

THE ROLE OF PROCUREMENT ON EFFICIENCY IN PUBLIC INSTITUTIONS

CASE STUDY: KENYA INSTITUTE OF ADMINISTRATION

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**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE
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AND PROCUREMENT MANAGEMENT, KAMPALA
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MAY,2009

DECLARATION

I, Zakia Ali Abdi declare that this research paper is my original work and has never been submitted to any institution or university for any award.

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ABSTRACT

The study was conducted to determine the role of procurement on service delivery in public institutions. The study sought to determine objectively the extent to which procurement function contributes to achievement of Public Institutions goals and objectives, to establish the impact of procurement in the Public Institutions, to identify the causes of delay in procurement of goods, services and works in the public Institution and finally to come up with recommendation, on how to improve the efficiency and effectiveness of procurement function.

The literature review was conducted with the aim of establishing and shading more light on procurement and the role it plays in public institutions, the area under study. It explained the process adopted by public institutions and its procurement activities and the negative and positive effects of the process.

The researcher collected the necessary using questionnaire and interview methods of data collection. The data was tabulated and then analyzed in order to draw inference from the data collected. The information collected from the respondents through questionnaires and interview guide questions were used in order to answer the objectives of the study.

The research study contains the summary of the findings, conclusions, recommendation. Various findings have been obtained from chapter four where clear and satisfactory conclusion and recommendation have been made on the basis of the research objective stipulated in chapter one.

CHAPTER ONE

1.0 Introduction

In the government sector there are guidelines which govern all the activities of all public institutions or parastatal bodies in the conduct of its activities from the procurement, use and disposal of goods, services and works as laid out in the public procurement development Act. All public institutions have to follow the guidelines as stipulated in the Act in the procurement of services, goods and works.

1.1 Background

From 1960's TO 1980's the role of procurement was not properly understood and therefore the functions were being carried out by Clerical Officers who had no procurement knowledge since there were no professionals in procurement field. Due to lack of professionalism there was wastage of resources, materials and corruption was at its high gears. The government had established manuals which were a guide to procurement of goods, services and works were being administered. Procurement used to be done centrally by Supplies Branch, a department of Ministry of Roads and Public works. All tenders used to be advertised, opened and adjudicated by the department and the entire Ministries department and the sections of the government used to use the suppliers selected by Supplies Branch. Also common user items were procured through the Supplies Branch and then the Ministries, department and sections used to buy these items from them using a document known as S12. (Issue and receipt note) Government Supplies Manual

The process of procurement of goods services and works was lengthy and therefore the Public Institutions were unable to meet their goals and objectives at the scheduled time.

Over the years the Government has addressed the problem of lengthy procurement procedures due to unstable economy, misuse of public funds by updating the manual through various circulars and Kenya Gazette Supplement. Further improvement was done by introduction of the Exchequer and Audit (Public Procurement) Regulations, 2001 and the Public Procurement user's guide first Edition of October 2002. These were also to be supplemented with other instruction as issued from time to time by the Public Procurement Directorate of the Ministry of Finance and Planning.

Currently Procurement and Disposal Act of 2005 and Regulations 206 are in use for all the procurement of goods services and works on all Public Institutions. Kenya Institute of Administration started using the Act and the Regulations immediately they were introduced and every effort is being made to make sure all the requirements are fulfilled. The Act and the regulations have recognized the procurement function as a profession and therefore has emphasized that procurement should be done by professional only.

Procurement ceiling have been adjusted from time to time, cash purchasing per item per financial year started from Kshs. 3,000 moved to Kshs. 5, 001, 10,000 and lately, 30,000. Request for quotations started with Kshs. 5,000 per item per year and moved to Kshs. 10,000. Open tendering started with Kshs. 10,000 moved to Kshs. 500,000, 1,000,000 to 5,000,000. With the current procurement act and regulations the ceiling differs for there are three Thresholds matrix for class procurement entities, class B and class C. public Procurement and Disposal Act 2005.

The Tender Advertisement period also has been reduced by the introduction of the Public Procurement and Disposal Act and Regulation from 28 days for National Tender to 21 and from 42 days International Tenders 30 days respectively. The appeals periods has also been reduced from 21 days to 14 days. This has improved the Procurement Function hence able to avail goods, works and services at a shorter period of time. It is our wish if the period could be shorted further to enables the procurement function to be more effective.

1.2 Statement of the problem

The role of Procurement in Public institutions had a high impact towards the achievement of Strategic Goals and objectives. Kenya Institute of Administration being a key provider of management development in training services for public sector have changed procurement unit with acquisitions of goods, services and works, custodian of the same, disposal of unserviceable stores and maintaining economical stocks. Lengthy procurement procedures and regulations have been the hindrance in availing of the required goods services and works at the scheduled time, they hence affected the service delivery to our customers. This affected the institute's image and reputation resulting to low registration of course participants and hence low income.

For the Public Institutions to achieve their goals and objectives, procurement functions require support from all the players i.e. all departments and sections. This was possible if all the requirements were placed in good time to enable the procurement section the best methods for procurement, hence achieving the best buy.

Despite all efforts and measures taken by the procurement unit to offer the best services, there were complains from Heads of Departments/sections and user units that procurement function was not efficient and effective hence delays in deliveries of goods and services and work in the institute. The researcher therefore tried to find out why the procurement function in the institute was not efficient and effective and tried to come up with the solutions to the problem.

1.3 Scope of the study

The study focused on the role of procurement in Public Institutions and its impact in public institutions. However, the researcher concentrated on Kenya Institute of Administration because the researcher was familiar with the place and also the staff. The researcher also saved on transport and time since the research was carried within the institute. Also getting the relevant information records was easy.

1.4 Purpose of the study

Depending on the availability of records this study therefore examined the role of procurement in the Public Institutions and its effects on the efficiency in service delivery of good, services and works by public institutions.

1.5 Objectives of the study

1.5.1 General objectives

The general objective of the study was to examine the role of procurement in the Public Institutions

1.5.2 Specific objectives

1. To find out the extent to which procurement function contributed to achievement of Public Institutions Goals and Objectives.
2. To establish the impact of procurement in the Public Institutions
3. To identify the causes of delay in procurement of goods, services and works in the public Institution.
4. To come up with recommendation, on how to improve the efficiency and effectiveness of procurement function.

1.6 Research questions

1. What was the role of procurement in the Public Institutions?
2. What was the impact of procurement in Public Institution?
3. What were the causes of delay in procurement of goods, services and works in the public institutions?

1.7 Significance of the Study

The outcome of this research benefited the following:

The Researcher

The study was a partial requirement for award of Bachelor of Supplies and Procurement Management. The researcher also gained an understanding of how procurement affects the efficiency of public institutions. The researcher also developed research skills since it was her first time to undertake such a study.

The Outside World

The researcher's findings contributed to the body of knowledge relating to procurement and its effects on the efficiency of public institutions. It contributed to the understanding, by the public, on the procurement process adopted by public institutions. It also formed a basis for further research in the future.

1.8 Justification of the study

The research was intended to examine the role of procurement in the Public Institutions and to establish its impact on service delivery. The recommendations that were made from the research benefited Kenya Institute of Administration and other Public Institution in that procurement function became efficient and effective, hence improving performance.

This enabled the Public Institutions to achieve their strategic objectives and goals at the scheduled time hence meeting their set targets as per the operational plan and the service charter.

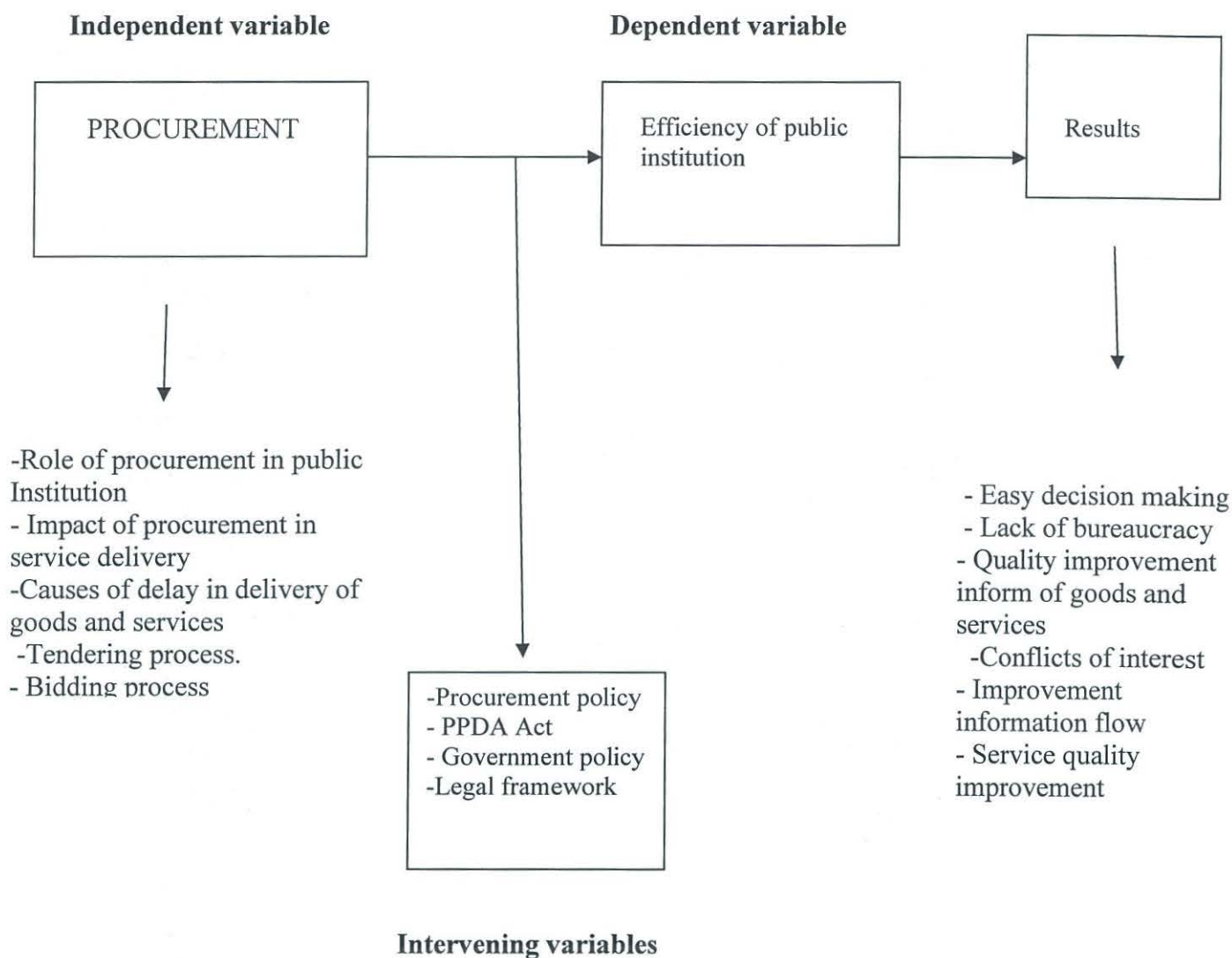
The benefit of the study in public institutions improved service delivery to their esteemed customers resulting to growth, self sustainability, improved profits, and increased customers and created good image.

Timely procurement of goods, services and works enabled the institute to provide excellent services to both internal and external customers hence improving its image, creating customer satisfaction hence raising the standard and attraction of more customers.

1.9 Limitation of the Study

- i) The interviewees were reluctant to volunteer information for fear of victimization
- ii) Time availability for the study (research) was too short.
- iii) Researcher was inexperienced as it was her first time to do the study

1.10 CONCEPTUAL FRAMEWORK



Note:

In the diagram above procurement was the independent variable and it was influenced by factors such as the tendering process, the bidding process among others. The dependent variable was the efficiency of public institutions in the delivery of services. The intervening variables were all the factors that affect the procurement of goods and services in public institutions in the country such as government policies, the legal framework, the PPDA Act among others.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature review was obtained from the procurement books, Procurement Disposal Act 2005, and procurement Regulations 2006 and also from Procurement Regulation 2001 and Procurement Guide of 2001. The relevant material from various purchasing textbooks was quoted. Efficiency and effectiveness of procurement was affected by various factors, the major one being the lengthy procurement procedures, inadequate specifications, untimely requisitioning, unscheduled procurement and bureaucracy in approval of local purchase orders, local supply orders and requisitioning forms (Bill of Materials). Has long been considered one of the basic functions common to all organization, curiously only during the past two centuries has procurement been addressed in trade books and textbooks. In 1832, Charles Babbage addressed the topic in his book, on the economy of machinery and manufacturing. One of the early books focusing on Procurement was written by H.B. Twofold of the Otis Elevator company only some eighty years ago, Dobler and Burt, Sixth Edition.

2.1 Background

Kenya Institute of Administration (KIA) is a Public Management Development Institute (MDI) established by the Government in 1961. The main purpose of the skills, so that Kenyans can get the results they expect from the public service. The Institute acquired parastatal status under Act of Parliament (Act No.2) in 1996. The Institute's new mandate as per the Act is to Commercially

offer services to the public and private sectors with the aim of being self-sufficient, Promote national

Development, integrity and a culture of transparency and accountability in the public service and Conduct examinations and offer awards, Kenya Institute of Administration Strategic Plan 2006 — 2011. Facilities in the Institute include one three star hostel, which is able to accommodate fifty six participants, three other medium class hostels that are able to accommodate three hundred participants, a dinning hall, library, three computer labs and thirteen lecture halls. There are also buildings that are under construction, the administration block and the conference center. In various organizations/private sectors, procurement of goods services and works are essential for their smooth running. Therefore it is very important that procurement is done following the Procurement and Disposal Act 2005 and the regulations 2006. There are various methods of procurement but the most recommended method is the Open Tendering Part V of the Act, sections 50-71) other alternative methods are restricted tendering (section 73 of the Act), Director Procurement Section 74 of the Act), Request for Proposed Section 76-87 of the Act), Request for Quotations (Section 88-89 of the Act), Low Value Procurement Section 90-91 of the Act) and Specially Permitted Procurement Procedure (Section 92 of the Act).

Kenya Institute of Administration spends most of its funds in procurement of dry foodstuffs, meat and meat products, fruits and vegetables, cleaning materials, bottled water, hardware, electrical and water fittings, milk and milk products, eggs, chicken coupon, stationery, repairs of building and equipment and construction of lecture halls and hostels. Therefore, for the Institute to get value for money the best procurement methods are usually adopted. The most commonly

used methods are Opening Tendering, Request for Quotations, request for Proposals and restricted tendering. The Institute has various user departments/sections and these include:

(a) Business Development Division

(b) Finance and Administration Division where the following sections fall Procurement, Housekeeping, Catering, Operation and Maintenance, Projects, Accounts and Library.

The requirements of all the sections after the bill of materials are prepared and signed by the relevant authorities are forwarded to procurement for the purchase to be made. Once the bills of materials are received by the procurement section, depending on the amount of money involved, the appropriate method of purchasing the required items is then established. Once the right supplier is established the order is placed and the goods/works or services are delivered, received if they confirm to the specifications and rejected if they do not conform to the specifications. The received goods are entered in the Si3 (Counter Receipt Voucher). The goods are to the user section/department with a Si 1 (Counter Requisition and Issue Vouchers). The suppliers are paid by the Accounts Section after receiving a copy of S13 (Counter Receipt Voucher) and the triplicate copy of the local purchase order. The procurement cycle is complete when the suppliers are paid. Good services and works are bought in line with the procurement plan and the budget.

2.2 History of procurement

With many manufacturing firms spending up to 65% of their sales revenues on procure good and services, the role of the procurement function is becoming an increasingly important one. This transition can be clearly seen in the evolution of procurement from its roots as a purely clerical function in the early part of this century, to its more traditional role of expense control through

most of the century, and now to its role as manager outside manufacturing. As the nature of the function as changed, so have the requirements for procurement profession also.

Why the change? That is, why the greatest recognition of the importance of the procurement function and of the need for more professionally trained procurement personnel? Heinritz, Farrell, Giunipero, Koichin.

Management started to give increased importance to procurement when they recognized its potential contribution to profitability through cost cutting. The greatest scope for saving lies in the areas of greatest expenditure. For most organizations, the areas of greatest expenditure are procurement and payments to personnel, Lysons, Fourth Edition.

Definition of procurement

Procurement is the acquisition of needed goods and services at optimum cost from competent, reliable sources. A closer look at the definition reveals a number of important aspects.

Procurement has to procure materials and services but they do not necessarily have to be bought from outside suppliers.

In many instances a firm has or can create the option of making a component in its own facilities or providing a service itself. Where equipment or building are concerned, a third possibility is to lease them from a finance firm. Purchasing plays an important part in make or buy decision and in reviewing leasing opportunities, Scheving. Procurement has to examine very carefully whether a particular material, is indeed needed on the date and in the quantities specific, whether it truly has to meet all the quality and performance specifications outlined and whether it really

has to be obtained from the source indicated. Specifying a particular source smacks of favoritism that may well be improper, unethical, or even illegal and may unduly restrict the freedom of purchasing in attempting to do it job well. By challenging requisitioners to justify their choices, it may be able to save the company money and thus make it more competitive and or profitable, Scheving.

Procurement has to procure items not at the lowest possible but at the best cost. Cost is a combination of price and quality. A low price is useless if item breaks in the production process or fails to perform adequately in the final buyers hands. Quality on the other hand is wasteful by unnecessarily raising costs and prices and possibly counter productive by slowing down customer's repurchase cycle, Scheving.

Purchasing has to invest great care in source selection. Outside vendors who do not possess the requisite technological know how and capabilities can do great damage to a company's operations and reputation, Scheving. Purchasing has to make sure that vendors live up to their commitments and promises. A supplier who does not deliver on time can shut down on entire production line or plant, while alternative sources may be difficult to tap at this late point in time, Scheving.

Procurement strategy

Many alternative strategies are available to the procurement manager. A climate that encourages creative thinking will help ensure that alternative courses of action are considered. These include; realign supplier purchase pattern, develop new supply sources, develop international sources, vertical integration internally, part ownership of suppliers, provide supplier assistance,

financial or technical, review product design, develop long-term contracts, review lease versus purchase, strengthen inventory control, encourage supplier stocking, improve supplier quality control, stock piling, material substitution and strike hedging, Heinritz, Farrell, Giunipers and Koichin.

Procurement policies

A corporation mission statement and strategies lead to its policies. These policies are usually written but may be unwritten standard operating procedure passed among from employee to employee. They are important in that they influence shared values and the perception employees and outsiders have of the firm. They are also used by auditors who check purchasing adherence to corporate policies. Every procurement department has policies, whether or not are put into writing. They are one of the administrative tools of departmental management and a reflection of top-management philosophy, Heinritz, Farrell, Giunipero and Kolchin.

Procurement management

Theory and practice of purchasing must necessarily begin by defining its nature and limitations. Only if its role in the corporate organism is properly understood and delineated will it be able to contribute optimally to the achievement of corporate goals. In enlightened firms this role has been constantly expanded and upgraded over years from a reactive staff unit to a proactive line function by expert professionals, Scheving.

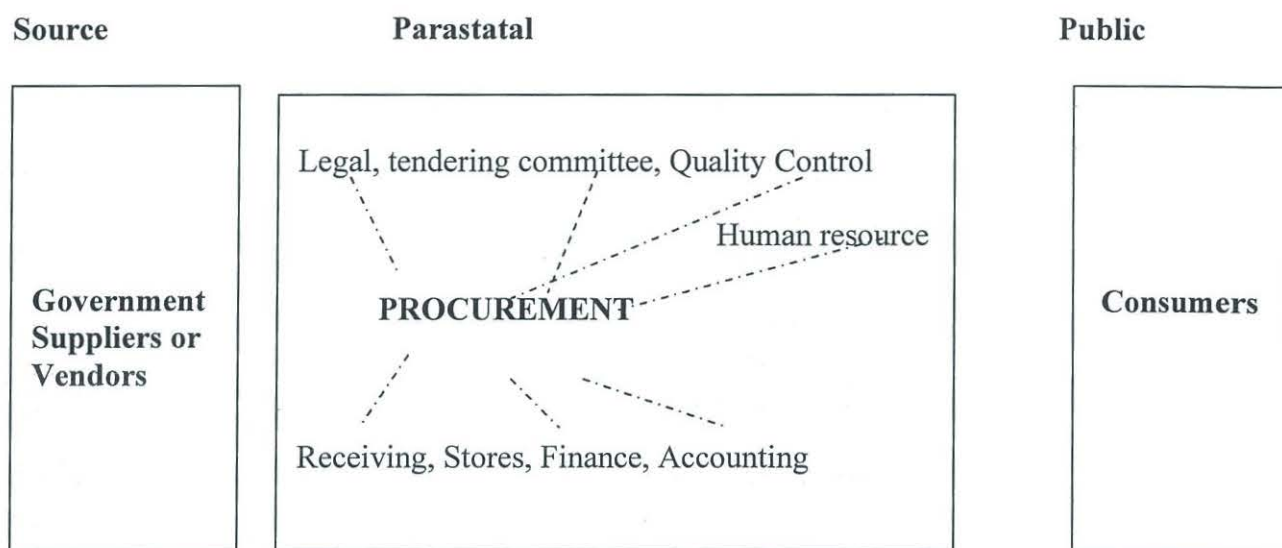
Potential contributions

Recognizing the potential contribution of purchasing to the company's performance many executives have begun to upgrade the importance of their purchasing function, instead of making purchasing an incidental activity for ill prepared individuals and a dumping ground for poor performers, it has almost universally been elevated to the status of a department. Formerly called purchasing agent, a term indicative of the largely clerical nature of job, persons employed in purchasing capacities are now referred to as purchasing managers to reflect the growing professionalization, responsibilities and recognition of this function and more and more firms are altering the very nature of the department from a staff to a line unit accountable for bottom line results. This means that the purchasing department of the future will be managed proactively rather than administered reactively, playing a much more active role in the overall management of their firms.

2.3 Role of procurement

What is the role of procurement in business management? Why is it important? To answer these questions the procurement function will be observed from three points of view, as a function of business, as one of the basic elements required to accomplish productive work and as the key department responsible for outside manufacturing," Dobler and Burt , Sixth Edition.

Figure 1: The role of procurement in the public institutions:



Procurement works closely with a wide variety of other organization unit as figure 1.2 above indicates. It interfaces with the legal department to resolve contract terms, consults with engineering on product specifications. It coordinates with production in terms of qualities and schedules. It cooperates with quality control to assure the specified quality in incoming materials. It draws on human resources to obtain and train properly qualified purchasing personnel. It arranges transportation of materials through the traffic function in conjunction with receiving it becomes involved in the inspection of incoming materials. It frequently interacts with stores function to ensure the prudent and proper management of inventories.

It advises accounting concern the payment of vendor invoices. And it ties in with financial planning the help obtain the best leverage from financial resources.

But most of all, purchasing has a very special relationship with the marketing department. This is so because buying at the best price and conscientiously and capably fulfilling the other

purchasing responsibilities is ultimately meaningless unless the resulting products can be sold profitably to the firm's target markets. This objective is best accomplished if the firm follows the marketing concept which states that the key to long term success is sustained customer satisfaction, Scheving.

2.4 Objective of procurement

The objective of any Procurement department can be summed up as the procurement of the right quality goods, in the right quantity and at the right time from the right supplier, for the right price. The buyer's best efforts to negotiate price and terms are just time and money wasted if what he has bought is unsuitable for the purpose for which it was bought. The best specifications is also useless if the suppliers fail to comply with it, while vigorous compliance with specification is also useless if the specifications is wrongly drawn in the first place. Quality failures can be very costly and they reflect not only failures by outside suppliers, but also failure the Procurement department to achieve its first and most fundamental objective, Scheving.

Procurement function

The purchasing function traditionally encompasses the process of buying. It involves determining the need, selecting the supplier arriving at a proper price, specifying terms and conditions, issuing the contract or order and following up to ensure proper delivery. In short, the purchasing function should obtain the proper equipment material supplies and services of right quality in the right quantities at the right price and from the right source (Aijian 1984 p.3).

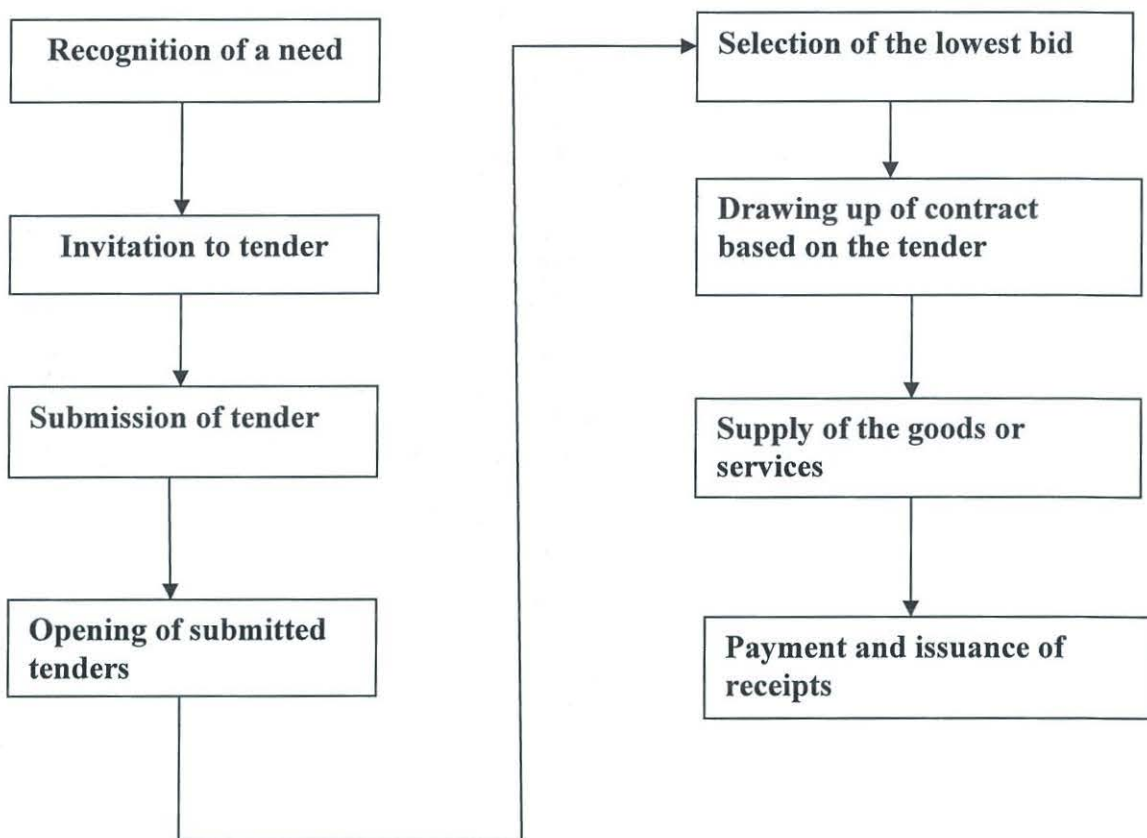
In practice as well as in literature, many terms and concepts are used in the area of purchasing. However no agreement exists about the definition of these terms. Term and like procurement purchasing, supply and logistics management are used interchangeably.

Definition of purchasing obtaining from external sources all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company's primary and support activities at the most favorable conditions, Scheving.

2.5 The procurement cycle

Figure 2: The procurement cycle

The procurement cycle of Kenya Institute of Administration is derived from the Government Procurement Procedures and Regulations and the Kenya Institute of Administration Act NO.2 of 1996. It entails the following steps;



Source: Kenya Institute of Administration procurement Act

Tendering process

The Institute obtained semi-autonomy through the Kenya Institute of Administration Act NO.2 of 1996 and after that we were allowed to source and select suppliers through advertising tenders instead of involving the other Government bodies. This move reduced the more lengthy procurement procedures where we were to wait for Supplies Branch to source for the suppliers. The Institute has been sourcing for the suppliers for supply of goods, services and works, the Government Procurement Procedures and Regulations, The most common method of sourcing for supplies in the Institute is open tendering and through other alternative methods are used, like direct procurement, Request for quotations, Request for Proposal and Cash Purchase Act 2005.

Open tendering

The Procurement entity shall prepare an invitation to tender that set out the following; the tender number and address of the procurement entity, the tender number assigned to the procurement proceeding by the procurement entity, a brief description of goods, services and works being procured including the time limit for delivery or completion, an explanation of how to obtain the tender documents, including the amount of any fee, an explanation of where and when tender must be submitted and where and when the tenders will be opened and a statement that those submitting tenders or representatives may attend the opening of the tenders.

The Procurement entity will then prepare the tender documents which have enough information to allow fair competition among those who may wish to submit tenders. A procurement entity may amend the tender documents at any time before the deadline for submitting tender by issuing an addendum. Once the tender document are ready the procuring entity shall take such

steps as are reasonable to bring the invitation to tender to the attention of those who may wish to submit tender, for national tenders the tenders should be on for 21 days and for International Tender the tenders should be on for 28 days and should be advertised at least twice in a newspaper of general nationwide coverage which has been regularly published for at least two years before the date of issue of the advertisement and on its website in instances where procurement has a website. Procurement entity may require that tender security be provided with tenders. Tender must be in writing, it must be signed and be sealed in an envelope, and must bear the tender number assigned to the procurement by the procurement entity. The tender must be submitted before the deadline for submitting tenders and any tender received after that deadline shall be turned unopened.

Tenders are opened by a tender opening committee whose members are appointed by the Accounting Officer. The Committee will assign an identification number to each tender. The following are read loud and recorded in the tender opening register. The name of the person submitting the tender and total price of tender included any modifications or discount received, amount of the security bond and each member of the tender opening committee will sign each on one or more pages as determined by the committee. Minutes of tender opening will also be prepared.

Procurement shall evaluate and compare the responsive tenders using the procedure and criteria set out in the tender document only. Before the expiry of the period during which tenders must remain valid, the persons submitting the successful will be notified that his tender is successful at the same time the unsuccessful bidders are notified that their tenders were not successful. The person submitting the successful tender the procuring entity shall enter into a written contract

based on the tender documents. Once the contract is sealed LPO's for procurement of goods and works and LSO's for procurement of services are issued to the successful bidders.

The expected services works or goods are then delivered and received if they conform to the specifications and rejected if they do not conform. The document revised for receipt of goods is S13 (Counter Receipt Voucher). This document is forwarded to accounts to be attached to the payment voucher. Cheques are prepared and dispatched to the suppliers. The procurement cycle is complete when the suppliers are paid. Goods received are issued to the user department/sections through a document known as Si, Counter Requisitioning and Issue Voucher, Kenya Gazette Supplement No.77, Act No.3.

Progressing deliveries

An important part of supplies management task is to ensure that goods services or works are received as and when required. Many delivery problems can be obviated by sound source selection, but even the most carefully selected sources sometime prove unreliable in the aspect and for a variety of reasons. An effective means of controlling deliveries is thus a pre-requisite of sound supplies management. Survey has shown that about one-third of purchasers chase every order; one third follow up important orders and orders for production parts as distinct from stock items while a further third chase orders which are urgent or seriously overdue or not meet special emergency requirements.

Method used should be carefully considered in light of market conditions the type of requirement, company policy and the environment within which it is operated.

It should also be flexible enough to react to changes in market conditions and should be tailored to allow for adequate communication with interested parties in both buying and supply concerns. Many problems have been caused by inadequate communication between buying and use department after a reasonable progress job has been done with the suppliers. If there is a change in delivery information it is essential that the user department should be aware of this as soon as possible, Scheving.

Impact of procurement on service delivery

“Management started to give increased importance to procurement when they recognized its potential contribution to profitability through cost cutting: For most organizations the areas of greatest expenditure are procurement and payment to personnel As a result of technology labor costs are tending to reduce substantially” Lyons, Fifth Edition. Historically the performance of many procurement managers and their organization was measured and evaluated on changes in the procurement price of materials, their ability to keep the production line running and the cost of their department’s operation. Today many world class organization expect their

Procurement and supply function to focus on following five value adding output of proactive procurement or supplies management; quality, cost, time Technology and continuity of supply, Dobler and Burt, Sixth Edition.

2.6 Causes of delay in delivery of goods, services and works

“By its nature procurement is a basic and integral part of business management. Why is this fact important? For a business to be successful, all its individual parts must be successful. It is

impossible for any organization to achieve its full potential without a successful procurement activity. Dobler and Burt, Sixth Edition.

Today most firms would agree that the purchasing functions should be an integral part of the operation of the enterprise. All the functions of business must mesh into a unified whole if management is to fulfill its basic responsibility of optimizing company profit. Each function must shoulder its portion of this responsibility”, Dobler and Burt, Sixth Edition. Delay in delivery of goods, services and works may be as a result of lengthy procurement procedures, inadequate specifications, untimely requisition of the requirement and Bill of Materials not prepared as scheduled.

2.7 Challenges

The most challenging aspect of supply management is the development and management of the organization's supply chain. This chain is the upstream portion of the organization's value chain and is responsible for ensuring that the right materials, services and technology are procured from the right source at the right time, in the right quality, Dobler and Burt, Sixth Edition.

Detailed Specification

Developing proper specification is an important management task. The task is difficult because it involves many variables including the problem of conflicting human sensitivities and orientation. Wrong specification leads to delay in procurement of goods and services, hence affects the efficiency of procurement department, Dobler and Burt, Sixth Edition.

Communication

Procurement department is the hub of a large company's business activity.

Its very nature, procurement has continuing relationships with all other departments in the firm, as well as the supplier. Procurement operations cut across all departmental lines. Wrong and untimely communication normally leads to delay in acquisition of the required goods, services and works required by the user sections/ department, Dobler and Burt, Sixth Edition.

Selection of the right source

Selection of the right source is more important today than ever before since more firms are entering into long-term partnerships with a single source of supply. The benefits of such partnerships are many, but the risks are great.

Careful selection of suppliers and the professional management of the relationships are essential, Dobler and Burt, Sixth Edition. If the selection of suppliers is not done professionally, there is a danger of not getting the required goods, services and works at the right time, right price, right quantities, right quality, right source and deliveries done at the right place.

Procurement records

Procurement records are concerned with the storage of information. With manual systems, this information will be entered on card indexes or filed in appropriate systems. Computerization using master files or databases not only enables vast amounts of information to be stored but also obviates duplication and ensures the efficient retrieval of data. (Lysons) An unupdated record keeping, results to incorrect information which affects the re-ordering system of the organization which normally leads to stocks out hence affecting the efficiency and effectiveness of the procurement department.

Lengthy Procurement Procedures

The Government Regulations and Procedures are a challenge to the procurement department since they are to be followed and adhered to. This has affected the effectiveness and efficiency of the procurement department in that the time required for the procurement process to be complete is long as tabulated in the Public Procurement and the Regulation.

2.8 Reforms

Procurement management has evolved from a mere clerical paper — processing responsibility to the role of a proactive contributor to a firm's bottom line. In the process, it has learned to delegate routine reordering to the user departments themselves who appreciate this new freedom from unnecessary bureaucratic controls. Freed from the bulk of its traditional daily workload, professional procurement personnel can now concentrate on helping to increase the company's profitability. The procurement department is thus being transformed from a cost centre into a profit centre instead of having its operating cost allocation as part of the general administrative over-head; general procurement now has to sell its services to internal customers who can choose to utilize other approaches instead. Profit centre procurement requires a whole new mind set both within procurement where customer satisfaction becomes paramount and in user departments where a more creative, profit-oriented role of procurement necessitates a new way of thinking and cooperating.

First, however, unqualified top management support to be achieved for it is only then that meetings with user area representatives can result in a meaningful need assessment and

cooperative team spirit. This joint effort will produce a list of profit opportunities which have to be prioritized and structured into action target, Scheving, International Edition.

Problems

It would be fatal to the department and injurious to the parastatal if procurement were to concentrate on its “prerogatives” and procedures and ends in themselves, unrelated to the needs of the rest of the parastatal. The nature of the procurement function dictates that it serves other departments. Much information flows both into and out of the procurement department. Better services and management of these information flows dictate procurement moves towards closer relation with internal customers, (Heinritz, Farrell, Giunipero, Kolchin.)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This was a way to systematically solve the research problem. In it we studied the various steps that were generally adopted by the researcher in studying his problem along with the logic behind them, Kotheri, Second Edition.

3.1 Research design

Research design entailed decisions regarding what, where, when, how much, by what means concerning an Inquiry or research study constitute a research design, (Kotheri, Second Edition).

A survey type of research was carded out. The study was done in descriptive design in an attempt to describe and explain variables under study and relationship with procurement in the Public Institutions and Impact service delivery. The study focused on Kenya Institute of Administration (KIA) whose choice was based on the fact that similar organizations faced or experienced similar problems and also the researcher was familiar with place and saved on transport and time.

3.2 Population of the study

Population refers to the total of items about which information is desired, (Kotheri, Second Edition.)

The population for this research was composed of 150 employees of the Institute; Two Deputy Directors, Eleven Senior Managers, Seven Supplies Officers and One Hundred and Thirty Middle and Junior Officers.

Table 1.0: Population

| | Physical number | No. to be interviewed |
|--------------------|------------------------|------------------------------|
| Deputy directors | 2 | 2 |
| Senior managers | 11 | 11 |
| Supplies personnel | 7 | 4 |
| Middle and junior | 130 | 26 |
| Total | 150 | 43 |

3.3 SAMPLE SIZE

Sampling may be defined as the selection of some part of an aggregate or totality on the basis of which a judgment or inference about the aggregate or totality is made, (Kotheri, Second Edition.)

The sample size was selected at random after every four worker; the fifth one was selected for middle and junior staff, supplies officers in the Institute was interviewed as per their seniority.

Therefore the sample size will be forty three employees.

3.4 DATA COLLECTION METHODS

The task of data collection after a research problem defined and research design/plan chalked out. While deciding about the method of data collection to be used for the study, the researcher kept in mind two types of data are primary and secondary, Kotheri, Second Edition. To study the subject sufficiently, both primary and secondary data were used.

3.4.1 Primary data

Primary data were those collected a fresh and for the first time, Kotheri, Second Edition. The primary sources thus included the procurement personnel, Deputy Directors, Senior Managers, middle and junior officers and suppliers, personal observation and use of structured questionnaire consisting of closed-ended and open-ended questions were used to collect data. The questionnaires were also administered.

3.4.2 Secondary data

These were those which had already been collected by someone else and passed through statistical process, Kotheri, Second Edition. Secondary data was also used and sources were procurement, finance and training records.

3.5 DATA ANALYSIS

The term analysis refers to the computation of certain measures along with searching for pattern of relationship that exist among data groups, Kothari, Second Edition.

The data obtained was analyzed using descriptive statistics and was presented through tables, percentages, bar graphs and' pie charts. Statistical package for social sciences SPSS was also used to analyze the collected data.

Descriptive characteristics refer to qualitative phenomenon which cannot be measured quantitatively. Only their presence or absence in an individual item can be noticed. It concerns the development of certain indices from the raw data, Kotari, Second Edition.

CHAPTER FOUR

Data Presentation, Analysis and Interpretation

4.0 Introduction

This chapter covers the data presentation, analysis and interpretation of the findings of the study to find out the impact of procurement on the efficiency of public institutions. The study covered the impact of procurement on the efficiency of public institutions in service delivery to its customers and clients mainly the public.

The researcher used a number of instruments as discussed in chapter three to collect information from the respondents. In this chapter, the researcher clearly shows the exact number of respondents from whom the information was gathered and those that responded in relation to the whole percentage.

This chapter has being summarized to enable it to be understood clearly. The researcher used tabulation, pie charts and bar charts to present the information.

4.1 Data analysis

The data to be analyzed in this chapter was got from Kenya institute of administration employees which was chosen by the researcher to be a representative of the other public institutions in the country.

The researcher used questionnaires and interview guide to gather information from the respondents. The questionnaires were sent to the organization for the employees and management to fill them.

4.2 Distribution of Questionnaires

The response from the respondents was encouraging as a total of thirty seven (37) questionnaires out of the forty three (43) distributed were duly filled and returned. This represented an overall response rate of 86%.

The following table shows the number of questionnaires duly filled and returned from different departments.

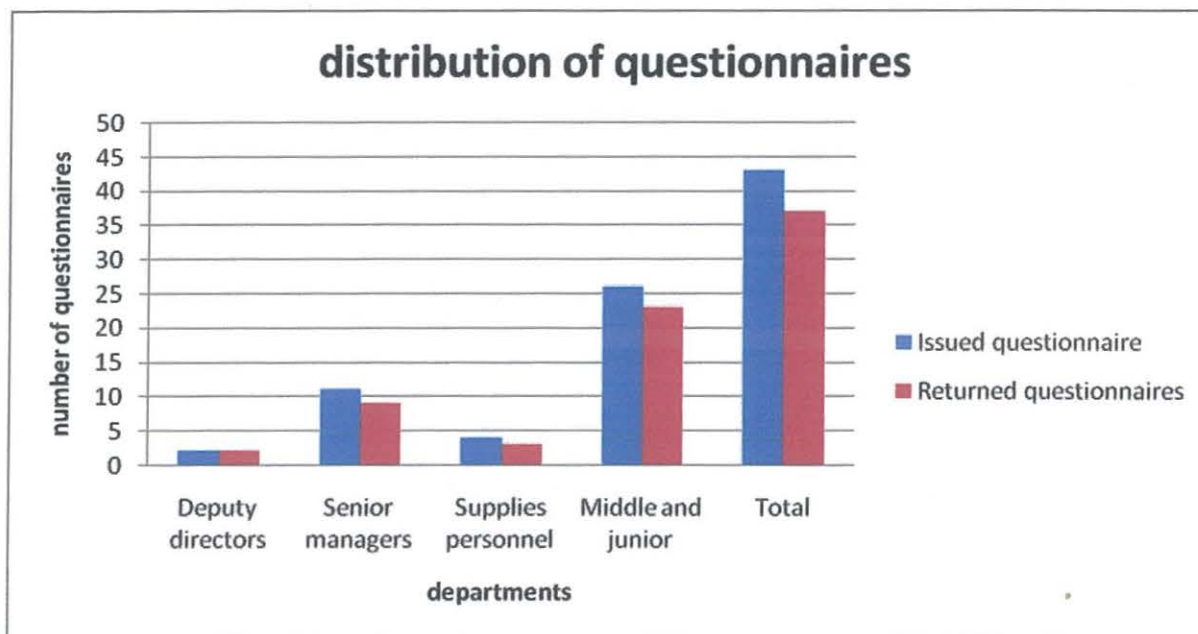
The analysis of the data in this chapter will be based on the thirty seven questionnaires that were duly filled and returned by the respondents.

Table 1: Response of questionnaires

| Departments | Issued questionnaire | Returned questionnaires |
|--------------------|----------------------|-------------------------|
| Deputy directors | 2 | 2 |
| Senior managers | 11 | 9 |
| Supplies personnel | 4 | 3 |
| Middle and junior | 26 | 23 |
| Total | 43 | 37 |

The questionnaires were not returned because most of the employees were not willing to disclose information, and that particular day the research area was covered by heavy rains. These reasons left the researcher with no choice than to return it undone.

Figure 3: Responses made in the study



The table and the chart clearly show the number of questionnaires distributed in each department and the questionnaires that were filled and returned and their total.

The researcher distributed most of the questionnaires to the procurement and management than the rest because the researcher saw that they were the most appropriate departments to get most relevant information in regard to the topic under study.

The researcher decided to select the departments since they deal with the procurement of goods, services and works, custodian of the same, disposal of unserviceable stores and maintaining economical stocks.

4.3 Do you think that procurement plays any role in the enhancing of service delivery of public institutions?

Table 2: response on the role of procurement in the enhancing of service delivery of public institutions

| Response | Frequency | percentage |
|-------------|-----------|------------|
| Yes | 30 | 81% |
| No | 1 | 3% |
| No response | 6 | 16% |
| Total | 37 | 100% |

The above table shows that thirty (30) respondents agreed that procurement plays a role in the enhancing of service delivery by public institutions; one respondent disagreed while six did not respond on the issue.

Many of the respondents gave what they perceived to be the role of procurement in the public institutions and they included the following:

Maintenance of continuity of operations

Some of the respondents said that procurement plays an important role in the maintenance of continuity which ensured the smooth flow of operations without disruptions to the company. This prevented delays in the delivery of goods and services if the procurement process was handled with professional care.

Maintenance of adequate standards of quality

Procurement plays an important role in the maintenance of the standards of quality if the goods and services procured by the institution which further improved the quality of goods and service offered by the institution to its customers or consumers.

Maintaining of the company's competitive position

Procurement plays an important role in the maintenance of the institutions competitive edge over the institutions. Procurement ensured the timely and high quality procurement of goods and services by the institution which gives the company a competitive edge over the others in the same industry.

Development of internal relationships to lead to understanding and harmony among the various organization units

Procurement plays an important role in the establish of good internal relationships that lead to understanding and harmony among the various organizational units which enhances smooth coordination between the departments hence improving service delivery to the consumers.

Ensures higher productivity

Procurement function plays an important role in ensuring higher productivity of the institution. This leads to improved service delivery by institutions to its customers thus leading to attraction of customers by the institutions.

4.4 Does procurement affect the service delivery of public institutions?

Table 3: responses on the whether procurement affect the service delivery of public institutions

| response | Frequency | percentage |
|-------------|-----------|------------|
| Yes | 35 | 94% |
| No | 1 | 3% |
| No response | 1 | 3% |
| Total | 37 | 100% |

The table above shows that thirty five respondents agreed that procurement does affect the service delivery of the public institutions; one disagreed while one did not respond.

The respondents gave the following to be the effects of procurement on service delivery of public institutions. They were classified into two; the positive and the negative effects.

The positive effects

The positive effects suggested were as a result of an effective and efficient procurement department and process.

Timely procurement of goods and services

An efficient procurement process in the institution would lead to the timely procurement of the right quantity of items and at the right time without delays in delivery of the procured items. This further improves the service delivery of the institution to the public.

4.5 What are the causes of delay in delivery of goods services and works in the public institutions?

Causes of delayed lead time

The respondents also came up with causes of delayed lead time that is making the company not to meet their goals. The causes as per this study are factors which make it not to happen. These causes were looked at as external and internal causes.

External causes

These refer to the external factors that may cause delay in the delivery of goods and services and works in the public institutions and the organization does not have control over them. They include

Political instability

This refers to the political condition of the country. If there is political instability in a country there will be delays in the delivery of goods and services and works since all public institutions are under the government and if the government is not stable so are all the institutions under the government.

Untrustworthy suppliers

Some of the respondents pointed out that suppliers selected to supply the goods and services procured may not deliver the right amount at the right time because they also want to get something extra from the goods delivered. This delay in the delivery of the goods and services procured by the institution may cause a delay in the delivery of services and goods by the public institution.

Centralization or bureaucracy

This is a system of decision making in which all decisions concerning procurement have to be made by or through the entire management structure. This centralization and bureaucracy makes it difficult for the fast procurement of products by the procurement department thus causing delays in the service delivery of public institutions.

Internal causes

Inefficient Communication

Some of the respondents said that wrong and untimely communication normally leads to delay in acquisition of the required goods, services and works required by the user sections/ department. Procurement department is the hub of a large company's business activity and this required efficient communication between the procurement departments and other departments in the institution to allow easy procurement fast procurement of the products and services to avoid delays.

Poor selection of the right source

Some of the respondents said that poor selection of suppliers and the poor professional management of the relationships between the suppliers and public institution are some of the causes of delays in delivery of services and goods by the institution. If the selection of suppliers is not done professionally, there is a danger of not getting the required goods, services and works at the right time, right price, right quantities, right quality, right source and deliveries done at the right place.

Unupdated Procurement records

Procurement records are concerned with the storage of information. Some of the respondents said that an unupdated record keeping, results to incorrect information which affects the re-ordering system of the organization which normally leads to stocks out hence affecting the efficiency and effectiveness of the procurement department leading to the delays in the delivery of goods and services by the public institution.

Lengthy Procurement Procedures

The Government Regulations and Procedures are a challenge to the procurement department since they are to be followed and adhered to. This has affected the effectiveness and efficiency of the procurement department in that the time required for the procurement process to be complete is long as tabulated in the Public Procurement and the Regulation. This lengthy procurement leads to the delay in the delivery of goods and services by the public institution.

Employee qualifications

Some respondents said that Employee educational qualification also contributed to delays in the delivery of goods and services because the employees didn't know the right time to order for an item. They pointed out that education level matters and some of the employees did not know when to order for other goods and services, the economic order quantity and the critical level of stock held. This leads to inefficiencies in the inventory management.

4.6 Are there problems associated with the tendering process?

Table 4: responses on the problems associated with the tendering process

| response | Frequency | percentage |
|-------------|-----------|------------|
| Yes | 33 | 89% |
| No | 0 | 0% |
| No response | 4 | 11% |
| Total | 37 | 100% |

The table above shows that thirty three respondents agreed that there are problems associated with the tendering process; none disagreed while four did not respond.

The following were the problems associated with the tendering process

Corruption

Corruption was the biggest problem that was identified by all the respondents. This was attributed to corrupt procurement officers who demand for side payments in order to award contracts to the different suppliers who bind for the tenders.

Lengthy tendering process

The tendering process is a lengthy procurement process and it has to be done in accordance to the guidelines issued in the Public Procurement Act. The guidelines in which the procurement process follows are time consuming and thus can cause a problem in the tendering process especially when there is an emergency need for goods or services which have to be procured in accordance with the policy.

Detailed Specification

Developing proper specification is an important management task. The task is difficult because it involves many variables including the problem of conflicting human sensitivities and orientation. Wrong specification leads to delay in procurement of goods and services, hence affects the efficiency of procurement department.

4.7 What would be the solutions for the problems encountered by procurement in the public institutions?

The respondents gave the following suggestions for solutions to problems encountered in the procurement process by the public institutions. They include

Establishment of a Code of Conduct and Ethics

The authorities should help public bodies and related institutions to develop and implement code of conduct for performing public functions. It is now widely acknowledged that a culture of integrity is a necessary bulwark against corruption in the public service. Anti-corruption authorities would be best placed to customize these instruments to suit the local jurisdictional and cultural contexts

System's Reviews of Public Bodies

Anti-corruption authorities must assess the corruption risk in all public institutions and in partnership with those institutions, develop procurement procedures that will enhance transparency and make it easy to detect corrupt acts and omissions of certain proper procedures.

One way to achieve it is through a pre-determined instrument, to map out the corruption risk areas in all public institutions and organizations.

Public Education

Anti-corruption authorities in conjunction with public institutions must design and implement comprehensive public programmes to educate the public on the evils of corruption and the benefits of resisting it, thereby shaping and fortifying citizens' personal integrity.

Once corruption entrenches in the public psyche, it becomes harder to eradicate it through criminalization and punishment alone. Another important factor is that corruption is a function of opportunity and inclination. This will aid in eradicating corruption in the procurement procedures of public institutions.

Adoption of electronic procurement

With manual systems, information is entered on card indexes or filed in appropriate systems. Computerization using master files or databases not only enables vast amounts of information to be stored but also obviates duplication and ensures the efficient retrieval of data. Electronic procurement also reduces costs involved in the manual procurement procedures.

CHAPTER FIVE

Conclusion and recommendations

5.0 Introduction

This chapter aims to present the discussions and the findings from the previous chapters. It is on the basis of chapter four with reference to research objectives and the aid of literature review where the conclusion and recommendation are made. The main purpose of this study was to evaluate the role of procurement on efficiency of public institutions. The study was objectively conducted to find out the extent to which procurement function contributes to achievement of Public Institutions goals and objectives, to establish the impact of procurement in the Public Institutions, to identify the causes of delay in procurement of goods, services and works in the public Institution and finally to come up with recommendation, on how to improve the efficiency and effectiveness of procurement function.

The analysis, evaluation and interpretation of the data and information found on the field were correctly performed, therefore the conclusion and recommendation given below was precisely derived from the chapter and areas mentioned above.

5.1 Conclusions

From the study carried out, the findings indicate that procurement in public institutions is a complex and lengthy process with rules and regulations governing the process. The following were the findings or conclusions made by the researcher with the regard of the objectives of the study.

The researcher concluded that procurement plays an important role in the public institution. The roles include maintenance of continuity of operations, maintenance of adequate standards of quality, maintenance of company's competitive position and development of internal relationships to lead to understanding and harmony among the various organizational units.

The researcher also found the causes of delay in delivery of goods services and works in the public institutions. These were factors that caused the delays in the delivery of goods procured by the public institution which further affected the service delivery by the institution. There were factors such as lengthy procurement process, poor selection of suppliers, inefficient communication and unqualified employees in the institution.

The researcher found out that procurement affects the service delivery of public institutions.

The procurement department was identified as the hub and the other departments were identified as the spokes which relied on the hub for strength. Without the procurement department in the institution all the other departments would be inefficient in the service delivery of the institution.

The researcher also found out that there are problems associated with the tendering process.

The problems identified by the researcher were corruption through the corrupt procurement officers who solicit bribes from the suppliers, the lengthy tendering process which slows the procurement of goods and services and the need for detailed specifications required by the procurement Act.

The researcher also found solutions for the problems encountered by procurement in the public institutions as suggested by the respondents.

The solutions identified by the researcher to the problems that are encountered by the procurement department in public institutions included adoption of electronic procurement process, public education of the public on corruption and its effects, establishment of a Code of Conduct and Ethics to govern the procurement department and its employees and System's reviews of Public Bodies at regular intervals.

5.2 Recommendations

From the study following are the recommendations;

- Multiple procurement techniques should be employed for goods and services to avoid delays in service delivery in times of shortages when a supplier fails to deliver in time.
- The procurement department should work closely with other departments and the suppliers in improving communication between the three parties to avoid the delays caused by inefficient communication.
- Decentralization of the procurement activities should be adopted to avoid delays in the procurement of certain goods or services which do not necessarily have to follow the lengthy procurement process.
- Modern electronic purchasing techniques should be employed to ensure that materials are produced exactly when needed. This will avoid delays that are both expensive and unnecessary for efficient production.

- Procurement staff should be trained so that they can be updated on modern efficient procurement methods. This will improve their job performance and will help in speeding up the procurement procedures.
- Flatter management structures should be adopted to remove the bureaucracy in procurement procedures that exists within the organization in order to ensure fast effective and efficient procurement of goods and services.
- Further research should be conducted to establish in details the role of procurement on the efficiency of public institutions in the delivery of goods and services.

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TIME PLAN:

| ACTIVITY | OCT 2008 | NOV 2008 | DEC 2008 | JAN 2009 | FEB 2009 | MAR 2009 | APR 2009 | MAY 2009 | JUN 2009 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| feasibility study | **** | | | | | | | | |
| Proposal writing | **** | **** | **** | | | | | | |
| submission of the proposal | | | **** | | | | | | |
| Data collection | | | | **** | **** | | | | |
| Data analysis | | | | | **** | **** | **** | | |
| Moderating of research project | | | | | | **** | **** | **** | |
| Submission of final report | | | | | | | | **** | **** |

*- Represents one week of the month

BUDGET

The funds to support the budget were obtained from the researcher's own pocket money and assistance from the family members and friends. The budget for the project was as follows

| Items | Amount (Kshs) |
|----------------------|---------------|
| Internet | 200 |
| Transport | 1000 |
| Photocopying | 1000 |
| Binding | 1000 |
| Stationery | 2000 |
| Secretarial services | 1000 |
| Miscellaneous | 800 |
| Total | 7000 |

APPENDIX 1
QUESTIONNAIRE

I kindly request you to answer this questionnaire with maximum honesty. It is meant for academic research purposes and all the information will be treated as confidential by the researcher and will not be used in any other way apart from the research work.

1. Name.....

2. Sex (Tick where appropriate) Male ☐ Female ☐

3. How long have you worked for the organization?

1—5 Years ☐

6---10 Years ☐

11---15Years ☐

4. What level of the organization do you belong to?

Top management ☐

Middle management ☐

Subordinates ☐

5. Do you think that procurement plays any role in the enhancing of service delivery of public institutions?

YES ☐

NO ☐

If YES, what is the role of procurement in the public institutions?

.....

.....

.....

6. Does procurement affect the service delivery of public institutions?

YES ☐

NO ☐

If YES explain in which ways

.....

.....

7. What are the causes of delay in delivery of goods, services and works in the public institution?

.....

.....

8. Are there problems associated with the procurement in the public institutions?

YES ☐

NO ☐

If yes, what are the problems associated with the tendering process?

.....

.....

9. Are tendering process in way affect the procurement in the public institutions?

.....

.....

10. In your own opinion, what do you think affects the effectiveness and efficiency of procurement in a public organization?

.....

.....

11. What would be the solutions for the problems encountered by procurement in the public institutions?

.....

.....