Effects of Public Procurement Reforms on Service Delivery at National Spinal Injury Referral Hospital, Nairobi

*Caroline Wambui Thuo & **Dr Agnes Njeru

*Student, **Lecturer
Department of Business and Social Science,
School of Human Resource Development,
Jomo Kenyatta University of Agriculture and Technology,
Kenya
caroline.thuo@yahoo.com
agneswnjeru@yahoo.co.uk

Abstract

This paper presents the effect of Public Procurement Reforms on service delivery at National Spinal Injury Referral Hospital, Nairobi. Public procurement system in Kenya has undergone significant development in the past decades; where there was no procurement law but used Treasury circulars. The enactment of the Public Procurement and Disposal Act of 2005 and the Regulation of 2006 was the major step to reforming Public Procurement with the aim of it to being more efficient and transparent. Findings showed that non-involvement of Hands of Department on contract management affected negatively service delivery. Prolonged procurement cycles affected service delivery hence dissatisfaction and demoralization of staff because of frequent stock out. This paper conclude by emphasizing that there is imperative for the development of effective procurement system by training all public procurement stakeholders on PPDA of 2005 and Regulation and Heads of departments should be involved in the contract management.

Keywords, Lead time, Procurement Reforms, Public confidences, Transparency in procurement, Value for money

Introduction

National Spinal Injury Referral Hospital (NSIRH) is a referral health facility that offers care to persons with spinal cord injury, and also offers rehabilitation services. The hospital is under the Ministry of Health and it is funded by the government of Kenya (GOK) hence adhere to Public Procurement & Disposal Act of 2005(PPDA) and the Regulation 2006.

Public procurement include the process of acquiring goods, works and services involving the use of public money to accomplish specified public purposes, beginning with the identification of a need and ending with completion of the contract. PPDA of 2005 and Regulation of 2006 were enacted to introduce procedures for efficient public procurement, with the objectives of maximizing economy and efficiency, promote competition, promote integrity and fairness of procurement procedures, to enhance transparency.
and accountability, to restore public confidence in procurement process and to facilitate the promotion of local industries and economic development PPOA (2012).

Public procurement has tremendous impact on the economy, social, political and legal environment White paper (2005). Public entities are the major purchasers of goods, works and services in a country hence influence the size, structure and performances of domestic industries. To this end, it is important for the government from time to time to review the effectiveness and efficiency of its procurement system. If any weakness is identified, then reforms should be introduced to strengthen the procurement system in order to get value for money. Macdonald, Walker, Moussau (2008).

According to white paper (2005) emergence of global economy, increased decentralization of government function, greater discretions power officials and weakness of the current procurement system have led to need of regulating procurement in new ways, hence need for reforms to solve these emerging challenges in the public procurement. Success of public procurement system reforms depends on a clear articulation and understanding of what the legal and regulatory framework seeks to achieve.

Development of Public Procurement Reforms in Kenya

On 25th November 1998 public procurement reform programs were officially launched; basing the findings of the World Bank, which had carried out an assessment on the public procurement in Kenya, and it was found out the country public procurement system had great weakness hence need to forestall it. On 2001 the promulgation of the Exchequer and Audit (Public Procurement) Regulation of 2001 were issued under the unified circulars that governed the procurement system. This saw the abolition of the Central Tender Board (CTB) and establishment of Ministerial Tender Committee, Procurement Appeal Board which now called Public Procurement Administrative Review Board (PPARB) and Public Procurement Directorate as oversight agencies. Onsongo, Okioga, Otieno and Mangare (2012).

Exchequer and Audit (Public Procurement) Regulation of 2001 could not forestall the following problems in the public procurement system; Uncontrolled contract variations, overpricing i.e. buying at inflated prices, lack of a structured authorization of expenditure levels, lack of fair and transparent competition, inappropriate application of procurement methods, ‘air supply’ (non-delivery of goods), excessive delay in the procurement, conflict of interest among players in the procurement system, lack of legal permanence and enforcement, the above challenges were still faced. This necessitated the GOK for further reforming of the public procurement system.

On 2005 Public Procurement and Disposal Act of 2005 (PPDA) was approved by Parliament and gazetted, but it could not be implemented immediately, because there were some institutions e.g. Public Procurement Oversight Authority (PPOA) that were created by the PPDA of 2005 that were absent hence, it was impossible to implement the Act without them, this lead to the Public Procurement and Disposal Regulation of 2006 that led to Operationalization of PPDA of 2005. The Act and the Regulation provided legal bases for transparent, fair, equal, efficient and competitiveness in public procurement procedures. The Act and Regulation also included the disposal of unserviceable, obsolete or surplus stores, assets and equipment by Public Procurement Entities.

In order to support PPOA in it execution of its tasks, an advisory board was established under section 21 of PPDA of 2005. In the Public Procurement Disposal Regulation (PPDR) of 2006 first schedule, set out the threshold matrix that divided procuring entities into 3 classes A, B, C, the second schedule set out the structure and guidelines for the composition of tender committee and documentation, fourth schedule set out standard structure and lay out for the forms for Review, it set out different types of
procurement procedures e.g. open tendering, restricted tendering, request for proposal, direct procurement, low value procurement and specially permitted procurement.

Public Procurement and Disposal (public Private partnerships) Regulation of 2009 was gazette on 16th March 2009, with the aim of enhancing economic stimulation by using public procurement system in promotion of investment and creation of value for money. Some of the value for money drivers were; long term nature of contract, performance measures of contract, increased competition, private sector management, quicker delivery of projects, cost efficiencies, broaden support for public-private partnership.

On 2011 Public Procurement and Disposal (Preference and Reservation) Regulation, was gazetted on 8th June 2011 with the aim at facilitating the promotion of local industry, and economic development by setting preference and reservation, to certain procurement targeted groups identified under the regulations. These target groups are; small and medium size enterprises (SMEs), disadvantage groups, citizen contractors, and local contractors, citizen contractors in joint venture or sub-contracting arrangement with foreign suppliers.

On 2008 PPOA launched the tender portal as a link under its website. The portal was created to enhance transparency and competition in public procurement system. The website provided a platform for publication of the information of tender notices and contract award, a point of retrieving stored information for diverse sources on tenders and contract award. It enables Procuring Entities to advertise their tender online, and suppliers both locally and internationally to access the advertisement and participate on the tendering process.

The development of Financial Management Information System (IFMIS) started in 1998. In February 2011, the Ministry of Finance (now The National Treasury) formulated the IFMIS Re-engineering strategic plan 2011-2013 which provided strategic direction for the re-engineering, re-branding and re-packaging of IFMIS. It main objective is to improve the efficiency and effectiveness of the processes, involved in management of public funds. The ultimate goal of IFMIS is to enhance the quality of public service delivery by providing timely and accurate financial and accounting information across both the National and County Governments. One of the components of IFMIS is the Procure to pay (P2P) as an automated procurement process from requisition, tendering, contract award to payment.

As part of the e-government, PPOA had proposed to implement an e-procurement system for procuring entities with the following objectives, transparency by making the information available in the internet, cost saving due to high competition, cost saving through demand aggregation, reduce inventory costs through improvement of planning and management of the inventory leading to lower levels of inventory. PPOA has come up with strategic plan which run from 2010-2014 to assist with the development, implementation and regulate the public procurement system by ensuring government get value for money, loss of public funds on procurement to be minimized, optimized resource allocation for the various prioritized government project and procure goods works and service are delivered on time. The constitution of Kenya 2010, in the Public Finance Act has committed the government to the principle of good financial governances of transparence, target orientation of cost-efficiency Constitution of Kenya (2010).

Statement of the Problem

Kenya public procurement process is paramount for effective service delivery. According to Musamali (2010), Kenya health care Reforms have been in piecemeal, leading to the concentration of the
reforms process to focus on funds rather than core service delivery. This has led to neglecting the effective of public tender committee performance, supply of goods, service and works and public confidence on service delivery, which plays an important role in supporting medical and non-medical activities in service delivery.

Despite enactment of the PPDA of 2005 and the Regulation of 2006, that provides a legal framework that governs all business activities in the procuring entities Onsongo et al (2012) there still faced by procuring entities e.g. disclosure of information, expensive advertisement on the print media, transparency, giving equal opportunity for women and minorities, contract requirement, disputes and breach of contract are under the same Act (PPDA of 2005)

Public Procurement has important economic and political implications to the country Raymond (2008). In order for the government of Kenya to achieve the Millennium Development Goal (MDG) and vision 2030; public procurement should contribute to quality and efficient health care delivery, reduce poverty and promote economic growth, by allocating public revenue to the Ministry of Health (MOH); to provide Kenyans with equitable accessible and affordable health. This can only be achieved by the hospital through getting value for money, transparent and accountable procurement process which is provided for in the procurement reforms via the PPDA of 2005 and the Regulation of 2006.

Dolbeer (2011) points out that the problem with Procurement Reforms that are in PPDA of 2005 and the Regulation of 2006 is that there is lack of consensus, between the length in which reforms processes should be carried out, and stages of checking success. There are no clear key performance indicators to gauge whether procurement reforms in PPDA of 2005 and Regulation of 2006 have resulted to quality and efficient service delivery in the hospital.

Performance of the NSIRH Tender committee in service delivery

Healthcare industry is subjected to intensive debate on reforms, and coincidently it is the most complex of a purposeful organization that perhaps that exist which constantly deal with life and death matters. Therefore, the principal reason to the enactment of PPDA of 2005 and Regulation of 2006 was to have a legal regime that weeds out the inefficiencies in the procurement process, remove pattern of abuse of public funds and failure of the public purchaser to obtain adequate value for money in return for the expenditure of the public funds. Kenyanya, Francis and Onyango (2010)

There is systematic procurement planning that is established by the PPDA of 2005 and Regulation, but it’s not complied with hence hindering transparency, accountability and procuring entity not getting value for money, Kenyanya et al (2010). The exiting Institution developed capacity in procuring entity through the Tender committee should improve the service delivery of the hospital by reducing the lead time; by efficiently undertaking the role of the committee speedily to reduce prolong delay of procurement.

PPDA of 2005 and Regulation of 2006 are replete with textual weaknesses that are often being abused by procuring entities Kenyanya et al (2010). The Act and the Regulation have established procuring committees and procedures for transparency and accountability on how decisions should be made in matter relating to public procurement. These committees are; Tender, Procurement, Evaluation, Inspection and Acceptance and Disposal committees.

There has been effort by the government to introduce reforms in the public procurement in order to improve service delivery in the public sector. The framework to this effect has been put in place
through the enactment of the PPDA of 2005 and the Regulation of 2006; this led to establishment of Tender committees which have delegated authority to make decisions concerning procurement on behalf of the NSIRH. The hospital has currently experienced concerns from increased demand to demonstrate results and accountability in service delivery, where the government has increased resources into the hospital.

Tender committee is established in the PPDA of 2005 and Regulation. The second schedule in the Regulation has given the composition (membership) of the tender committee. The main function of this committee is to review the selection of procurement method, where procurement methods other than open tendering will be used. Approve list of pre-qualified firms to submit request for proposal or quotations, selection of successful tender or the proposals. Ascertain that all procurement and disposal undertaken are as per the Act and Regulation, and the terms. Procurement committee function are like the tender committee but it is responsible is below the threshold of the Tender committee as set out in the first schedule (threshold matrix for class A, B and C procuring entities.)

Evaluation committee will evaluate all tenders or proposal received and adherence to the complied set out criteria in the tender document or request for quotations. Inspection and Acceptance committee is mandated to inspect all goods and works to ensure they comply with the terms and specification of the contract. Disposal committee role is to recommend the best method of disposing of unserviceable, obsolete or surplus stores or equipment.

Procurement decisions are fully delegated to the Tender committee through the PPDA of 2005 and the Regulation. This makes it easier for service delivery because members of Tender committee are members of the hospital; knowledge needed by public procurement entities is provided by procurement professional who are stationed in the hospital. Officers who are involved in procurement are given short term procurement training which is carried by PPOA. Sensitization training session targeting both public and private sector on the issues of public procurement are conducted by PPOA.

Study Design

The study adopted descriptive research design in order to provide a framework to examine current conditions, trends and status of events. Descriptive research design is more investigative and focuses on a particular variable factor. It is analytical and often single out a variable factor or individual subject and goes into details and describing them. According to Saundra and Thornhill (2003), such a study was concern with finding out who, what, when, where and how of the relevant phenomena. Descriptive design was therefore most appropriate design for the study.

Target Population

The research focused on National Spinal Injury Referral Hospital in which NSIRH Tender committee members, NSIRH staff, NSIRH Heads of departmental and NSIRH prequalified suppliers contributed to the study. The total number of the target population was 224 respondents.

Sample Technique

This research study used stratified random sampling because it enables the generalization of a larger sample size of percentage of the total population. A sample size of 67 respondents was drawn from the sample frame using simple stratified random sampling to promote the needs for efficiency,
representativeness. This is justifiable by what Kothari (2004) stated that a representative sample could be 30% of target population. The sample size had been shown in table 3.4

Data Collection Instruments

Data collection instruments used was questionnaires. The Questionnaires were used because each respondent was capable to receive the same set of questions in exactly the same way. The questionnaire had both facts and opinion questions to allow respondents to give their opinion, if they agreed to the statement or disagreed, and give fact of the study.

Pilot Testing of the Research Instrument

Pre-testing of the instrument was undertaken prior to the main study on a group of respondents. Sample size of 1% to 10% according Mugenda and Mugenda (2003) of the targeted sample of 67 respondents was sufficient; hence 6 respondents were sampled. These respondents were not used again in the main study. Pilot testing was conducted to determine the suitability, appropriateness and clarity of the questionnaire items in addressing the variables under investigation and at the same time determined the reliability of the instrument. To determine the validity of the instrument, the questionnaire was assessed during the pilot testing on the relevance of the content.

Data Analysis Methods

The data that was collected, was edited, coded and classified so as to present the results of the data analysis in a systematic and clear way. The study used descriptive statistics and integrated both qualitative and quantitative techniques in the data analysis. The study aimed at simplifying and making good analysis of the data which was collected so as to make the information easily intelligible; by the use of pie charts, graphs or tables, the data was presented diagrammatically. This type of presentation was more efficient in that it was easy to depict data more accurately.

Research Findings and Discussion

I. Effect of Tender Committee Transparency on Quality And Efficient Service Delivery

In the table 1, 11% of the respondents strongly agreed, 37% of the respondents agreed, 30% of the respondents did not know, 7% of the respondents disagreed and 15% of the respondent strongly disagreed. The finding of the study reveals that the hospital tender committee was not transparent enough for the hospital to get quality and efficient service delivery. This is indicated by the fact that only 11% and 37% of the respondent agreed with the statement. 30% did not know if the committee was transparent to affect positively the quality and service delivery.

Tender committee needed to be more transparent by allowing public scrutiny, sharing report with the hospital staff and encouraging the staff to participate on the procurement process. Barton (2006) findings also concurred with research findings that keeping or hiding information from the public lead to lack of transparency leading to inefficiency.

II. Promoting Fair Competition via Advertisement Results to Quality and Efficient Service Delivery

In the table 2, 42.9% of the respondents strongly agreed that promoting fair competition via advertisement result to quality and efficient service delivery, while 57.1% respondents agrees that
advertising results to fair competition among the tender bidder hence the hospital received quality and efficient service delivery, while none of the respondents disagreed with the statement.

The fact that 57.1% and 42.7% of the respondents agrees that advertisement of the tender has promoted quality and efficient of service delivery, indicates that the PPDA of 2005 has brought in the needed reforms in terms meeting the objective of PPDA of 2005 and the Regulation that was to promote competition among the suppliers that would lead to getting value for money through competition which could leads to quality and efficient service delivery in the hospital. The finding concurred with the PPOA (2010) that supported fair competition

III. Effect of Transparency and Accountability of the Procurement Process on Quality and Efficient Service Delivery

In the table 3, 42.9% of the respondents strongly agreed that transparency and accountability has enhanced quality and efficient service delivery. 57.1% of the respondents also agreed. The findings indicate that quality and efficiency of service delivery is greatly affected by transparency and accountability because the majority of the respondent either agreed or strongly agreed with the statement.

The findings upheld the literature of Internal Audit Manual of 2005 which says that integrity and transparency of public procurement rely on control mechanism by sound internal audit mechanism to ensure compliance of transparency and accountability

IV. Effect of Tender Committee Members’ Knowledge on PPDA Of 2005 and Regulation on Quality and Efficient Service Delivery

In the table 4, 14.3% of the respondents strongly agreed that members of Tender committee has knowledge in PPDA of 2005 and Regulation that affect quality and efficiency; 42.9% of the respondents agreed that the members had knowledge on PPDA of 2005 and Regulation that could affect the procurement process. 14.3 % did not know if members with knowledge of PPDA of 2005 and Regulation could affect quality and efficiency service delivery. 28.6% of the respondents disagreed with the statement.

The findings indicates that the Tender committees have adequate knowledge of the PPDA of 2005 and Regulation, this is indicated by the respondents 58% who strongly agreed and agreed with the statement; but this would not be ascertained that Tenders committee members having the knowledge could be translated to compliance to quality and efficient service delivery, or hid transparency, accountability according to Kenyanya el al (2010).

The study used chi-square in establishing if there was any relationship existing among variables and test the hypothesis. The study used significant level at 0.05 Mugenda and Mugenda (2003). The influence of various Tender committee variables were subjected into testing using chi-square to establish which variables had the high significant influence on the public procurement, however from the analysis it was clear that some variables had far much influence than other, hospital promoting fair competition because procurement procedures are open for scrutiny (0.008) and tender committee is transparent because of openness enhancing public confidence (0.000). This is due to advertisement of Public tender in the media as per the PPDA 2005 to ensure fair competition; this is also shared by PPOA (2010).
Conclusion

This study set out to establish effect of public procurement reforms on service delivery with specific objective being to determine the effect of public Tender committee on service delivery. Conclusion that follows was therefore based on the above objectives. Despite spirited attempt on public procurement reforms to improve service delivery to the public, it was established that there was still major concerns that had not been fully implemented, the Public procurement Reforms did not translated to quality and efficient service delivery hence hiding improvement of service delivery. Findings also showed that non-involvement of HODs on contract management affected negatively service delivery, there is need to improve this area. There was a feeling among the NSIRH staff that the prolonged procurement cycles was affecting quality and service delivery this brought in dissatisfaction and demoralization because of frequent stock out.

Recommendations

Based on the finding established in the study and summarized in the conclusion above it was evident that despite the public procurement reforms contain in the PPDA of 2005 and Regulation on service delivery; there are still some gaps that are required to be addressed. This study therefore suggests that for the public procurement reforms to be more effective and improve service delivery the following is needed to be done;

- It was established that the hospital was promoting fair competition due to advertng tender on the print media and open for public scrutiny. This is important because this will attract many company to compete this with enhance the hospital getting value for money. Public procurement entities should uphold this.
- Training needs were established on all public procurement stakeholders especially for youth, women and the disable persons for the 30% procurement works are set aside for them.
- It was established that hospital should improve the involvement of HODs on contract management for quality and efficient service delivery.
- The study found out that public confidence was restored due to openness and transparency of the Tender committee the hospital should uphold this and improve on it.

Areas of Further Research

This study looked at the effect of Public Procurement Reforms on service delivery at National Spinal Injury Referral Hospital in Nairobi. The researcher suggests that further studied should be carried out on the following areas;

- Challenges encountered by different procurement committees in public entities in implementing the Public Procurement and Disposal Act of 2005.
- Impact of Public Procurement Reforms on access of health services at National Spinal Injury Referral Hospital.
References


Table 1
Effect of Tender committee transparency on quality and efficient service delivery

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<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
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<tr>
<td>Strongly Agree</td>
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<td>11%</td>
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<tr>
<td>Agree</td>
<td>10</td>
<td>37%</td>
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<tr>
<td>Don’t know</td>
<td>8</td>
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<tr>
<td>Disagree</td>
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<td>7.4%</td>
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<td>14.8%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>100%</strong></td>
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Table 2
Promoting fair competition via advertisement results to quality and efficient service delivery

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<th>Response</th>
<th>Frequency</th>
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<tr>
<td>Strongly Agree</td>
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<td>42.9%</td>
</tr>
<tr>
<td>Agree</td>
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<td>57.1%</td>
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<td>0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7</strong></td>
<td><strong>100%</strong></td>
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Table 3
Effect of transparency and accountability of the procurement process on quality and efficient service delivery

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<tbody>
<tr>
<td>Strongly Agree</td>
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<td>42.9%</td>
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<tr>
<td>Agree</td>
<td>4</td>
<td>57.1%</td>
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<tr>
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<tr>
<td>Disagree</td>
<td>0</td>
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</tr>
<tr>
<td>Strongly disagree</td>
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<td>0%</td>
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Total 7 100%

Table 4
Effect of Tender committee members’ knowledge on PPDA of 2005 and Regulation on quality and efficient service delivery

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<tr>
<td>Agree</td>
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<td>42.9%</td>
</tr>
<tr>
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<td>14.3%</td>
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<tr>
<td>Disagree</td>
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<td>28.6%</td>
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Total 7 100%