue of research, there is need to undertake

similar research in other public sector organizations and also private sector organizations in Zambia and other countries in order to establish whether the explored factors can be generalized to affect implementation of prudent procurement practices.

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## **APPENDIXES**

### **APPENDIX 1. QUESTIONNAIRE**

#### **QUESTIONNAIRE UNIVERSITY OF ZAMBIA**

##### **Letter of introduction to the institution**

Dear Sir/Madam,

I am currently undertaking a Master's Degree at the University of Zambia in fulfillment of the requirements of the course; Master of Business Administration. The topic is;

**“An Assessment of Factors Leading to imprudent Procurement Practices in Public Procurement Institutions in Zambia – The Case of Ndola and Kitwe Districts”.**

To conduct the research, I have sampled your organization as a source of data for the study. Accordingly, I would be grateful if you could complete the attached questionnaire. Your assistance in facilitating this research is highly appreciated and information provided will be treated with strict confidence and will be used for the purpose of this academic study only. Individuals will not be identified in the report or any other subsequent dissemination of the information.

Thank you very much for your time and co-operation.

Yours Faithfully,

**TREVOR NTANDA CHIPUTA**

**SECTION A: COMPANY/ PERSONEL PROFILE**

1.

Approximately how many projects does your organization carry out per year?

≤ 10	10-20	20-30	> 30

2. How many supplying companies does your organization engage per annum?

≤ 50	50-75	75-100	> 100

3. What type of projects works is your organization specialized in?

Building	Electrical	Other civil works	Combination of Civil, Electrical & Mechanical

4. What is the approximate annual budget for projects? (ZMW)?

< 500,000	1M-5M	5M-10M	> 10M

5. What supplier selection criteria does your organization have in place in ensuring that prudent procurement practices are adhered to?

Technical	Financial capability	Past experience	Quality/ Price

Literature review has so far shown that the challenges faced in public procurement affecting prudent procurement practices can be categorized as shown in **Section B**.

**Section C** shows factors affecting prudent procurement practices in your organization.

**Section D** outlines some proposed strategies that can lead to prudent procurement practices.

According to your experience, suggest your degree of agreement to existence of the challenges, effects and possible solutions listed in the sections below. Please type the letter “X” in the box associated with the appropriate point on the scale below.



## SCALE OF RATINGS

Strongly Agree	Agree	Total Agree	Disagree	Strongly Disagree	Total Disagree
1	2	TA	3	4	TD

### 1 SECTION B: Factor faced by public procurement institutions.

Factor Category		Factor Statement		Rating					
				1	2	TA	3	4	TD
F1	<b>SIZE OF PROCUREMENT</b>	A	There is low capacity of Procurement personnel to handle huge procurements						
		B	Specifications are too difficult to be interpreted						
		C	There are usually cost overruns						
		D	Funding has usually been a challenge for your organization						
		E	Lack of enough preparation, assessment and planning						
F2	<b>LEGISLATIONS AND GUIDELINES</b>	A	The fear for negative publicity has led to a growing emphasis on the legal aspects of the tendering process						
		B	Local laws such as taxes affect projects implementation						
		C	Lack of understanding of the legal and regulatory framework						
		D	Procurement acts in a reactive way and is often not involved until the specifications have been defined						
F3	<b>WRONG PERCEPTION</b>	A	Procurement personnel receive kick backs						
		B	Procurement is seen as an operational department and not perceived as an advisor or partner of the business						
		C	Suppliers agree with one another on how to submit bid to support their preferred bidder						
F4	<b>LOCAL VERSES INTERNATIONAL REGULATIONS</b>	A	Conflict between local and foreign regulations where foreign funding is involved						
		B	International regulations such the World Bank are more superior compared to local regulations						
		C	Local regulation take long to adapt to international regulation						
		D	Local regulation tend to be political						
F5	<b>UNETHICAL PRACTICES</b>	A	Bribery and corruption						
		B	Collusion- disclosure of information to bidders						
		C	Certifying work not done according to specifications or scope						
		D	Procurement officers and end users do not declare conflict of interest						

		E	Procurement personnel use friends or relatives as front companies to win contracts						
F6	<b>COMPLI-ANCE</b>	A	Low compliance to procurement regulations and procedures						
		B	Spill-over effects into other areas of the supply chain						
		C	Lack of compliance has led to an increase in appeals cases where the procurement process is delayed in the financial year.						
F7	<b>POLIT-ICAL INTER-FERENCE</b>	A	Political connections play a big role in winning tenders						
		B	Poor or shoddy work is defended						
		C	Costs done due to political interference are exaggerated						
		D	Capacity of suppliers/contractors to undertake projects is low						
F8	<b>TECH-NOLOGY</b>	a	Manual systems of records is used and is highly prone to fraud						
		B	Processes made slower because of lack of technology						
		C	Correction of errors high leading to repeat jobs						
		D	Costs are usually high due to high Usage of stationery such as paper.						
		E	Lack of modern technology contributes to long approval processes						

**SECTION C: How do the following factors affect prudent procurement practices in your organization?**

I.D	Effects on prudent procurement practices	Rating					
		1	2	TA	4	5	TD
E1	Projects being completed beyond agreed planned budgets						
E2	There is delayed start of project due to time spent to conform to applicable regulations						
E3	Stakeholder confidence is low , Project take longer than estimated resulting in contractors seeking price adjustments						
E4	Project quality is not high						
E5	Challenges affecting procurement directly contribute to poor performance of other departments.						
E6	Quality is often compromised and the cost of the projects are exaggerated						
E7	Performance, quality and costs are abnormal						
E8	Management of procurement logistics, vendor relationship management and customer relationship management is difficult						

**SECTION D: Possible Strategies leading to prudent procurement practices**

I.D	Proposed measures of intervention	Rating					
		1	2	TA	3	4	TD
PS1	Build training capacity by sending staff to attain higher qualifications						
PS2	Simplify legislation and guidelines to avoid ambiguity, bureaucracy etc.						
PS3	Institute training and enforce disciplinary measuring against erring officers						
PS4	Institute flexibility to allow better legislation between local and International						
PS5	Institute organizational ethical policies and initiatives that avoid unethical practices						
PS6	Supervision and monitoring should be enforced						
PS7	Procedure must be followed at all times						
PS8	Adopt modern e procurement methods						