

**EFFECTS OF PUBLIC PROCUREMENT AND DISPOSAL ACT
ON PROCUREMENT IN PARASTATALS IN KENYA**

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DECLARATION

I declare this research project is my original work and has not been presented to any institution for the award of any academic certificate.

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This research paper has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

I dedicate this work to my Parents, Mr and Mrs. Michael Munyi, Siblings Scholastica Karimi, Bridget Njoki and Anastasia Njeri and all those who supported me in the completion of this project. Thank you and May God bless you abundantly

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
EU	European Union
GDP	Gross Domestic Product
GOK	Government of Kenya
ITC	International Trading Corporation
OECD	Organization for Economic Cooperation and Development
PPOA	Public Procurement and Oversight Authority
PPDA	Public Procurement and Disposal Act
PFMR	Public Financial Management Reforms
SCM	Supply Chain Management
SMEs	Small and Medium Size Enterprises
SP	Sustainable Procurement
VFM	Value for Money

ABSTRACT

The public procurement system in Kenya has evolved to an orderly and legally regulated system governed by the PPDA, 2005. Prior to this, in Central Government it was governed by Treasury Circulars from 1969, then the Supplies Manual of 1978, before the promulgation of the Exchequer and Audit (Public Procurement) Regulations, 2001. The PPDA, effective as of 1st January 2007, applies to all procurement of goods, works and services, as well as the disposal of assets by public entities. The Public procurement processes is a complex issue because of the multiple interests and objectives it strives to achieve simultaneously coupled by the multiple regulatory policies and bodes it has to adhere to. The objective of this study was to look at the effects of PPDA on public procurement in Parastatals in Kenya. However the specific objectives were to establish the effect of PPDA on the procurement process in Parastatals in Kenya and find out find out the challenges to the implementation of the PPDA.

The study adopted a cross sectional descriptive research design. For the purposes of this study, the population of interest was all parastatals in Kenya based in the Nairobi County. The study adopted proportionate stratified Sampling design. Primary data was collected for the purpose of this study. It was collected using interviewer administered questionnaires. The questionnaires were piloted with three subject experts before final administration. The filled questionnaires was inspected for completeness and edited.

The study targeted a sample of 30 respondents out of which 22 respondents filled in and returned the questionnaire giving a response rate of 73%. The study concluded that that PPDA improved the competitiveness of the procurement processes among parastatals. In addition PPDA improved the quality of services and goods delivered, and finally it promoted ethical standards among Parastatals in procurement. On the challenges of PPDA, the study concluded that corrupt officers, unresponsive bids ignorance of the PPDA guidelines, inefficiency of the PPOA on enforcing the penalties to the offenders and lack of organizational incentives & pressures for Public procurement guidelines implementation were to a great extent challenges.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's world, the economic environment is very turbulent. The need for organizations to be competitive in the global marketplace cannot be overstated. Firms are under intense pressure from consumers for goods and services that meet high service level requirements. The global marketplace is characterized by intense competition and the constant search for new and innovative ways to reduce costs and improve performance. In this search, firms' supply chains are examined on a continual basis for opportunities to create the competitive edge required to make businesses successful. One area that has been greatly emphasized in this regard is the function of procurement.

The Oxford Dictionary describes procurement as process of acquisition of the initial raw materials, finished products, works in progress and services and functions within and outside a company to enhance the value chain to make products and provide services to the customers (Cox et al, 1995). Quinn (1997) defines procurement as 'all of those activities associated with acquisition of goods, from raw materials stage through to the end products. This includes sourcing and purchasing, order processing, inventory management, transportation, warehousing, and customer service'. According to Thai (2001), public procurement refers to the acquisition of goods and services by government or public sector organizations and is one of the key economic activities of government.

The earliest public procurement order was found in Syria written on a red clay tablet dates from between 2400 and 2800 B.C. The purchase order was for "50 jars of fragrant

smooth oil for 600 small weights in grain” (Coe, 1989). In addition to the history of procurement was the emergence of the silk trade between China and a Greek colony in 800 B.C. (Coe, 1989).

The rise of procurement to a key function in the private and manufacturing industry in the long term goal of considerable attention since the 1990s, (Gadde and Hakansson, 2004), unlike in the public sector procurement and supply chain management. While the Public Contract Law Journal dates back to 1981 and Public Procurement Law Review to 1992, both had anchorage in the legal and regulatory disciplines. It was noted that there was differentiation between public procurement and private sector procurement in the last decade (Thai and Grimm, 2001). According to Makori (2011), public procurement systems are inherently complex and dynamic due to the multiplicity of objectives they have to achieve. For instance, the main motive of public procurement is to serve the public through a political purpose and the general well-being of the society unlike privately funded projects whose *raison d’être* is the profit motive.

Public service agencies aim at making the best use of ‘value for money’ for the members of the public this involves client satisfaction, public interest, fair play, honesty, justice and equity (Korosec and Bartle, 2003). Recent studies have also pointed out the significance of moral and ethical behavior in addition to technical and professional competencies (Schlosser, 2003).

1.1.1 Public Procurement and Disposal Act

The public procurement system in Kenya has reformed to an orderly and legally regulated system governed by the PPDA, 2005. Prior to this, in Central Government it

was governed by Treasury Circulars from 1969, then the Supplies Manual of 1978, before the promulgation of the Exchequer and Audit (Public Procurement) Regulations, 2001, (Juma ,2009). All the aforesaid reform initiatives were geared towards improving the public procurement system by enhancing accountability and transparency with the aim of achieving value for money, and attracting investments by creating a sound business climate. These reforms have ensured fairness and competition among suppliers of goods, works and services, thereby restoring the confidence of Kenyans in the public procurement process while at the same time ensuring that the Government gets the best value for its money.

The PPDA, effective as of 1st January 2007, applies to all procurement of goods, works and services, as well as the disposal of assets by public entities. Public entities are those that procure goods, services or works utilizing public funds. As such, public entities include the central and local governments, courts, commissions, state corporations, cooperatives, and educational institutions such as colleges, schools and universities. This Act does not directly seek to regulate the private sector, though it does regulate its interaction with public entities, (GoK, 2011).

The PPDA does not directly seek to regulate the private sector, though it regulates its interaction with public entities. It ensures the following issues maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, promote the integrity and fairness of procurement procedures, increase transparency and accountability in those procedures, increase public confidence in the procedures, enhance the promotion of local industry and economic development, (Odhiambo, A.N, 2005).

1.1.2 Oversight and Review Structures

The PPDA sets-up the Public Procurement Oversight Authority (PPOA), whose primary role is to ensure that procurement procedures established under the Act are adhered to. In doing this, the PPOA has to guide, set-up standards, and train procurement entities and persons, as well as advise government on policy issues. Currently the PPOA role is : Monitoring implementation of procurement policies to ensure that SME are accorded opportunities to participate in public procurement, building capacities of procurement personnel to ensure that procurement is carried out effectively and efficiently, building suppliers ' capacity so that they are better able to transact business within the public sector four.

Arranging public forums to solicit feedback from stakeholders on the implementation of procurement policies, improving provision of information about procurement opportunities by putting in place communication channels at the PPOA and within the procuring entities, ensuring e-procurement is practiced in collaboration with thee-Government Secretariat in the Office of the President, consulting banks to ease SME access to financial resources, benchmarking policies practiced by other countries to enable SMEs to access procurement opportunities. (Mwiriki, 2007).

Sound legal framework in place with the enactment of the PPDA and Regulations, Kenya today has in place a sound and comprehensive legal framework for public procurement with a clear hierarchical distinction. The PPDA clearly establishes the procurement methods to be applied, advertising rules and time limits, the content of tender documents and technical specifications, tender evaluation and award criteria, procedures for submission, receipt and opening of tenders, and the complaints system structure and

sequence. The PPDA and Regulations cover goods, works and services for all procurement using national funds. Both documents are published and widely distributed within government, (GoK, 2001).

1.1.3 Public Procurement in Parastatals in Kenya

The business activities of governments in public procurement have economic and political implications. Recent estimates suggest that between 8 and 25 per cent of the gross domestic product (GDP) of the Organization for Economic Co-operation and Development (OECD) countries and 16 per cent of the European Union (EU) GDP is attributable to government purchases of goods or services (OECD, 2009).

The public expenditure incurred by the Kenyan Government can be used to estimate the size of Kenya Government procurement. Public procurement systems in Kenya have undergone significant evolution. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars from the 1970s, 1980s and 1990s, to the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations as amended in 2006 introduced guidelines that led to sanity and standard procedures for public procurement and disposal of goods and unserviceable parts by state corporations and public entities (Mwiriki, 2007).

In a study to evaluate public procurement systems in Kenya, Mwangi (2008), established that public procurement was not operating efficiently and effectively and the state was losing a lot of money through shoddy deals. The report advocated the need for reforming the public procurement system in the country. In 1997, the Government in collaboration with the World Bank commissioned another study to evaluate the country's procurement

procedures. The World Bank supported the study through the Public Procurement and Capacity Reform Project. Which established the need for an over whole review and execution of a reform process in the procurement systems. The study revealed that the public procurement system in Kenya lacked transparency and fair competition. The study further revealed that procurement staff were not adequately trained and lacked professionalism. The lack of a professional body that would oversee and instill discipline among procurement officers made them vulnerable to corruption.

One of the major recommendations from both studies was that reforms in public procurement systems were paramount if the government was to save resources that were being lost through exorbitant procurement system. The World Bank study argued that improvement in procurement systems had a direct and beneficial effect on the economic situation in the country. The World Bank, the African Development Bank (AfDB) and International Trading Corporation (ITC), in conjunction with the Government of Kenya, initiated the public procurement reform process in the late 1990s. That was to enable the system to be, transparent, enhance delegation of authority, incentives in procurement thresholds, planning, and the development of supplies manuals (World Bank, 2000).

The public procurement reforms also aimed at ensuring that the procurement laws were streamlined to conform to international procurement laws and standards. A task force which comprised mainly staff from the ministry of Finance was established to take a lead in the reform process. The team passed its recommendations over to parliament. However, the draft bill prepared by the task force on behalf of the Ministry of Finance has not been approved by parliament to date. In response to the delay in parliamentary

approval, the Minister for Finance approved the Exchequer and Audit - Public Procurement Regulations 2001 (GoK, 2001).

A perennial problem that has bedeviled the procurement system is ministerial interference with the tender process. While the Regulations do not give government ministers, other than the Minister for Finance, any role in the procurement process, they have nevertheless intervened and influenced the award of tenders. Many government ministers simply have no regard for stipulated laws and regulations and often use their residual powers to pursue their own interests. Indeed, where ministers want to manipulate the procurement process, they use their powers to demand for information from the procuring entity, which they then publish and use to cancel tenders, and then turn around to claim that the process has been compromised and needs to be restarted (Amollo,2005).

All the public sector procurement entities approached by the study apply and adhere to the provisions of the PPDA. The extent of their application of the PPDA is constrained by their knowledge of the various provisions and, in some cases, by their financial ability. Though the central government procuring entities indicate that they implement the preferences contained in Section 39, it is not always clear that these have in fact been consciously applied. On the provincial, district and local authority levels, many Purchasing Officers (PO) were not aware of these provisions and did not appear to apply them. However, the provisions are applied by default across the board, as suppliers of goods, services and works generally tend to be local small and medium entities. With larger procurements, particularly of specialized goods, works or services, the situation changes and larger, or in certain instances, foreign entities are utilized.

1.2 Statement of the Problem

The Public procurement processes is a complex issue because of the multiple interests and objectives it strives to achieve simultaneously coupled by the multiple regulatory policies and bodes it has to adhere to. The major objectives public procurement include ensuring the tax payers enjoy value for money, achieving efficiency and effectiveness, ensuring fair competition amongst the suppliers, ensuring accountability and transparency, ethics etc (Commonwealth Procurement Guidelines, 2005). This is a stark contrast from the private sector whose raison de etre is the profit motive. In most countries in the world over, public procurement is guided by the public procurement laws and guidelines.

In Kenya, public procurement has important economic and political implications. Ensuring that the process is economical and efficient is crucial. This requires in part that the whole process is well understood by all the stakeholders including the government, the procuring entities, the business community/suppliers, professional associations, academic entities and the general public. Unfortunately, for most developing countries, this is not the case.

Although several developing countries have taken steps to reform their public procurement systems, the process is still grounded in secrecy, inefficiency, and corruption and undercutting of costs leading to wastage of huge amounts resources. Some of the major scandals include the sale of the Laico Regency hotel, the Triton saga, the irregular sale of KCC and Kenya Seed Company, the JKIA airport expansion project, Anglo leasing just but to mention a few.

According to Odhiambo and Kamau (2005) the bulk of corrupt practices in Kenya have occurred in public procurement. The explanation for this state of affairs is to be found in the political dynamics of the state and its role in the economy. Corruption in public procurement in Kenya has been facilitated by opaque and unaccountable regulations. Common corrupt practices in public procurement thus included public officers often under the influence of powerful politicians and businessmen only inviting preferred firms, favoring certain firms at the short-listing stage, designing tender documents to favor particular firms and releasing confidential information.

Similar studies include; Muturi (2007), Muendo (2006), and Mukasa (2010). Muturi (2007) studied procurement in the public sector and found out that government procurement is a key part of a demand-oriented innovation policy. Mukasa (2010) studied the challenges of the Public Procurement and Disposal Act of 2005 as amended in 2007 and established that the reform solutions within government procurement systems do not adequately include measures that address issues of accountability, transparency, value for money, a professional work force and ethics.

From the above studies it is evident that there has not been a study that links the effects of (PPDA) on procurement in Parastatals in Kenya, this shows that little research has been done on this area. This leaves a knowledge gap that has necessitated this study since the Act was established to counter some of the above mentioned problems but to date procurement within the public sector still faces some challenges. To achieve the intended objectives, the study will seek to answer the following questions: How does the Public Procurement and Disposal Act affect the procurement Process in Parastatals? What are the current challenges of the Procurement Act?

1.3 Objectives of the Study

The general objective of this study was to look at the effects of PPDA on public procurement in Parastatals in Kenya. However the specific objectives were:

- i. Establish the effect of PPDA on the procurement process in Parastatals in Kenya.
- ii. Find out the challenges to the implementation of the PPDA.

1.4 Value of the Study

The results of this study will be of great significance to the public organizations of Kenya. The government operates essential businesses through its public organization, as a result of this change will be evident hence the study is of great significance as they will support the appropriate policies to support the firms.

The results will also directly point to the development and management of organizational procurement departments and strategic issues in management of purchasing authority. This study will also help managers as the decision makers to improve on public procurement procedures as well as on the current weaknesses in supply chains by identifying the major reasons as to why the public procurement should now move to attain more efficiency like the private sector.

To the researchers and academicians, it's expected that the study will form a base for development of SCM as a discipline /field of study. The findings of this study will also add new knowledge about public procurement in Kenya that will serve as a base for further research

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter introduces the review of contextual and theoretical literature relating to procurement in the public sector with the aims to document the critical points knowledge. It further discusses the perspectives of procurement management and attempts made in this line by other scholars.

2.2 Empirical Review

The concept of Public developed to bring sanity to the public procurement in state and public owned entities where procurement process were riddled with corruption and mega kickbacks and subsequent loss of billions of shillings were lost The procurement systems in public sector agencies aim to maximize overall value for money' for citizens. This requires consideration of issues such as client satisfaction, the public interest, fair play, honesty, justice and equity (Raymond, 2008). The importance of public administration as a moral and ethical concern and recognize that administrative action is permeated by moral choices and are therefore models of not only technical and professional competencies but also Of moral behavior (Raymond, 2008).

The takeover of goods and services by the public sector which includes the local and central government is known as public procurement (Uyarra and Flanagan, 2010) this is one of the major economic activities of government (Thai, 2001). There was no much specialized study on public procurement until recently despite its long history and importance (Brulhart and Trionfetti, 2004). Previous studies have shown the difference in the various types of public procurement and argued that procurement is a significant policy tool that could aid in achieving greater overall objectives of the society.

The major issues that have been established in the research of public procurement include the significance of public procurement on its impact on the economic activity of the country, as public procurement tends to promote local companies over foreign suppliers hence enhancing economic growth (Brulhart and Trionfetti, 2004), this can be evidently seen in the case of US on “buy American” policies, these tendencies are institutionalized towards local purchasing (Vagstad, 1995).

In addition government procurement can also lead to growth in innovation among companies within a specified region. In recent forums it has been discussed that Public procurement can enhance innovation policy on both European and national levels (Aho *et al.*, 2006). This theme is consistent with research in the private sector that has shown how value chain activities affect innovation. This is due to, the gain gotten in the procurement process in value chain, activities which are aimed at getting greater product quality and innovation (Prajogo *et al.*, 2008).

In the context of the public sector, research in this area has shown that government procurement is a major part of demand created innovation policy (Aschhoff and Sofka, 2008). Reflecting broader concerns to achieve long term maintenance of development; public procurement recently has acquired the policy framework that governs its processes that are being followed by the public entities. Public procurement has been identified as the process in which public entities/ organizations meet the needs for goods, services, works and utilities while also gaining the value for money in totality for all the stakeholders involved, and also putting into consideration the environmental aspect. (Klassen, 2006).

The public procurement function of government is more complicated when public, because of the size of its spending, it is in this regards that it is viewed as a policy tool used to address social issues, economic development (local preferences), and environment protection (green procurement). These policy concerns have made procurement practices more complicated. Finally, the recent globalization movement has further complicated public procurement as procurement officials have to comply without only national laws and regulations but also with international trade agreements.

2.3 Effects of Regulations On Public Procurement

According to Bills (2004) public procurement is the purchase of goods and services by the public sector. Public procurement, accounts for a big portion of both public expenditure and need for goods and services in the economy. The public sector being regarded as the largest buyer, it affects competition in some markets through its purchasing behavior. The inception in of legislation in different countries has had a number of effects.

They include; promotion of effective competition, investments and innovations, cost effects, promotion of ethics and transparency. The public sector, by conformity of its overall demand in certain markets, may be in a position to protect and promote competition; this may be done by maintaining a competitive market structure through deliberately sourcing of its requirements from a different range of suppliers, by encouraging suppliers to invest and innovate, or by helping firms to overcome barriers to entry. According to Michaeldes et al (2003) on the other hand, it can restrict and distort competition, e.g. by adopting procurement systems that have the result of restricting participation of certain entities in public tenders (Parry, 2003).

Other effects include its cause on investment, innovation and the competitiveness faced in the market, i.e. effects that makes changes in market structure and technology caused by public procurement, which would come out, in future tenders would improve effects in the supply of other buyers; who are, affected by changes in competitiveness in the market or changes in technology (Gade et al., 2000).however the effects can work in reverse. This may be due to strong promotion of short-term contracts amongst suppliers which reduces long-term competitiveness, and in turn discourage innovation and investment (Golder, 2004).

Bid evaluation is costly, particularly where the buyer's needs are complex and requirements cannot be simplified. The buyer therefore has to trade off the higher costs of assessing a larger number of bids against the likely decrease in purchase cost as a result of fiercer competition amongst bidders (Leavey, 2001). Limiting the number of bidders in cases where the characteristics of the goods or services are hard to define the specification the use of reputation and a proven ability to meet the particular requirements may be efficient. In addition we need to know that more bidders may not always lead to lower prices. This is due to increase in the number of bidders the prices can be high since the bids are done with more precaution. (Klaue et, al, 2002).

Generally, it is hard to support collusion when the number of bidder's increases, this is due to the fact that bidders are more dissimilar (this may mitigate the positive impact on competition due to the similarity across the several bidders). Other factors that cause collusion include: Transparency this will lead to collusion since firms may not agree on

the prices charged by other firms that may be below the agreed market rates. (Grauge, 2004). In addition another implication includes the exclusion of smaller firms since they do not have the same strengths as bigger organizations when they are participating in the same process. This puts them at a disadvantaged position in providing the goods or services required. For instance competition is reduced, when SMEs are not able to tender in instances where the buyer's specifications weigh more to strong economies of scale or they tend to cover a much bigger scope of works, or where size and reputation of the firm in previous works done are essential from the perspective of the public sector buyer. (John, 2003).

According to Christiansen (2002), where repeated award of contract to the same firm increases strong hold advantages (this is achieved through repetitive performance of the same job and as a result there is perfecting the investments made by the successful bidder), a buyer awarding a contract to the cheapest supplier in a series of tenders may find itself with a rather restricted choice of suppliers in the long term. To the extent that sector bidders anticipate such an outcome, they have an incentive to reduce their price when a new requirement is first put out to tender in the expectation of little competition and higher profits in the future (The Economist, 2004)

2.4 Challenges in Public Procurement

Public procurement is based on a set of guiding principles, which include transparency, competitiveness, accountability, efficiency, legality, and integrity, that ensure that the “best value for money” in public procurement is achieved (HM Treasury, 2000). The challenges of PPDA arise primarily because of the need on the organization to embrace and practice it, coming directly from the character of the PPDA policy.

For instance, since the immediate influence emphasizes the role of perceived costs and benefits to engagement with the public sector it has been found that cost concerns are the major obstacles for taking the various factors laid out in the procurement policy into account in the purchasing process, especially when dealing with lack of product availability which may be associated with greater costs of sourcing. Given the tight budget constraints and countervailing objectives faced by most public sector organizations, perceptions regarding the financial viability and cost-effectiveness of PPDA are expected to play a particularly important role; this limits the organizations in exercising the full policy as it is laid out in the PPDA, as most of the processes involved are expensive (Min and Galle, 2001).

The second challenge concerns the knowledge of the PPDA guidelines. In order for an organization to be able to effectively implement PPDA, it is necessary to comprehend the laid out policies and procedures. Organizations also need the required skills, competencies and tools. PPDA guidelines are themselves complicated concepts, and procurement professionals may not be competent enough to efficiently put into practice the policies. A recent survey found that 83 per cent of purchasing professionals are not fully qualified to deliver the required outcome through public procurement (Snell, 2006). Studies have found that purchasing managers are unable to incorporate both the ethical and social issues in public procurement by using them together (Cooper *et al.*, 2000; Maignan *et al.*, 2002).

The third challenge concerns the availability of goods and services. This is due to the fact that most of the goods and services procured by the public sector are highly specialized; therefore identifying the sources of supply may be very challenging in most cases. As most of the specialized equipment's do not have substitutes, example a specialist piece of medical equipment.

The final challenge concerns organizational incentives and pressures for Public procurement guidelines. In part, this depends on organizational culture and the degree to which the organization is supportive of the policies and/or of change in general (Gonzalez-Padron *et al.*, 2008). This influence includes the extent to which there is support for PPDA guidelines amongst senior management and whether organizational processes and structures support SP (Bansal and Roth, 2006).

2.5 Procurement in Kenya

The method used to procure public goods can have a significant impact on participation of newer or smaller businesses (Eagan, 2005). The type and value of the contract are important factors that determine the method of solicitation. Thus, public procurements are generally carried out using different methods.

In Kenya, open tendering is the most used tendering system. It normally happens at two levels: Open national tendering, which is open to participation on equal terms by all providers through advertisement. It mainly targets domestic firms although foreigners are allowed to participate. Open international tendering is also open to participation on equal terms by all providers but it specifically seeks to attract foreign firms. It is mainly used where national providers may not provide competitive bids (Odhiambo and Kamau,

2003). Open tendering is usually advertised in prescribed national or international newspapers, although media advertising is an expensive undertaking for public entities.

Another method is restricted tendering mostly used where the value and condition are not justifiable to the open tendering, whereby bids are obtained directly without sending it out to the public, (Odhiambo and Kamau, 2003). Here, the procuring entity uses its database of pre-qualified providers who are directly invited to tender. However, the procuring agent must demonstrate that open tendering is not applicable. An invitation of quotation is another simplified tendering methodology this happens where the procurement agents seek to limit transactions costs, thus preferring to contact the firms that have a proven track record, when calling for quotations. Request for quotations should be addressed to no less than three or more candidates.

Finally, direct or single source method is used where circumstances do not allow for competitive bidding. It is used for small quantities in cases where time may not allow for competitive bidding. However, as Eagan (2005) argues, this type of contract is conducted through informal networks. He argues that it is usually more difficult for SME's, compared to larger enterprises, to have informal access to purchasing agents or departmental heads. Buyers rely on their own lists to solicit vendors in practice, which constitutes a barrier to small businesses, especially the new entrants. This method also makes it difficult to monitor the participation of SMEs as the buyer may not keep records of the purchases.

Restricted and open tendering methods which are complex, time consuming and bear big transaction costs are frequently used in the acquisition of capital goods and complex services. Invitations for quotation/proposals and single sourcing/direct purchase are carried out for goods and services for maintenance and small items. They are simple, price-driven, with simple specifications as well as numerous competing suppliers who usually fall in the acquisition Quadrant (Talero, 2001). In actual practice, government procurements tend to be skewed towards open tendering methods due to accountability purposes and the legal requirements. However, the overall effect of open tendering method makes the process more complex, expensive, contract forming, and time consuming and . This limits, most SMEs from participating in the process.

Procurement is one of the critical areas of Kenya's public financial management system which is undergoing reforms supported by the Public Financial Management Reform Strategy (PFM Strategy) that was launched on 23rd June 2006. The reforms are meant to achieve enhanced utilization of public resources efficiently; ensuring fiscal stability to promote favorable environment for private sector led growth; and strengthen accountability in the management of public finances. A body that was established under the PPDA 2005 was formed to ensure reforms took place, the Public Procurement Oversight Authority (PPOA). The Authority was established on 1st January, 2007 when the Public Procurement and Disposal Act, 2005 came into operation.

Procurement reforms in Kenya have gone through uninterrupted and supported efforts over the years. In 1978, a supplies manual was developed which entailed policies and circulars in a more consistent manner. An all-inclusive public procurement reform programme in Kenya was formally launched on 25th November, 1998. Following this effort, Public Procurement Regulations were passed in year 2001 under the Exchequer

and Audit Act consolidating all the previous circulars that had governed public procurement. Although the public procurement system still experienced institutional weaknesses that undermined its capacity, there was a need to have laws to direct the procurement system in the public sector and establish the necessary bodies that ensured all procurement entities followed the laid out policies and procedures. (GoK, 2001)

The landmark in public procurement reforms came in 2005 when the Public Procurement and Disposal Act, 2005 was enacted by Parliament. It established a semi-autonomous oversight body, the Public Procurement Oversight Authority (PPOA), Public Procurement Oversight Advisory Board and the Public Procurement Administrative Review Board. With the gazettelement of the Public Procurement and Disposal Regulations 2006, the law became operational on 1st January 2007.

2.5.1 The Legal Framework of Procurement in Kenya and its Evolution

The Public Procurement System in Kenya has evolved from a crude system with no regulations to an orderly legally regulated procurement system. The Government's Procurement system was originally contained in the Supplies Manual of 1978, which was supplemented by circulars that were issued from time to time by the Treasury. The Director of Government Supply Services was responsible for ensuring the proper observance of the provisions of the Manual. Public Procurement and Disposal Act, 2005 created the Public Procurement Oversight Authority (PPOA), the Public Procurement Advisory Board (PPAB) and the continuance of the Public Procurement Complaints, Review and Appeals Board as the Public Procurement Administrative Review Board (PPARB) to hear appeals and complaints arising from procurement processes in public entities

2.6 Theoretical Review

This section documents the relevant theories and literature from similar past studies with regard to the objectives of the proposed study. It also presents the conceptual framework that underlies the study. The major theories discussed herein are the legitimacy theory and the agency theory.

2.6.1 Legitimacy Theory

The legitimacy theory states that the organization has the mandate to state its activities to the stakeholders, more specifically to the public and state the benefits the society will get from it. (Wilmshurst and Frost, 2000). A state that is there when an organization's value system is in line with the value system of the society that the organization exists. (Lindblom, 1993).

Legitimacy is a perception that the acts of the organization are acceptable in the constructed system of behavior in the society that it exists in (Suchman, 1995). Legitimacy theory therefore brings in good understanding in the government procurement systems. The concept of legitimacy strongly suggests that the social contract which is between the government and the public can be eliminated. In government procurement context, there are issues (such as cronyism and corruption) that could endanger the legitimacy practice. In accordance to the legitimacy theory, government officers' choices of legitimizing implementation strategies are focused on the interpretation of the local authority or department involved, and different government officers will be likely to have different ideas of what is expected of them from the public and whether the department or agency or local authority is viewed by the society as complying with the expectations that is expected from them (Deegan *et al.*, 2002). The legitimacy theory argues that officers

makes the disclosure practice as a way of building a good reputation among the stakeholders and the society at large (Magness, 2006).

2.6.2 Agency Theory

Agency theory attempts to describe the agency relationship, this is where the principal gives work to the agent who executes the work (Eisenhardt, 1989). There are challenges in such kind of relationship, this is due to the fact that principal and agent have differing objectives and this can result into conflict, in addition it is also difficult for the principal to know what the agent is doing. Principal-agent researchers cover the theory of the principal-agent relationship, as a theory that can be used to access different relationships such as employer-employee, buyer-supplier and other agency relationships.

Agency theory is most relevant in situations in which contracting problems are difficult. This ideally includes situations where there are substantial goal differences between principals and agents and uncertain outcomes that trigger the risk implications of the theory (Eisenhardt, 1989). Eisenhardt (1989.) discusses the assumptions of the theory and raises the issue of principals learning about the agents when there is a long term relationship, when there may be less need for outcome-based contracts. This may be more the case with procurement in the private sector, where there are fewer regulations than in the public sector, and where tendering is not required. Private businesses are free to have long term relationships with software developers and consulting firms.

Jones (1995) suggests that long term relationships with vendors may in the long run lead to higher effectiveness, due to the stability of the relationship being dependent on controlling goal conflicts. Sharma has extended the agency theory and focuses on the principal-professional relationship, where professionals can include consultants (Sharma, 1987).

2.7 Conceptual Framework

The conceptual framework provides a lens through which to explore the effects of the PPDA on procurement in Parastatals in Kenya, reflecting the importance and nature of policies concerning public procurement, by providing an overview of the character of such policies within parts of the public sector. The framework is applicable for a public procurement context. According to Prajogo et, al. (2008), the public procurement and oversight authority (PPOA) has a major impact on the effectiveness of procurement in public entities. Mwangi (2010) notes that it has become a common trend for losing bidders to rush to the PPOA to file complaints. The appeal process is usually slow as the public procurement administrative review board (PPRAB)'s capacity is stretched. This slows down the procurement and compromises the competitive position of those public entities in the commercial segment as they cannot keep the paces et by their counterparts in the private sector.

The concept of competency and professionalism of the purchasing staff is important and relates not only to the levels of education and qualifications of the workforce but also to the professional approach in the conduct of business activities it is also an ethical and moral concern .Purchasing professionals recognize that administrative action is permeated by their moral choices and are therefore officials involved in public procurement must not make improper use of their positions while the application of the highest ethical standards will help ensure the best achievable procurement outcome. Competent buyers must be aware of the requirements of public procurement directives and their own processes and procedures According to Aho *et., al* (2006), the incompetency of the purchasing professionals who award contracts without following due process has resulted in claims for damages from potential suppliers leading to loss of

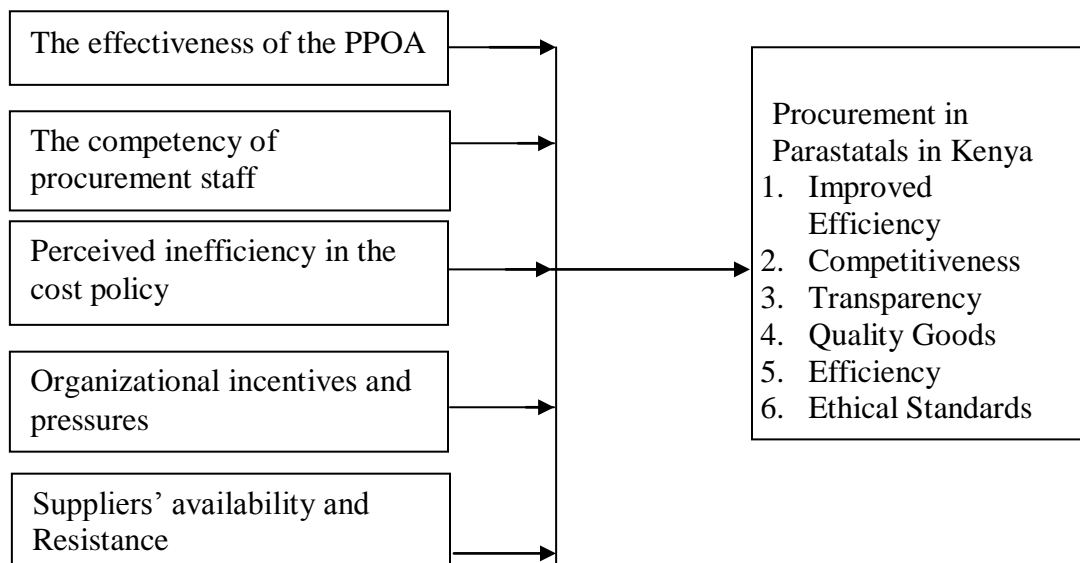
taxpayers' money and poor quality work. Therefore incompetency negatively affects the procurement in the public sector enterprises.

The procurement procedures in the public sector have been heavily criticized of being bureaucratic and complex (Mukasa, 2010). This has led to poor perception amongst potential suppliers. The negative perception has in turn led poor response from experienced and qualified suppliers whenever the tenders are floated by public entities. Moreover, although the public procurement and disposal act has introduced the much needed sanity and transparency, the sector is still shrouded by the image of the former self prior to the introduction of the PPDA that was characterized by corruption and kickbacks hence some suppliers are still reluctant to bid for the tenders. This negative perception therefore negatively impacts on these organizations.

Figure 2. 1: Conceptual Framework

Independent variables

Dependent Variable



(Source; Research Data, 2012)

According to Muturi(2007), the procurement system in the public entities generally lack incentives to encourage good suppliers to do business with them. For instance the guidelines discourage supplier development and collaborations due to the short term

nature of most corporations' contracts. Secondly the payment procedures from goods supplied and works done, take long time to release. Goldman *et al.*,(2006) notes that this short term attitude in turn leads to suppliers' low variety and resistance to supply to public entities.

Figure 2.1: Conceptual model of the influences on public procurement (adapted from Gelderman *et al.*, 2006) The framework is developed in the context of examining the influences upon compliance with public procurement tendering directives (Odhiambo and Kamau, 2005) and provides a useful a road map for examining the influences on the degree to which any aspect of public procurement policy translates into practice.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology that was used to carry out this research study. It embodied the research design, population under consideration, sampling design, data collection methods, research procedures and the methodology that the researcher employed in the study.

3.2 Research Design

The study adopted a cross sectional descriptive research design. Strauss and Corbin, (1994) defined a descriptive research as a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in study. It involves formulating the objectives of the study, designing the methods of data collection, selecting the sample, data collection and analyzing the results. Mugenda & Mugenda (1999) state that the design provides an in-depth account of events, relationships, experience or processes accruing in that particular instance.

Moreover previous researches like Amolo (2005), Muendo (2006), Muturi (2007) and Mukasa (2010) have successfully employed the descriptive research design and is the most appropriate when investigating this subject matter (Meng, 2010) and (Gadde, and Dubois, 2000). Therefore this design will be adopted since it will provide an opportunity for in-depth study into effects of PPDA on public procurement.

3.3 Population

For the purposes of this study, the population of interest was all Parastatals in Kenya based in the Nairobi County. The population of interest was divided into eight strata

(sectors). The parastatals straddle across all sectors of the economy. According to Datamax website the total population of all the parastatals in Kenya as at December 2011 stands at 122. The facts studied did not vary substantially by sectors of the economy and were therefore allowed for generalization of the results on similar organizations (Khakina, 2006).

3.4 Sample Design

The study adopted proportionate stratified Sampling design; this is any sampling method where each element of the population has an equal chance of being selected. Mugenda and Mugenda (2003) contend that a sample size should be at least 30 respondents or 10% of the target population. The sampling specifically focused on the parastatals in Nairobi.

The 122 (see appendix I) corporations were assigned numbers. Thirty (30) were then picked using random tables to constitute the sample as depicted in table 3.1. This constitutes approximately 24% of the sampling population. A similar and successful study Muturi (2007) involved an equivalent sample.

Table 3.1: Sampling

Sector	Population	Sample (10%)
Agriculture	32	7
Environment and Natural Resources	7	2
Energy and Petroleum	8	2
Manufacturing and Allied	16	4
Construction and Allied	13	4
Tourism	21	5
Telecommunication and Technology	13	4
Commercial Services	12	2
Total	122	30

Source: Datamax 2011.

3.5 Data Collection

Primary data was collected for the purpose of this study. It was collected using interviewer administered questionnaires. The questionnaires were piloted with three subject experts before final administration. This was done to cross verify the contents, structure and nature of the questions asked and improve validity (Mitchell, 1996). Administration of the questionnaire was on a drop and pick basis, the study will solicit data from chief procurement officers or their equivalent in target institutions. Sections A of the questionnaire contain information on respondents' details and organizations under study while section B contained questions on procurement processes. Section C contained information on the limitations and challenges of the PPDA.

3.6 Data Analysis

The filled questionnaires was inspected for completeness and edited. Descriptive statistics: regression analysis was used to determine the effect of PPDA on the procurement processes in parastatals from information contained in Sections A and B of the questionnaire. Standard deviation, range and co-efficient of variation were used to determine the challenges in implementing the PPDA using data contained in section C of the questionnaire. In addition, content analysis was used to analyze qualitative information collected in the survey. This was used to support the results of quantitative analysis in drawing conclusions and recommendations. The data collected from this study was mainly presented using, tables.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objectives and methodology. The study findings and discussions are presented on the effects of PPDA on public procurement in Parastatals in Kenya.

4.1.1 Response Rate

The study targeted a sample of 30 respondents. As Table 4.1 below shows, 22 respondents filled in and returned the questionnaire giving a response rate of 73%. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires. This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

Table 4. 1: Response Rate

Response	Frequency	Percent
Responses	22	73
Non-responses	8	27
Total	30	100

Source: (Research Data, 2012)

4.2 Demographic Information

4.2.1 Sector of the Parastatal

The study sought to establish the sector in which the Parastatal operated. The study findings were as shown in the table 4.2:

Table 4. 2: Sector of the parastatals

Sector	Frequency	Percent
Commercial and services	5	23%
Manufacturing and Allied	3	14%
Environment and Natural Recourses	3	14%
Agricultural	4	18%
Energy and Petroleum	4	18%
Tourisim	1	5%
Construction and Allied	1	5%
Telecommunications and Technology	1	5%
Total	22	100%

Source: (Research Data, 2012)

From the research findings, 23% of the parastatals were in the commercial and services sector followed by manufacturing and allied and other categories at 14% each. Agriculture, energy and petroleum, banking and insurance comprised of 9% of the parastatals that responded. Investment, construction and telecommunication sectors were represented by 5% each. There was no respondent from the automobile and accessories sector. These finding indicate the diversity of the parastatals that responded in this study.

4.2.2 Number years the respondents had worked

The study sought to establish the length of time the respondents had worked in the parastatals that responded in the study.

The research findings were as listed in the table 4.3:

Table 4. 3: Number years worked

Number of Years	Frequency	Percent
2 to 5 Years	7	32%
10-1 5 Years	5	23%
15-20Years	3	14%
5-10Years	3	14%
Below 2 Years	2	9%
Over 20 Years	2	9%
Total	22	100%

Source: (Research Data, 2012)

From the study findings shown in the table 4.2.1 above, 32% of the respondents had worked for 2-5 years followed by those who had worked for 10-15 years at 23%. 14% of the respondents had worked for 15-20 years and 5-10 years each. 9% each had worked for a period of below 2 years and over 20 years.

4.3 Procurement Processes

The study set to establish the procurement method commonly used in government parastatals. The respondents were required to indicate all the tendering method they applied. The findings were as shown in the table 4.4

Table 4.4 Procurement Processes

Tendering System	Frequency	Percent
Open Tendering	22	100%
Restricted Tendering	9	41%
Direct Tendering	11	50%
Other	6	27%

Source: (Research Data, 2012)

From the research finding above the study established that all the parastatals (100%) applied open tendering system, 41% of the parastatals operated restricted tendering where they from time to time send request for proposals to only the suppliers in their database. 11% of the respondents also applied direct tendering systems in addition to open tendering system. This provided them with leeway to reduce costs of tendering especially where the contract values were small. 27% of the parastatals operated other tendering systems as situations demanded from time to time.

4.3.1 Means through Which Parastatals Invited Suppliers to Bid for Tenders

The study further sought to establish the means through which the parastatals invited suppliers to bid for tenders. The findings were as indicated in the table 4.3.1:

Table 4.4 : Invitation for Bidding

Means	Frequency	Percent
Newspaper advertisements	22	100%
Email invitations	19	86%
Company websites	18	82%
Request for Proposals	20	91%
Professional Magazines	3	14%
Other	11	50%

Source: (Research Data, 2012)

From the data presented in the table 4.5 above, the study established that all (100%) the parastatals that responded invited bids for tenders through newspaper advertisements. 86% of the parastatals also employed use of emails during the invitation for bids for tenders. Emails were mainly used where the parastatals had already prequalified a list of suppliers. In such a way, the parastatals were at liberty to contact the prequalified suppliers through all the available means of communication including emails. 82% of the parastatals also made use of their websites in posting the tenders

together with the tender requirements for any supplier who wanted to access such documentation. In addition, the use of websites ensured easy access and downloading of tender documents for potential suppliers. 91% of the respondents also made use of request for proposals where they send requests of proposals that contained the terms and conditions regarding a given tender together with the tender evaluation procedures. This assisted the suppliers in the customization of their tender bidding documents to the requirements of the Parastatal. 14% of the parastatals indicated that they used professional magazines in their tender invitation processes. In addition to the above tendering systems, 50% of the respondents indicated that they also used other tendering systems.

On whether the prospective bidders were invited for a pre bid conference, 41% of the respondents indicated that their parastatals did invite suppliers for a pre-bidding conference where they were provided with more information as regarded the tender and how they were required to do their proposals. However, 59% of the respondents indicated that their organizations did not have any pre-bidding conference for their suppliers. They instead provided a window period within which the prospective suppliers were required to raise any inquiries as regarded the tender.

4.4 Factors affecting the use of Procurement Method(s) among Parastatals

The respondents were asked to indicate their levels of agreement with the various statements on factors that affected the use of procurement methods discussed above. The response options ranged from 1-5 Where 5= most important, 4= important, 3= neutral, 2=less important and 1= not important

Table 4. 5: Factors affecting the use of procurement method

	Mean	Standard Deviation
The provisions and guidelines of Public procurement and Disposal Act	4.6243	0.5618
Commitment to continuous improvement by the supplier	4.2816	0.7139
The level of trust	3.486	1.2481
Past performance of the supplier	3.8194	1.0253
Influence by senior management	3.9581	1.3054
The number of suppliers in the market	2.8914	1.8169
The lead times allowable	3.8473	1.3510
Quality issues	3.5618	1.2914
Confidential nature of the contracts	3.9187	1.0816
The purchasing budget	4.3618	0.6814

Source: (Research Data, 2012)

From the above findings, respondents indicated that provisions and guidelines of Public procurement and Disposal Act was very important factor that affected the use of procurement methods as supported by a mean of 4.6243. Commitment to continuous improvement by the supplier was an important factor as supported by a mean of 4.2816. However, respondents were neutral to the fact that the level of trust affected procurement method with a mean of 3.486.

On whether past performance of the supplier affected procurement, respondents indicated it was an important factor to the process with a mean of 3.8194. Influence by senior management was an important factor to the process as supported by a mean of 3.9581. Asked whether the number of suppliers in the market affected the process; respondents were neutral with a mean of 2.8914. On whether the lead times allowable

affected the process, respondents indicated it as important as supported by a mean of 3.8473.

The study further sought to establish whether quality issues affected the process. Respondents indicated that it was an important factor with a mean of 3.5618. They also indicate that confidential nature of the contracts was important with a mean of 3.9187. Finally the purchasing budget was an important factor as supported by a mean of 4.3618.

The study sought to establish the evaluation criteria during the renewal of a contract with a given supplier. From the data collected, the respondents indicated that their organizations evaluated several factors including the performance of the supplier during the just ended financial period. Under performance, the organizations evaluated the capacity of the supplier, timeliness in the delivery of services or goods, the quality of services and goods supplied financial stability of the supplier, the renewal terms suggested by the supplier among other parameters. The organizations also considered their procurement rules and regulations as regarded the renewal of contracts so as to ensure they acted within the provisions of the laws.

4.5 Methods Used to Evaluate Supplier's Performance

The study set to find out the methods used to evaluate supplier's performance after the award of contract.

Table 4. 6: Methods for Evaluation

Evaluation Method	Frequency	Percent
Check list	21	95%
Formal Supplier Review template	19	86%
Self-Evaluation	19	86%
Peer Review	18	82%
Benchmarking	16	73%
Questionnaires to user departments	14	64%
Trend Analysis	13	59%
Critical Incident Method	9	41%

Source: (Research Data, 2012)

On the above findings, Check list was the most used method at 95% followed closely by Formal Supplier Review template and Self Evaluation at 86% each. Peer Review was at 82%, Benchmarking at 73%, Questionnaires to user departments at 64%, Trend Analysis at 59% and finally the least used method was Critical Incident at 41%.

4.6 Effects of the Public Procurement Disposal Act

The study sought to establish the effect of public procurement disposal act on the organizations during the process of procurement. The respondents were required to score the level of their agreement with various statements on the PPDA. The scale ranged from of 1-5 where 1=very small extent, 2=small extent, 3=some extent, 4= great extent, 5= very great extent. The study computed means and standard deviation to help measure effect of public procurement disposal act. The findings are illustrated in the table 4.6

Table 4. 7: Effects of PPDA

	Mean	Standard deviation
PPDA has improved the speed with which parastatals procure goods and services	3.2581	1.5160
PPDA has improved the competitiveness of the procurement processes among parastatals	3.5461	1.2894
PPDA has improved the competitiveness of the procurement processes among parastatals	3.3718	1.641
PPDA has increased the level of transparency among parastatals in procurement	3.4910	1.1841
PPDA had improved the quality of services and goods delivered by the suppliers	3.9147	0.9184
PPDA has reduced biasness in awarding of contracts by parastatals	3.1083	1.6187
PPDA has promoted ethical standards among Parastatals in procurement	3.6891	1.4813
PPDA has promoted innovation among Parastatals	2.7163	1.0942

Source: (Research Data, 2012)

From the above findings, respondents agreed that to some extent PPDA had improved the speed with which parastatals procured goods and services as supported by a mean of 3.2581. Asked whether PPDA had improved the competitiveness of the procurement processes among parastatals, which respondents agreed to a great extent with mean of 3.5461. Respondents also indicated that to some extent PPDA had improved the competitiveness of the procurement processes among parastatals as supported by a mean of 3.3718. PPDA had increased the level of transparency to some extent too with mean of 3.4910. To a great extent PPDA had improved the quality of services and goods delivered by the suppliers as shown by mean of 3.9147.

However respondents were neutral to the fact that PPDA had reduced biasness in awarding of contracts by parastatals with a mean of 3.1083. The study further sought to establish whether PPDA had promoted ethical standards among Parastatals in procurement which was agreed at a great extent with a mean of 3.6891. Finally, to some extent PPDA had promoted innovation among Parastatals as supported by a mean of 2.7163.

4.7 Challenges of Public Procurement and Disposal Act

The study sought to establish the challenges of PPDA on the organizations. The scale ranged from of 1-5 where (1) Very Small Extent, (2) Small Extent (3) Some Extent, (4) Great extent (5) Very great Extent The study computed means and standard deviation as illustrated in the table 4.7.

Table 4.8 Challenges of PPDA

	Mean	Standard Deviation
Lack of commitment from top management	2.8642	1.0846
Interference of the process by government officials in the tendering process	3.1087	1.0157
Corrupt officers	3.7162	1.3846
Lack of qualified procurement professionals	3.1054	1.0549
Lack of unresponsive bids	3.8691	1.1186
Ignorance of the PPDA guidelines	3.7493	1.2183
Inefficiency of the PPOA on enforcing the penalties to the offenders	3.9641	0.9837
Inadequate budgetary allocation for the purchasing function	3.4916	1.1583
Organizations' culture and the desire to maintain the status quo	3.1364	0.9356
Inefficiency of the treasury in releasing money to the due departments	3.2818	1.3415
Lack of organizational incentives and pressures for Public procurement guidelines implementation	3.6184	1.0546
Few suppliers in the Market	2.8318	1.0548
Conflict between the PPDA and donor guidelines	2.9170	1.3564

Source: (Research Data, 2012)

The study sought to establish whether lack of commitment from top management was a challenge of PPDA which respondents agreed to some extent is with a mean of 2.8642. They also agreed to some extent that interference of the process by government officials in the tendering process was a challenge. Respondents however agreed that corrupt officers were a great challenge as supported by mean of 3.7162. They however indicated that lack of qualified procurement professionals was to some extent a challenge as supported by a mean of 3.1054. To a great extent lack of unresponsive bids was a challenge as supported by a mean of 3.8691. In addition ignorance of the PPDA guidelines was to some great extent a challenge with a mean 3.7493. Further inefficiency of the PPOA on enforcing the penalties to the offenders was also to some extent a challenge as supported with a mean of 3.9641.

However, inadequate budgetary allocation for the purchasing function was agreed to some extent as a challenge with a mean of 3.4916. In addition organizations' culture and the desire to maintain the status quo was also agreed to some extent as supported with a mean of 3.1364. Asked whether inefficiency of the treasury in releasing money to the due departments was a challenge of which respondents agreed to some extent with a mean of 3.2818. Lack of organizational incentives and pressures for Public procurement guidelines implementation was agreed as a challenge to a great extent with a mean of 3.6184. To some extent, few suppliers in the Market and conflict between the PPDA and donor guidelines were challenges as supported with a means of 2.8318, 2.9170 respectively.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendations that were made. The conclusions and recommendations drawn were in quest of addressing research objectives of the effects of PPDA on public procurement in Parastatals in Kenya.

5.2 Summary of the Findings

The study targeted a sample of 30 respondents out of which 22 respondents filled in and returned the questionnaire giving a response rate of 73%. Of the parastatals that responded, 23% were in the commercial and services sector followed by manufacturing and allied and other categories at 14% each. Agriculture, and energy and petroleum, comprised of 18% of the parastatals that responded. Tourism, construction and Allied and telecommunication and energy sectors were represented by 5% each.

On the procurement method commonly used in government parastatals, the study concluded that all the parastatals applied open tendering system. It also concluded that 41% of the parastatals operated restricted tendering where they from time to time send request for proposals to only the suppliers in their database, 11% of the respondents applied direct tendering systems in addition to open tendering system in order to save on costs especially where the contract values are small while 27% of the parastatals operated other tendering systems as situations demanded from time to time.

On the means through which the parastatals invited suppliers to bid for tenders, the study concluded that all (100%) the parastatals that responded invited bids for tenders through newspaper advertisements. It further concluded that 86% of the parastatals also

employed use of emails during the invitation for bids for tenders, 82% of the parastatals also made use of their websites in posting the tenders together with the tender requirements for any supplier who wanted to access such documentation, 91% of the respondents also made use of request for proposals where they send requests of proposals that contained the terms and conditions regarding a given tender together with the tender evaluation procedures, 14% of the parastatals indicated that they used professional magazines in their tender invitation processes while 50% of the respondents indicated that they also used other tendering systems.

On whether prospective bidders were invited for a pre bid conference the study concluded that 41% of parastatals did invite suppliers for a pre-bidding conference where they were provided with more information as regarded the tender and how they were required to do their proposals. It also concluded that 59% of organizations did not have any pre-bidding conference for their suppliers. They instead provided a window period within which the prospective suppliers were required to raise any inquiries as regarded the tender.

On the factors that affected the procurement method, the study concluded that provisions and guidelines of Public procurement and Disposal Act was very important factor that affected the use of procurement methods. It further concluded that commitment to continuous improvement by the supplier, past performance of the supplier, influence by senior management, lead times allowable, and quality issues, confidential nature of the contracts and the purchasing budget were important factors that affected the procurement method by the parastatal.

On the effects of public procurement to disposal Act, the study further concluded that PPDA improved the competitiveness of the procurement processes among parastatals. In

addition PPDA improved the quality of services and goods delivered, and finally it promoted ethical standards among Parastatals in procurement.

On the challenges of PPDA, the study concluded that corrupt officers, unresponsive bids, ignorance of the PPDA guidelines, inefficiency of the PPOA on enforcing the penalties to the offenders and lack of organizational incentives & pressures for Public procurement guidelines implementation were to a great extent challenges.

5.3 Conclusions of the Study

The study concludes that PPDA improves the competitiveness of the procurement processes among parastatals. It further concludes that it improves quality of services, goods delivered, and finally it promotes ethical standards among Parastatals in procurement. In addition, the study concludes that corrupt officers, unresponsive bids, ignorance of the PPDA guidelines, inefficiency of the PPOA on enforcing the penalties to the offenders and lack of organizational incentives & pressures for Public procurement guidelines implementation are challenges to the PPDA to a great extent. This is comparative as it was highlighted in the literature review.

5.4 Limitations of the Study

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on the effect of the PPDA on procurement in parastatals in Kenya. The study relied purely on responses from the respondents and did not visit all the thirty parastatals grounds where the questionnaires were dropped for follow up. Due to limited time the study could not collect information through observation of the procurement process over a period of time to assess the performance. The study, however, minimized these by

collecting information from the main stakeholders who are involved in the procurement process in the parastatals.

5.5 Suggestions for Further Research

The study recommends that another study to be done on the effects of PPDA on public procurement in all Parastatals in Kenya how it affects the performance of the procurement process in the public sector. This will allow for generalization of the findings on the determinants of financial performance. In addition a further study can be done on how the PPDA affects procurement in Private Sector in their engagement with the Public sector Procurement.

5.6 Recommendations

From the above presentations of summary and conclusion, the study makes the following recommendations on the effects of PPDA on public procurement in Kenya. That the government and policy makers in these institutions enhance their efforts in eradicating the challenges associated with PPDA. Mechanisms should be put in place to ensure eradication of corrupt officials in these organizations. Incentives should also be provided to the officials implementing PPDA in order to ensure better guidelines in the process.

The study should be used by managements of these institutions in embracing the positives of PPDA in their organizations and thereby putting mechanisms that would ensure all the employees are in knowledge of the Act for the purpose of implementation for the purpose of efficiency in procurement.

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APPENDICES

Appendix I: Questionnaire

Sections A of the questionnaire contain information on respondents' details and organizations under study while section B contains questions on procurement processes. Section C contains information on the limitations and challenges of the PPDA

1. Name of the Respondent's Organization.....

2. Sector

Agricultural

Commercial and services

Tourism

Energy and Petroleum

Construction and allied

Environment and Natural recourses

Environment and Natural Recourses

Telecommunications and Technology

3. Kindly indicate the number of years you have worked for the Company?

Bellow 2Years

2 to 5 Years

5-10Years

10-15 Years

15-20Years

Over 20 Years

Others (Indicate).....

B: PROCUREMENT PROCESSES

4. Kindly indicate the procurement method commonly used in your organization.

Open Tendering

Restricted Tendering

Direct Tendering

Other

5. Kindly indicate the means through which you invite suppliers to bid for tenders in your organization.

Newspaper advertisements

Email invitations

Company websites

Request for Proposals

Professional Magazines

Other

6. Are prospective bidders invited for a pre bid conference?

Yes

No

7. In a scale of 1-5, indicate the extent to which the following factors affect your organization to use the procurement method(s) indicated in 9 above. Where 5= most important, 4= important, 3= neutral, 2=less important and 1= not important.

	5	4	3	2	1
The provisions and guidelines of Public procurement and Disposal Act					
Commitment to continuous improvement by the supplier					
The level of trust					
Past performance of the supplier					
Influence by senior management					
The number of suppliers in the market					
The lead times allowable					
Quality issues					
Confidential nature of the contracts					
The purchasing budget					
Others1.					
2.					
3.					

8. In awarding the contract what are the renewal terms in the next phase/.....
.....
.....

9. What methods are used to evaluate the supplier's performance after the award of the contact?

- Formal Supplier Review template
- Questionnaires to user departments
- Benchmarking
- Peer Review
- Trend Analysis
- Self-Evaluation
- Check list
- Critical Incident Method

Effects of Public Procurement Disposal Act

Listed in the table below are some of the effects of Public Procurement and Disposal Act. Please indicate the extent to which you agree with each statement given the scale of 1-5 where 1=very small extent,2=small extent,3=some extent,4= great extent, 5= very great extent.

	Very Small Extent	Small Extent	Some Extent	Great extent	Very great Extent
PPDA has improved the speed with which parastatals procure goods and services					
PPDA has improved the competitiveness of the procurement processes among parastatals					
PPDA has improved the competitiveness of the procurement processes among parastatals					
PPDA has increased the level of transparency among parastatals in procurement					
PPDA had improved the quality of services and goods delivered by the suppliers					
PPDA has reduced biasness in awarding of contracts by parastatals					
PPDA has promoted ethical standards among Parastatals in procurement					
PPDA has promoted innovation among Parastatals					

In your opinion, in what ways apart from the ones listed above has PPDA has affected the procurement processes in the government parastatals?

CHALLENGES OF PPDA

10. In the statements provided below, state the extent to which the following challenges have hampered the implementation of the PPDA in your Organizations where (1) **Very Small Extent**, (2) **Small Extent** (3) **Some Extent**, (4) **Great extent** (5) **Very great Extent** (√) as appropriate.

	Very Small Extent	Small Extent	Some Extent	Great extent	Very great Extent
Lack of commitment from top management					
Interference of the process by government officials in the tendering process					
Corrupt officers/					
Lack of qualified procurement professionals					
Lack of unresponsive bids					
Ignorance of the PPDA guidelines					
Inefficiency of the PPOA on enforcing the penalties to the offenders					
Inadequate budgetary allocation for the purchasing function					
Organizations' culture and the desire to maintain the status quo					
Inefficiency of the treasury in releasing money to the due departments					
Lack of organizational incentives and pressures for Public procurement guidelines implementation					
Few suppliers in the Market					
Conflict between the PPDA and donor guidelines					
Others 1.					
2.					
3.					
4.					

THANK YOU FOR YOUR TIME

Appendix II: List of Government Parastatals

1. Agricultural Development Corporation
2. Agricultural Finance Corporation
3. Agro Chemical & Food Company Ltd
4. Athi Water Services Board
5. Bomas of Kenya Ltd
6. Capital Markets Authority
7. Catchment Area Advisory Committee
8. Catering Tourism and Training Development Levy Trustees
9. Central Water Services Board
10. Chemilil Sugar Company Limited
11. Coast Development Authority
12. Coast Water Services Board
13. Coffee Board Of Kenya
14. Coffee Research Foundation
15. Commision for Higher Education
16. Communication Commission of Kenya
17. Consolidated Bank of Kenya
18. Cooperative College of Kenya
19. Council for Legal Education
20. Deposit Protection Fund Board

21. East African Portland Cement Co.
22. Egerton University
23. Ewaso Ng'iro South Development Authority
24. Export Processing Zone Authority
25. Export Promotion Council
26. Gilgil Telecommunications industries
27. Higher Education Loans Board
28. Horticultural Crops Development Authority
29. Industrial and Commercial Development Corporation
30. Industrial Development Bank
31. Investment Promotion Centre
32. Jomo Kenyatta University of Agriculture and Technology
33. Kenya Association of secretariats and National Examination Board
34. Kenya Agricultural Research Institute
35. Kenya Airports Authority
36. Kenya Anti-Corruption Commission
37. Kenya Broadcasting Corporation
38. Kenya Bureau of Standards
39. Kenya Civil Aviation Authority
40. Multimedia University College
41. Kenya Dairy Board

42. Kenya Electricity Generating Company
43. Kenya Ferry Services Limited
44. Kenya Forestry Research Institute
45. Kenya Industrial Estates
46. Kenya Industrial Property Institute
47. Kenya Industrial Research & Development Institute
48. Kenya Institute Of Administration
49. Kenya Institute of Public Policy Research and Analysis
50. Kenya Literature Bureau
51. Kenya Marine & Fisheries Research Institute
52. Kenya Maritime Authority
53. Kenya Meat Commission
54. Kenya National Assurance Company
55. Kenya National Examination Council
56. Kenya National Library Service
57. Kenya National Shipping Line
58. Kenya National Trading Corporation Limited
59. Kenya Ordinance Factories Corporation
60. Kenya Pipeline Company Ltd
61. Kenya Plant Health Inspectorate Services
62. Kenya Ports Authority

63. Kenya Post Office Savings Bank
64. Kenya Railways Corporation
65. Kenya Re-insurance Corporation
66. Kenya Revenue Authority
67. Kenya Roads Board
68. Kenya Safari Lodges & Hotels
69. Kenya Seed Company Ltd
70. Kenya Sisal Board
71. Kenya Sugar Board
72. Kenya Sugar Research Foundation
73. Kenya Tourist Board
74. Kenya Tourist Development Corporation
75. Kenya Utalii College
76. Kenya Water Institute
77. Kenya Wildlife Service
78. Kenya Wine Agencies Limited
79. Kenyatta International Conference Centre
80. Kenyatta University
81. Kerio Valley Development Authority
82. Lake Basin Development Authority
83. Lake Victoria South Water Service Board

84. Local Authority Provident Fund
85. Maseno university
86. Moi University
87. National Aids Control Council
88. National Bank of Kenya
89. National Cereals and Produce Board
90. National Council for Law Reporting
91. National Environmental Management Authority
92. National Hospital Insurance Fund
93. National Housing Corporation
94. National Irrigation Board
95. National Museums of Kenya
96. National Oil Corporation of Kenya Ltd
97. National Social Security Fund(NSSF)
98. National Water Conservation and Pipeline Corporation
99. National Co-ordinating Agency for Population and
Development
100. New K.C.C
101. NGO's Co-ordination Bureau
102. Numerical Machining Complex
103. Nyayo Tea Zones Development Corporation
104. Nzoia Sugar Company

105. Pest Control Products Board
106. Postal Corporation of Kenya
107. Pyrethrum Board of Kenya
108. Retirement Benefits Authority
109. Rift Valley Water Services Board
110. School Equipment Production Unit
111. South Nyanza Sugar Company
112. Sports Stadia Management Board
113. Tana and Athi Rivers Development Authority
114. Tea Board Of Kenya
115. Tea Research Fountation Of Kenya
116. Teachers Service Commission
117. Telkom (k) Ltd
118. University of Nairobi
119. University of Nairobi Enterprises & Services Ltd
120. Water Resources Management Authority
121. Water Services Regulatory Board
122. Masinde Muliro University of Science and Technology

