

***THE FACTORS AFFECTING THE EFFECTIVENESS OF PUBLIC
PROCUREMENT IN MUNICIPAL COUNCILS
A CASE STUDY OF MAUA MUNICIPAL COUNCIL***

BY

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DECLARATION

This research project is my original work and to the best of my knowledge, it has never been presented for a degree or any other award in any other university or institution. However, where works of others have been cited, acknowledgement has been made.

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APPROVAL

This proposal has been submitted with my approval as University supervisor.

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DEDICATION

I dedicate this work to my dear parents; ***MR. STANLEY MURUNGI*** and ***MRS. MAGRATE KALOKI*** for their love, encouragement and tireless financial and moral support. Without their efforts, my dreams of reaching this level would have never been realized. May ALMIGHTY GOD bless them abundantly with long, joyful and healthy life.

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I am sincerely grateful to my Dad and Mum; ***STANLEY MURUNGI*** and ***Mrs. MAGKATE KALOKI*** for believing that education is the key to my bright future; for their continued financial and moral support and for their unconditional love. I also wish to express my gratitude to ***JOYCE GICHUNGE*** and ***FAITH GAKENI*** for their love, encouragement, and support.

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LIST OF ABBREVIATIONS

MMC-Maua Municipal Council

PPDA-Public Procurement and Disposal of Asset

MLG-Ministry of local government

GDP-Gross Domestic Product

FOB-Free On Bond

JIT-Just In Time

KISM-Kenya Institute of Supplies Management

R&D Research and Development

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DEFINITION OF TERMS

- Bidding** - Refers to an organisation or person offering a particular amount of money for something which is for sale and compete against others to obtain it.
- Contract** - A legal agreement with somebody to do work or to have work done for you.
- Corruption** - Illegal or dishonest behaviour especially by people in position of Power.
- Lead time** - Time Span from the placing of an order to receipt of the goods or services required.
- Procurement** - Involves the purchasing of material and services buy an Organisation. It also includes any method that allows a firm to obtain the goods and services it needs such a s hiring or contracting (Hall et al 1993).
- Public procurement**-Its defined as the governments act of acquiring goods and Services through governmental agencies such as state, provincial, municipal, public institutions and various governmental commissions in the best interest of the public.
- Purchasing** - It is defined as a function responsible for obtaining by purchase, Lease or other legal means such items as equipment, materials, suppliers and services required by an organisation.
- Specification**- It's statement of needs to be satisfied by the procurement of external resources.
- Supplier** - A company or person that provides things that people or Organizations need especially over a long period of time.

Tender - It's an offer in writing by a person or organisation to supply at a Price goods and services or works, pursuant to an invitation to tender by a procuring entity.

ABSTRACT

This research study set out to investigate the factors affecting the effectiveness of public procurement practice in Maua Municipal Council. These factors affect overall performance of the council in discharging its social responsibilities to the society which is the main financier of the council. And also MMC is under local government that is subject to PPDA Act and regulations hence should comply with the procedures of the act

The general objective of the study was to study the factors affecting procurement practice that has led to loss of money and inefficiency in public institution given their important purpose of service provision to the society, the study intends to propose measures for improvement leading to procurement efficiency.

The research design used was a case study technique to obtain data from the MMC staff and suppliers, the study utilized questionnaires, interview and observation to obtain the findings. Stratified sampling was utilized to classify the population of the study.

The target population was MMC staff and suppliers of the council. From a total of 126 MMC employees 63 were sampled -30 from procurement, 8 from treasurers' office, 4 from finance, 13 from stores and 8 from user department. 40 suppliers were sampled from a total population of 80 suppliers – 15 from past suppliers, 20 from current suppliers and 5 from potential suppliers', stratified sampling was utilized.

Descriptive statistics was used to analyze data and present it in form of tables, pie charts and bar graphs, the aim of data analysis was to obtain findings and draw recommendations from these findings. Validity and reliability was conducted to remove ambiguity and achieve high degree of precision.

Findings showed that though the government has in the recent past enacted measures to improve public procurement practice. Procurement vices continue in public institutions, corruption, unqualified staff, and lack of information, poor supplier selection lot of paper work, poor record keeping and lack of computer use contribute to ineffectiveness.

From the study the recommendations are to use higher qualified personnel, putting responsible people to tender boards computerizing the procurement function, strict adherence to procedures and duties .proper selection of suppliers, long term planning and ensuring environmental concerns in the procurement function. This will bring efficiency and effectiveness.

CHAPTER ONE

1.0 INTRODUCTION

This chapter concentrates on the background of the study, objectives, research questions, scope of the study, the significance of the study and conceptual framework

1.1 Background of the Study.

Historical Background of Procurement.

Procurement function has historically been regarded as a relatively unimportant function in many organizations, its status and influence has been relatively low particularly when compared with other functional areas such as finance and production (Bailey et al 1998).

1.1.1 (Maua Municipal Council (Background information)

MMC fall under the umbrella of the Ministry of Local Government (MLG) therefore it's an arm of government which is subject to PPDA act and regulation. The buying objective of a government organization is not profit but provision of basic services to the citizens. The Local Government Act (cap265) gives power and responsibilities to the council to provide public services and to coordinate affairs of a particular locality under the guidance and supervision of the central government.

1.2 Statement of the Problem.

Procurement involves the purchasing or buying of materials and services by an organization, it also includes any method that allows a firm or organization to obtain the goods and services it needs, such as hiring or contracting (Hall et al 1993).

The research study at investigated the major hurdles hindering effective procurement practice in the public sector, taking the case of Maua Municipal council and offers recommendations for best practice measures to be adopted.

The council's procurement faces the following problems;

- Corrupt business people who collude with the procurement officials.
- Public procurement lacks a competitive business environment which increases efficiency
- Incapacity to obtain supplies because of lack of adequate finance in their part, they are restricted by budgetary constraints.
- Long lead times - The process of sourcing right to the supply of goods takes a long

time because it is manual in nature. Lack of long term partnering associations with suppliers. Incompetence due to lack of trained qualified procurement staff.

- Lack of funds for research and development in the subject.
- Public procurement lacks the subjection to an independent technical audit.

1.3 Purpose of the Study.

The purpose of this study was to investigate the factors that affect the effectiveness of public procurement practice, a case of Maua Municipal council.

1.4 Objectives of Study.

- i) To determine of the methods procurement in Maua Municipal Council (MMC).
- ii) To determine the factors that affects the effectiveness of public procurement system.
- iii) Make recommendations based on the requirement of PPDA.

1.5 Research questions.

The following questions were formulated to guide the study;

- i) How does Municipal council award its tenders?
- ii) How can procurement performance be improved?
- iii) Do business entrepreneurs contribute to inefficient procurement practices?

1.6 Assumptions of the Study

It was assumed that Maua Municipal Council being a government agency, under the ministry of local government would provide the characteristics of a public sector agency particularly in the aspect of public procurement practice.

1.6 Justification of the Study.

Public sector purchasers are accountable to the public whose money is spent, including disappointed tenderers and potential suppliers. They must enact procedures and practices which will stand up to scrutiny during either government audits or to a challenge through the courts of any procurement decision that has been made.

1.8 Scope of the Study.

The research study was carried out at Maua municipal council. It focused on the various factors influencing public procurement effectiveness and recommendations for effectiveness. The study targeted MMC staff as well as the council's suppliers - past, current and potential suppliers.

The study was carried out in the year 2010-2012 and covered a span of five months period. The study focused on procurement activity in public sector agencies.

1.9 Significance of the Study.

The study was not only of significance to procurement staff and professionals engaged in the activity but also to the public through efficient utilization of their money, to suppliers, and the government in obtaining its policy objectives of accountability and transparency. The study focused to;

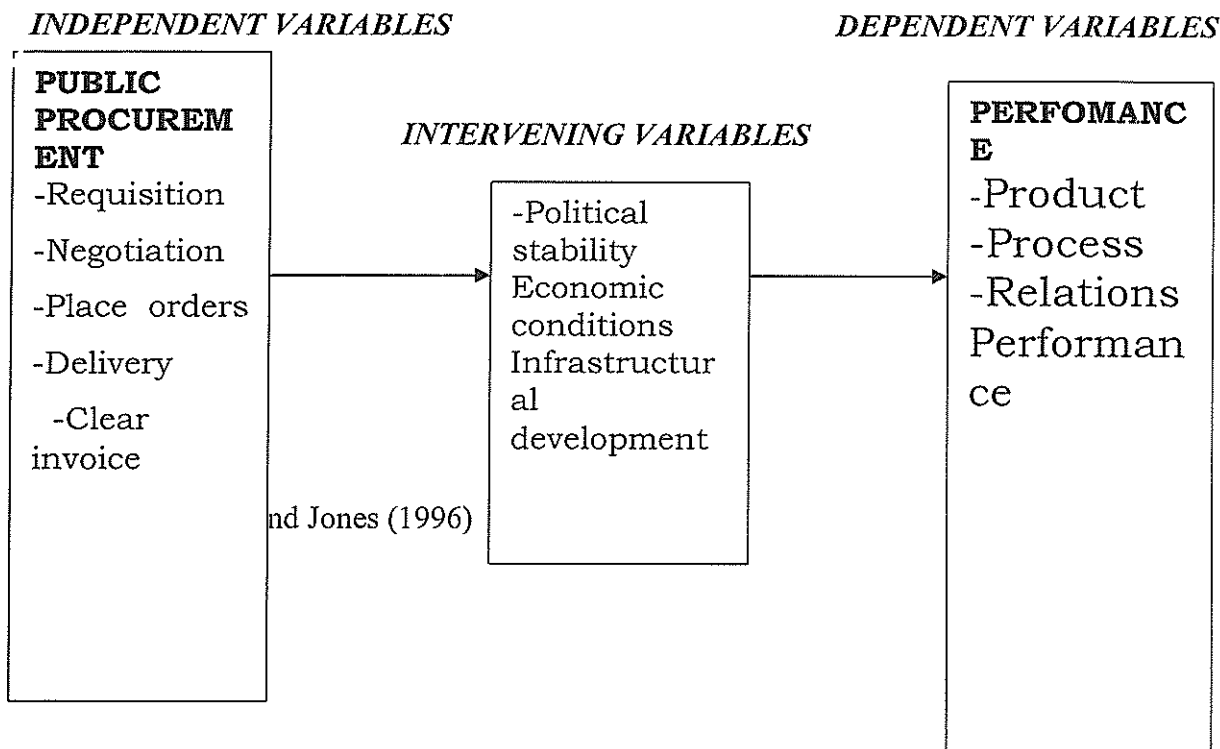
- i) Highlight and discuss factors affecting procurement in the public sector and therefore contribute towards evaluation and formulation of government policy in procurement.
- ii) Offer recommendations for best practice hence enhance the activities effectiveness,
- iii) Be of significance in educating and training procurement officials in all government institutions.
- iv) Be used as a basis for further research on influences of procurement.
- v) The findings will encourage good working relations between suppliers and procurement team.
- vi) The findings will add knowledge in the area of purchasing, as well as skills, which will help fill information gaps in the area of public procurement.

1.9.1 De-Limitations of the Study.

This study tries to establish the procurement system in M.M.C. and determine the factors that influence these procurement systems and further make recommendations based on best practice.

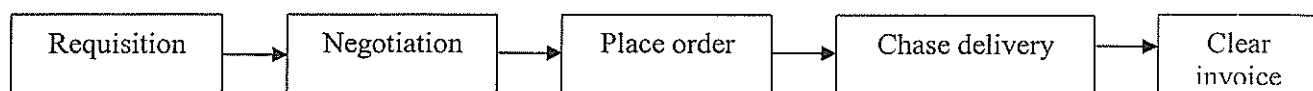
1.10 Conceptual Framework.

An article by Stanwick and Jones (1996) explores shifts in the conceptualization of the procurement function; they consider the effects of changes suggesting that they are so fundamental that they call for a redefinition of the profession. In turn they identify a four stage procurement evaluation structure based on the following;



This four stage approach is also recorded by (Stannack and Schewing, 1996) and similar developments are noted in this research done in (1996). The model shows that the main objective of any procurement activity is the product or item needed to satisfy the need. The actual purchasing process is also important. (Hall et al 1996) gives a purchasing process model:

Fig. 1.1.1 Procurement process



Source: Hall et al (1993)

This defines first the need to identify the requirements of the organization which results in the organization requesting suppliers for the commodity intended to meet the stated need, negotiation is then done to ascertain prices and discounts, this is followed by order placement detailing the commodity required together with the specification the goods are then obtained and the delivery process managed. The last stage is the actual payment of the goods already obtained and the records kept for future purchase arrangements.

Relation between the buyer and supplier is important not only for current purchases but also future purchases. Evaluation of the purchasing performance is important in a repeated buy situation where suppliers are selected especially past suppliers who are in a contractual relationship with the organization.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction.

The main aim of this chapter was to clearly distinguish between purchasing and procurement and further highlight the importance of procurement. Then analyse and discuss the factors contributing to inefficient public procurement and finally discuss clearly the literature reviewed and information gaps.

2.1 Importance of procurement.

The terms purchasing and procurements are often used interchangeably, although they differ in scope. While purchasing generally refers to acquisition of goods and services for a monetary or equivalent payment, procurement is broader in scope and includes purchasing, traffic (transportation) warehousing (storage) and all other activities concerned with receiving inbound materials (Douglas et al 1998).

In almost all countries, governments spend considerable sums of public money on the procurement of goods and services for use by its various departments and activities (David 1987), such purchases as noted in the business guide (1999) presents a considerable portion of a countries GNP (Gross National Product) It ranges from 10% to 15% of GNP. Main expenditures cover a vast range of goods, weapons systems, stationary and printed forms, furniture, uniforms, food services and capital projects including consultancy services, banking services, information systems and services, the management of facilities as well as medical services, road building and maintenance and utilities such as electricity and telephone services (Bailey 1998). This therefore calls for the procurement function to be accountable to the public and thereby contribute to national development.

Importance of procurement arises from its effects on the national economy, poor procurement practices promote social tension and economic instability and low standards of living (William 1768).

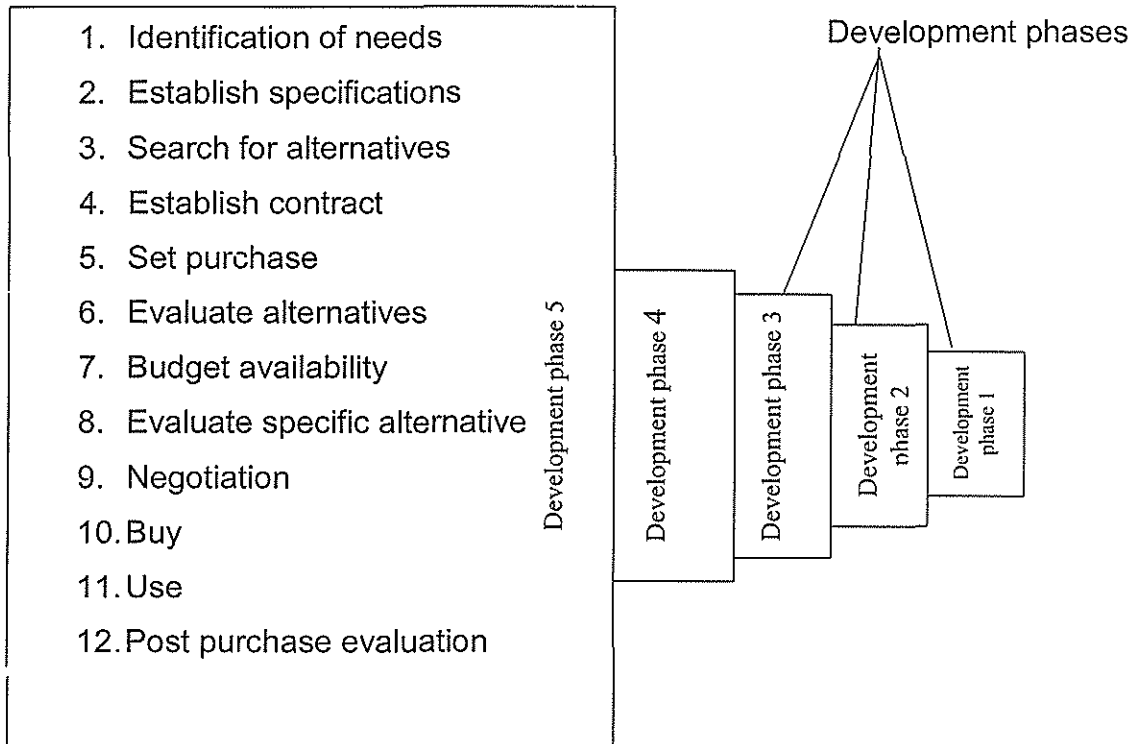
2.2 Review of past studies

2.2.1 Buying process

Bailey et al (1998) state that research into various stages of Buying process is now well advanced, the initial research in this area was conducted by Robinson and Faris in early 1960s. They divided the buying process into eight activity stages Wind (1978) extended this

into 12 stages. This process is time consuming and complicated, without proper knowledge it may lead to increased costs. It requires trained procurement staff to ensure efficiency.

Fig 2.2.1 Twelve stage classification buying process



Source: Wind (1978)

2.2.2 Purchasing panacea for the Ailing Kenyan Industries.

(MSK 1994). In this article edited by Murungi Samuel in a KIM Journal (Aril 2002) he said that a lot of reasons have been advanced as to why our firms continue to perform dismally with an alarming number of them being placed under receivership or being closed down or privatized.

The reasons put forward for this exercise range from;

- High level of taxation
- High costs of power
- High interest rates and unfair competition from cheap imports.

A lot of solutions to take us out of this economic problem have been suggested such as,

- That application of the anti-dumping laws and the need to protect local industries.
- Investing on staff training

2.2.3 Strategic Purchasing

The main failure of the purchasing function is its concentration on negotiation and market prices, and in emphasizing short term opportunistic decision making such an emphasis ignores a strategic holistic approach to purchasing and falls well short of any long range horizons.

Factors Influencing Purchasing Decision.

Kenneth Lyson's (1996) highlighted the main factors influencing purchasing as;

- The need for integrated decision making relating to supply chain activities
- The importance of cross-functional co-ordination and communication on supply issues.
- The expansion of purchasing and supply chain management responsibilities that have traditionally been carried out by other functions areas such as transport inwards, stores and inventory.
- Technical development such as the EDI (Electronic data interchange) make it easier to share information and faster response to changes in demand and supply.
- Lean supply approaches emphasizing fewer suppliers, JIT and emphasis on the reduction of the total systems cost.
- Human approaches such as the concept of empowerment with the delaying of organizational structures.

2.2.4 Public Accountability

Public sector purchaser's are accountable to the public whose money is spend they must produce procedures and practices which will stand up to scrutiny during audits or to any challenge through the Courts of any purchasing decision that has been made. The primary purpose of public accountability is to prevent abuse of tax payer's money (Bailey et al 1998).

2.2.5 Source of Authority

The authority of the public buyer is established by law, regulation or statute such as local governments. The local buyers must observe the appropriate legal structure under which purchasing operates, the ultimate responsibility is to same legislative body and the voters who elect the body (Leenders 1993).

2.2.6 Competitive Bidding of Tenders

Clarance and Roberts (1993) define the term Tender as a bid to supply or purchase; it entails an offer in writing by a tender to supplier at a price goods, services and works pursuant to an invitation or tender by procuring entity.

Lenderers and Fearon (1993) says that because of the public buyer spends funds generated from tax system governmental statutes and law normally provide that the award of purchase contracts should be made on the basis of open competitive bidding, this provision is suppose to ensure that all qualified suppliers, who are tax payers or who employ personnel who are tax payers have an equal opportunity to compete for sale of services or products needed in the operation of government. Since the bids received are open to public inspection.

The bidder must submit the bid on or before a specific date and hour. No changes are allowed after submission to accommodate new developments. The place of delivery usually purchasing department should be specified. These procedures are complicated and rigid especially in case of emergency items.

Bid Determination

The lowest bidder is customarily selected, the objective of security bids from various sources is to obtain the lowest price, and the purpose of supplying detailed specifications and statements of requirements. Government contracts must be awarded to the lowest bidder unless very special reasons can be shown for example.

- If information supplied by the suppliers subsequent to the request of bids may indicate that the firm submitting the lowest bid is not reliable.
- If there is a reason that collusion existed among bidders
- If the buying center may express a preference for particular supplier products.

Lack of information to the above issue may hinder bid determination to the best bidder. Competitive bidding is time consuming and requires administrative paper work, for this reason, government statutes will often specify that informal bids may be used as basis for award of purchase orders for requirements under certain amount.

Leenders and Feeron (1993) asserts it that a policy of competitive bidding is sound and should be deviated from only under the most unusual circumstances, it's the fairest means possible for treating suppliers alike, it tends to stress quality and service elements in the transaction instead of the price factor. Rejection of bids usually occur especially due to lack

of bidders understanding of specifications; detection of bidder collusion or due to unrealistically higher prices.

Bid Procedures

In a normal bid system the bidder typically will be sent;

- A complete list of specification
- General and specific legal condition to be met by successful bidder.
- List of instructions to the bidder spelling out how, when, where and in what form bids must be submitted.
- A bid form on which the supplier will submit price discount, and required information.

Supplier Selection

This is not a simple task considering that the price comparisons may be misleading especially in identical bids with minor differences, for example one supplier's installation cost may be lower, one suppliers product may require tooling which must be a mortised, these and other similar factors are likely to render a snap judgment on comparative price a mistake.

Collusive Bidding

Suppliers may act in collusion with one another to charge higher prices. This may lead to rejection of bids, legal redress or seeking new sources, if unnoticed may cause a lot of losses to the organization.

Bid Errors

A problem arises if the bidder claims a bid error and attempts to withdraw the bid after it has been awarded. The buyer must weigh the probability of having severe problems in Court action to force performance or collect damages against the problems and cost of how going to the closest other successful bidder who may not be interested if the problem involved incorrect addition of figures the Court probably will side with the supplier.

Bidder Qualification

Procurement rules generally include provision to ensure that suppliers and contractors to whom public contracts are ultimately awarded have the necessary qualification to provide goods and services. The detail must be specified in the bid document, (London Government act 1972) this has not been the case and therefore results to choices of incompetent suppliers.

2.2.7 Budgetary Restriction /Limitations

The use of budget as planning and control tool is well known for buyers in public sector. In the municipalities the budget process is long as it is suppose to be approved by Ministry of local government.

If the need funds are not already in budget the public may find it difficult to take the advantageous of prices (Gauthier 1990).

2.2.8 Supplier Selection, Management and Evaluation

Leenders and Fearon (1993) says that the buyer should conduct a supplier survey or investigation to ensure that a given supplier can meet minimum level of each important characteristics.

Good supplier selection facilitate the buyers effort to gain;

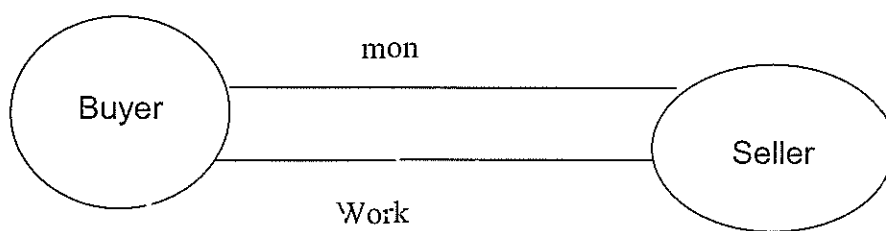
- Superior performance
- Extra services such as after sale service
- Co-operation in cost reduction
- Willingness to share in new process and procedures.

Bailey (1998) asserts that inefficiency of suppliers do harm the effectiveness of the procurement process.

Bailey (1998) states that there re two relationship that exist between the buyer an seller.

- a) Transaction relationship and
- b) Mutual relationships

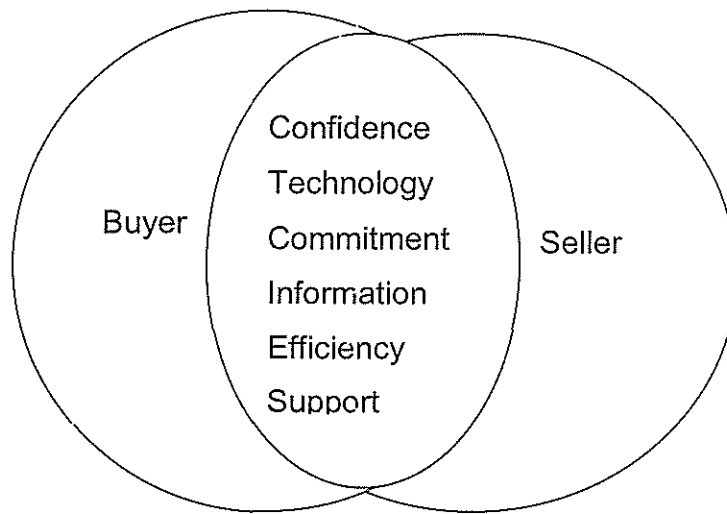
Figure 2.2.8 (a) Transaction Relationship



Source; Bailey (1998)

The buyer pays for the work to be done by the seller; both parties should play their role for the transaction to succeed.

Fig 2.2.8 (b) Mutual Relationships



The six relationships in the middle of the diagram should be agreed upon and shared between the buyer and seller.

2.2.9 Lack of Traffic Expertise

Unlike industrial firms which have a traffic or transport specialist who handles both inbound and outbound shipments, government agencies rarely have purchasing department traffic expert. Due to lack of traffic expert the public buyer specifies FOB. Free on Board destination as the shipping basis which may not be most economical since the buyer loses control over traffic decision (Menetrina 1991).

2.2.10 Information Confidentiality

All information or prices submitted by suppliers and the price finally paid must be made available to any tax payer requesting it according to Leenders and Fearon (1993).

2.2. 11 Salary Levels

Salary level adjustment is easier in the private sector than in public purchasing. However at the top level government pays salaries that are far below those industrial firms, this may also be low in relations to the responsibilities of the job (Procurement survey 1989).

2.2.12 Time Required to Modify the Organization

Changes in the organizational structure of public purchasing, for instance the addition or deleting of positions, changing reporting relationships or redefinition of position, duties and responsibilities, often take long than in industrial firm such changes in local government take

long. This time is long that managers get discouraged and do not bother pressing for headed changes.

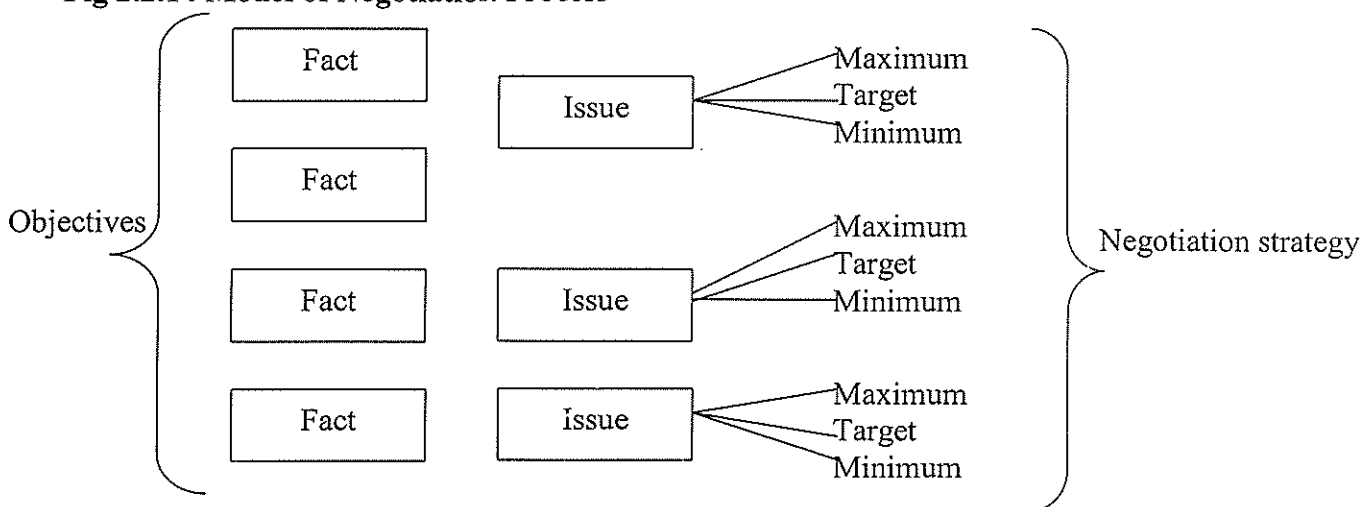
2.2.13 Environmental Considerations

According to Lenders and Fearon (1993) environmental considerations are imparting every purchase of acquisition cycle from need of definition to disposal of public awareness of the desirability of the ideal goal-zero environmental impact has grown in past decades purchasing department is required to purchase materials that may not directly or indirectly increase environmental concerns sound environmental practices should be adhered to because of legislation which are tightening the standard and addressing new issues of re-cycling.

2.2.14 Negotiation

According to leaders and Fearon (1993) Competitive bidding is time consuming and requires administrative paper work for this reason governmental laws will often specify that informal bids may be used as a basis of award of purchase orders for the requirement under and suppliers have to negotiate on all difficult situations and administrative costs.

Fig 2.2.14 Model of Negotiation Process



Source; Leenders and Fearon (1993)

2.2.15 Overseas Buying

Overseas sourcing is defined as the buying of a product or service from outside the nations borders. Government agencies participate in overseas sourcing especially in machinery and large dollar contracts. This is because of the following;

- Lack of domestic availability
- Improved technology outside the country

- Cheap goods from outside the nation.

The activity faces the following challenges

- Long lead times may cause purchasing manager to carry large inventories and incur higher costs.
- Incorrect orders are hard to rectify over long distances.
- Transportation is complex, it involves the use of “incoterms” international commercial terms which determine liability and responsibilities.
- Tariffs and duties increase materials costs
- Communication problems due to different languages impacts negotiation and overall understanding. (Bailey et al 1998).

2.2.16 Sub Contracting

This is viewed as a means of augmenting limited resources and skills while enabling the contractor to concentrate on their main area of expertise. It is mainly appropriate for work which is difficult to define how long it will take and will be extremely costly.

Managing subcontractor is a complex activity which requires knowledge about performance of the desired results. Contracting is more expensive because of;

- Corruption
- Higher profit to the contractor
- Shortage of qualified suppliers and lack of competition
- It limits the flexibility of governments in responding to emergencies.
- Limits the opportunity to benefit from economics of scale.
- Higher costs of managing and monitoring the contract performance.

2.2.17 Audit Report on Procurement Supplies and Stores

This is a study done on Telkom Kenya documented on the Daily Nation Thursday January (2007) pp5. Telkom Kenya lost up to 6.14 million in fraudulent Procurement claims in the past years. The report blamed this on;

- The irregular tendering procedures
- Collusion between staff and suppliers leading to awarding of tenders to the highest bidder.
- The procurement department lack accurate and reliable records of its work in line with government procurement legislation.

2.2.18 summary

This study examined major factors which affects the effectiveness of public procurement practices. Procurement officials should know and understand these factors so as to be efficient in their duties.

The review show how suppliers as well as the public buyers contribute to inefficiency, it's therefore clear from the review that to ensure efficiency both sides should be considered, though more weight rests on the public buyer who is mandated to efficiently utilize public funds. The accountability of the public buyer to the public though interfering with his/her autonomy go along way in ensuring accountability and transparency.

The mandate of the public buyer comes from the government. The public buyer even though may want to improve the activities effectiveness is bound by the governmental rules and regulations that make the activity very rigid. Desired changes are not easily passed; they undergo a rigorous process which includes public hearing and a review of laws and regulations. The process may take months, emergency cases are therefore impossible unless under unusual cases. The authorities should in that regard cooperate in procurement work due to joint actions.

In a bid to curb corruption and increase openness, transparency and accountability, the public buyers should follow the laid down procurement procedures regulations and legislation from the source of authority.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction.

This chapter dealt with research design and methodology that was used in the study; it comprehensively explains the target population, sample design, sample size, data collection instruments, and validity and data analysis procedures.

3.1 Research design.

Case study design was used, an in depth analysis of a single case was done with the aim of making generalizations from the single case findings. Case study research design was the most preferable because of the uniqueness of the case in that it only applies to public institutions, another factor which favours the design is data collection, since the case study is restricted in numbers it enables an intensive data collection.

3.2 Target Population.

The subject of the study was drawn from amongst the Maua municipalities' workers and their suppliers- potential, current and past suppliers. The study targets a total population of 126 respondents from the council staff drawn from various departments.

3.3 Sample and sampling design.

From a Total target population a sample size of respondents will be selected from the municipal's personnel. From the suppliers a sample size of respondents will be selected from the Total.

In both samples, comprising of suppliers and municipal personnel, stratified sampling will be employed. This technique will be used because it allows the research to group data into various strata. Strata refer to the categorization of municipal personnel into groups based on their departments that is purchasing, treasurers, stores, finance and user departments. It also refers to the various categories of suppliers -past, current and potential suppliers. Equal proportion from each strata was selected in both groups.

3.4 Data collection instruments and procedures.

Questionnaires were used to collect primary data that is open and closed. They were distributed to municipal (MMC) personnel and suppliers and collected between January 2012 to February 2012.

Questionnaires were chosen because they are economical, less time consuming and are more reliable since biasness of the interviewer is avoided. Open questionnaires was used to obtain respondents views while closed questionnaires was used to elicit more specific and direct type of information.

Observation will also be used on documents at the procurement department; an observation check list will be used to guide the research on the exercise. Data obtained by this method are generally objective and more accurate.

A personal interview was also employed in data collection exercise. Interviews were used because of the following importance; it provides in depth data, guard against confusing questions, they are more flexible, the interviewer is able to clarify the purpose of research and obtain more information by probing, they yield higher response rates and may elicit more sensitive information.

Interviews was only used on procurement staff.

3.4.1 Reliability and validity of the research instruments

Reliability and validity in research was done to ascertain the accuracy of the data collection procedures. The research instruments pre-test or pilot studied on a small sample of respondents as a preparatory exercise before commencing actual research. A sample of municipal employees was selected, and a sample of suppliers was also selected for the pilot study.

Questionnaire and interview schedules were designed to fulfill the intended purpose. Draft questions on the questionnaire will pre-tested to remove ambiguity and achieve high degree of precision; any information omitted will be rectified. All the units of analysis were comprehensively studied and whole population taken into account. After piloting the instruments they were carefully scrutinized for mistakes on procedures to ensure high return rates, reliability and validity.

3.4. 2 Administration of the Research Instruments.

The instruments were self administered (by the researcher), this interaction leads to more information and created a friendly environment for respondents to provide answers without fear. This enables the researcher to identify and solve any limitation in data collection.

3.5 Data analysis procedures.

The data collected were analyzed using descriptive statistics. Collected data were edited for completeness, accuracy, consistency and relevance. It was then analyzed in form of tables, frequencies, pie charts and percentages.

3.6 Limitation in data collection

MMC employees, some of whom may have been perpetrators of procurement bills was in fear of being perceived as incompetent. Prospective tenderers were suspicious that information collected would victimize them upon selection of suppliers.

These limitations were overcome by explaining to them clearly that the study is purely for academic purposes, and would not be used against them.

3.7 Justification of the area of study.

Maua town has been steadily growing, the subsequent increase in population has constrained the available limited resources hence requires a need for efficient utilization through best procurement practices.

Proper management of the council with respect to the existence of industries provides a conducive environment which enhances achievement of economic growth that would contribute to successful procurement of services, considering that the companies are the suppliers of the council.

Ministry of local government is one of the ministries that has a direct interface with the community, its efficiency is evident from the welfare of the public it serves, for instance through street lighting, clean water sewerage, health and education. A. MMC being a growing town has both the characteristics of an urban center and rural setting; it's at the center stage of council settings in Kenya:

1. City councils on top - Nairobi, Mombasa and Kisumu.
2. Municipal councils such as Maua, Meru Chuka.
3. County councils such as, Laikipia, Mutua, Kianjai.

In this regard it therefore provided the best representative of the councils in Kenya, for it appears at the middle of local council hierarchy.

3.8 Limitations of the study.

The study encountered the following limitations in the research study;

- (i) The study was limited to Maua Municipal Council.
- (ii) Lack of professionals in the procurement field, lack of adequate Information to facilitate the research.
- (iii) The respondents in municipal personnel will be reluctant in disclosing some information for fear of the information being used against them or their malpractices disclosed especially on professional qualification and corrupt practices.
- (iv) Suppliers were suspicious that collected information would victimize them upon selection of contract award.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

The research yielded data from which were compiled into frequencies converted into percentages and presented in form of tables, pie charts and bar graphs. This was done to facilitate easy critical analysis of issues regarding procurement activity's influencing factors.

Data is organized according to;

Procurements staff personal details, Composition of tender boards, Computerization of procurement procedures, Corruption levels in procurement activity, Political influence in procurement, Record keeping, Ethics influence on procurement activity, Supplier satisfaction, Application of world class procurement concepts, Competitive bidding and negotiation, Procurement procedure-cumbersome and a lot of paper work involved, Salary awards, Research and development, KISM- membership, Information.

4.2 Data Findings

4.2.1 Procurement Staff Personal Details

Age plays a bigger role in understanding and getting to know the kind of procurement staff, and determining if age is a consideration in employment to the profession.

Table 4.2.1 Age of Procurement

Age	Frequency	Percentage
0 – 26	6	20
26 -35	9	30
Above 35	15	50
Total	30	100

From the table most of respondents 50% were aged, 35 and above years, 30% aged 26-35 and 20% below 26 years.

4.2.2 Procurement Staff Level of Education

The education level of a procurement staff is a critical factor in the activity's proper management.

It was established that the majority 60% were of college level, 26.7% university level, 10% secondary level, there were no primary level employee in the procurement department.

Table 4.2.2. Level of Procurement Staff's Education

Education frequency	Frequency	Percentage
Primary	0	0
Secondary	3	10
College	18	60
University	8	26.7
Post graduate	1	3.3
Total	30	100

From the above findings most of the respondents attained college level, this led partly to the understanding of the operation mainly at the operational and tactical level.

4.2.3 Experience in the Professional

Table 4.2.3 Experience

Years	Frequency	Percentage
Above 30 years	6	20
10 -30 years	19	63.3
Below 10 years	5	16.7
Total	30	100

Its clear from the table that majority – 63.3% are experienced between 10-30 years, this is followed by 20% above 30 years and 16.7% less than 10years. This suggests that experienced workers are in the profession.

4.2.4 Tender Board Composition

Table 4.2.4 Tender Board Composition

Department	Frequency	Percentage
Purchasing suppliers	14	22.2
Treasurers	13	20.6
Finance	12	19
Stores	12	19
Other department	12	19
Total	63	100

From the findings the tender board comprised of approximately equal percentages of their representation in the board.

4.2.5 Departments Computerization

The MMC provided the following opinions on computer use in procurement department.

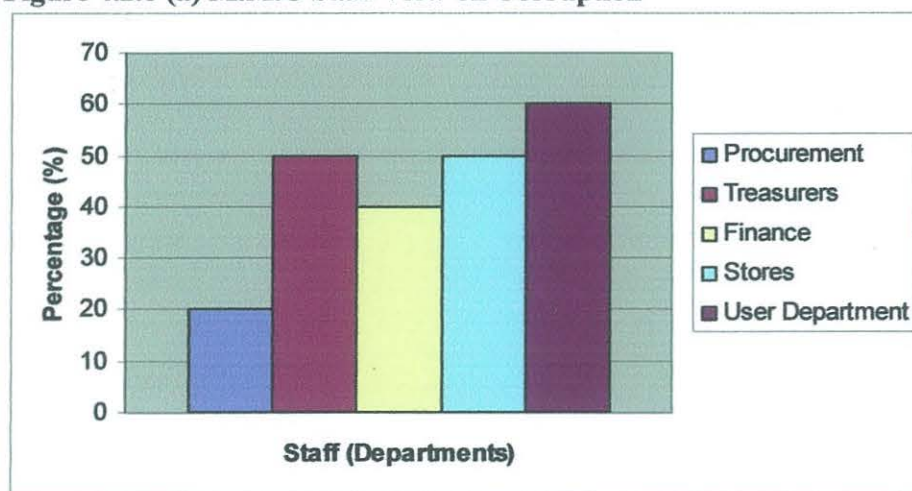
Table 4.2.5 Computer Use

Respondents	Frequency	Percentage
Excellent	0	0
Very Good	0	0
Good	10	15.9
Average	40	63.5
Poor	13	20.6
Total	63	100

63.5% of the MMC staff respondents felt that computer use was average 20.6% felt it was poor and 15.9% felt it was good.

4.2.6 Corruption Prevalence

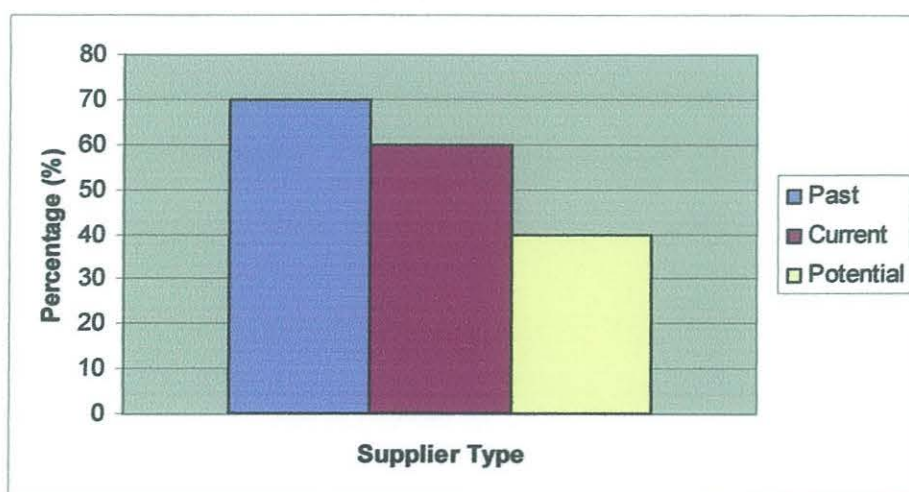
Figure 4.2.6 (a) M.M.C Staff View on Corruption



From the figure though procurement staff saw corruption as minimal 20%, the other departments view corruption as prevalent, treasurers office and stores 50%, finance 40% and user department saw corruption level as 60%

Suppliers View on Prevalence's of Corruption in the Councils Procurement

Figure 4.2.6 (b) Suppliers View on Corruption



Past suppliers of the council see procurement function as more corrupt 70%, current suppliers 60% and potential suppliers 40%.

4.2.7 Political Influence

Suppliers and MMC staff view on political influence is depicted on the following tables.

Table 4.2.7 (a) Suppliers View

Respondents	Frequency	Percentage
High	0	0
Average	30	75
Low	10	25
None	0	0
Total	40	100

Suppliers were of the view that political influence is present though not acute 75% of suppliers viewed political influence as average.

Table 4.2.7 (b) MMC Personnel

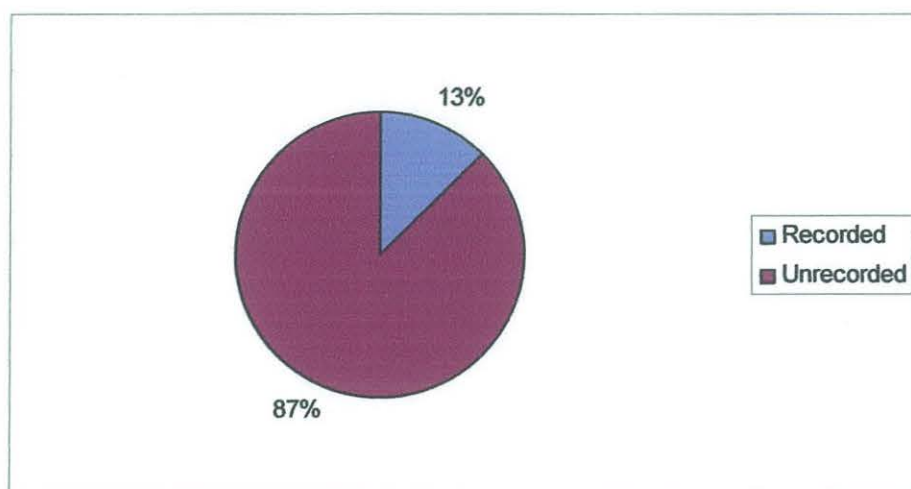
Respondents	Frequency	Percentage
High	0	0
Average	13	20.6
Low	50	79.4
None	0	0
Total	63	100

79.4% of ,MMC staff saw political influence as low, while 20.6% was it as average.

4.2.8 Record Keeping

Keeping of records helps in identifying strengths and weaknesses in the organization, it pinpoints trends that are crucial for managerial decisions. Through observation it was established that out of 40 transactions done in one month February 2009. Only 35 were documented. The remaining 5 were viewed as for small transactions comprising less financial expenditure and therefore less important.

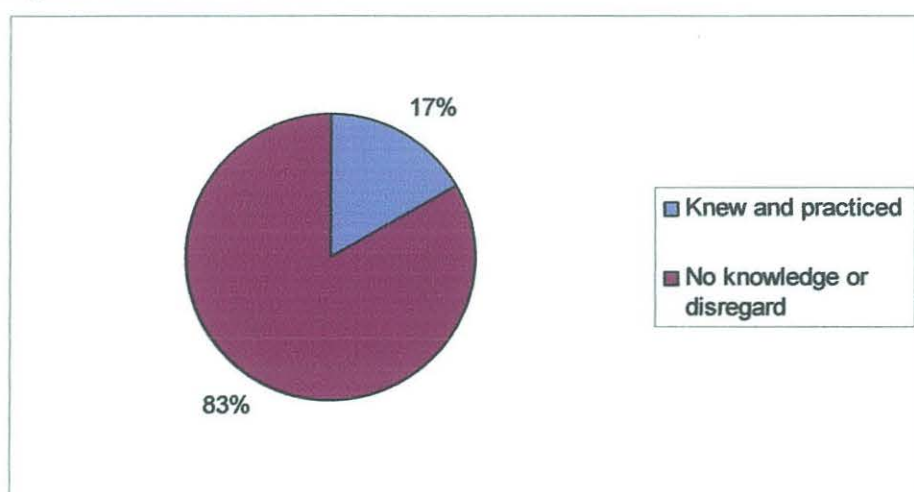
Figure 4.2.8 Record Keeping



87.5% of the records were recorded while 12.5% of the records of transaction for the month February 2009 were not recorded.

4.2.9 Ethics

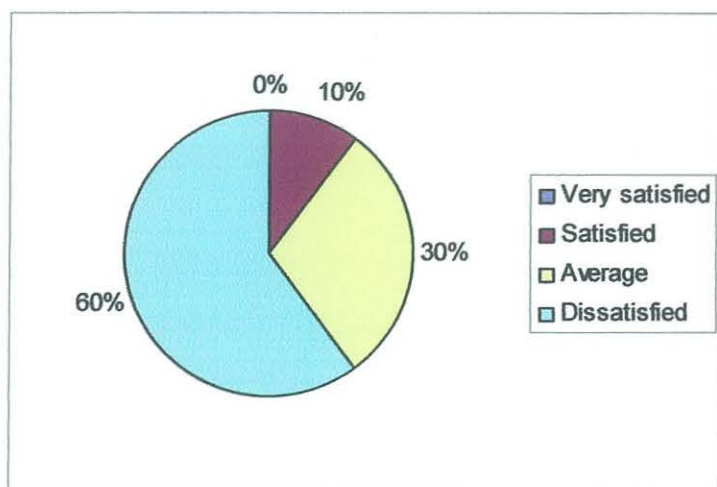
Figure 4.2.9 Ethic Practice



Out of the 30 procurement staff 16.6% knew and practiced procurement ethics while the other 83.4% acknowledged either no knowledge or disregard for the virtue.

4.2.10 Supplier Satisfaction

Figure 4.2.10 Suppliers' Satisfaction



40 suppliers who were sampled had various views on satisfaction, it involved how the procurement staff handled its dealings with suppliers, 10% were satisfied, 30% average, 0% very satisfied and 60% were dissatisfied about the functions effectiveness.

4.2.11 Application of World Class Concepts in Procurement

Table 4.2.11 (a) JIT, MRP and Environmental Concepts. MMC Employees View.

Response	Frequency	Percentage
No	63	100
Yes	0	0
Total	63	100

It was established that 100% of MMC employees were in agreement that JIT facility is not incorporated in the procurement function.

Table 4.2.11 (b) Partnership Sourcing MMC Procurement Staffs View

Response	Frequency	Percentage
No	25	83.3
Yes	5	16.7
Total	30	100

83.3% of procurement staff agreed that partnership sourcing is not incorporated in the organization while 16.7% were of the view that it was practices.

Table 4.2.11 (c) Partnership Sourcing.

Suppliers View

Response	Frequency	Percentage
No	30	75
Yes	10	27
Total	40	100

75% of suppliers agreed that there was no partnership between them and the council, while 25% said that it as present.

4.2.12 Competitive Biding and Negotiation

Figure 4.2.12 Competitive Bidding and Negotiation

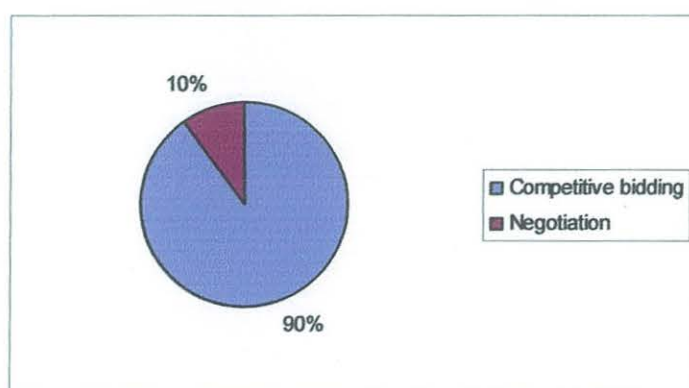
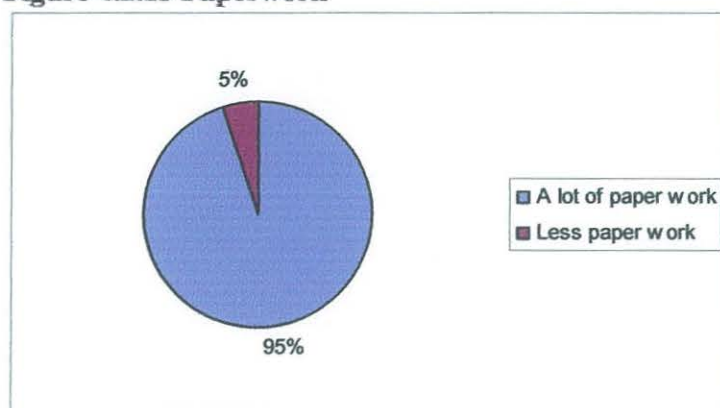


Figure 4.2.12 shows procurement staffs view on the effective method used in procurement of goods and services.

It was established that competitive bidding was the mostly used procurement tool in the council – 90%. And negotiation was minimally utilized, 10% of requisitions were done using negation.

4.2.13 Paperwork

Figure 4.2.13 Paperwork



95% of procurement personnel sampled agreed that there was a lot of paperwork requirements in procuring and storage of materials; this was heightened by international purchasing.

4.2.14 Salary Levels

Table 4.2.14 Salary Levels Satisfaction – procurement staff

Response	Frequency	Percentage
Satisfied	0	0
Unsatisfied	30	100
Total	30	100

It was established that procurement staff were unsatisfied with their salary levels.

4.2.15 Research and Development

Table 4.2.15 Research and Development (R& D)

Response	Frequency	Percentage
No	63	100
Yes	0	0
Total	63	100

MMC employees acknowledged lack of market research and development initiative to improve the council procurement activity.

4.2.16 KISM Membership

KISM is a procurement institute body in Kenya, an equivalent of CIPS (chartered Institute of purchasing and Suppliers management of UK, it offers continuous training of procurement personnel. Out of the 30 procurement staff only 3 are members of this body.

Table 4.2.16 KISM Membership

Response	Frequency	Percentage
No	3	10
Yes	27	90
Total	30	100

90% of procurement staff are not members of this body.

4.2.17 Information

Out of the 63 sampled MMC employees, 5 agreed that they share information freely with other departments as well as suppliers.

Table 4.2.17 (a) MMC Employees

Response	Frequency	Percentage
No	5	10
Yes	58	92
Total	63	100

Table 4.2.17 (b) Suppliers

Response	Frequency	Percentage
No	25	83.3
Yes	5	16.7
Total	30	100

Out of 40 sampled suppliers, 4 agreed that they share information freely with the procurement staff.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes and discusses the findings of chapter four, and answers research questions such that it can be adopted to influence the growth and development of the procurement profession.

5.2 Discussions of Findings

Procurement Staff Personal Details; Age

From the finds it was established that 50% of the procurement staff were above 35 years of age, 30% between 26-35 years and 20% less than 26 years of age. This implies that majority have experience in the profession.

Procurement Staff Level of Education

60% of the procurement staff are college graduated, this is a remarkable development for the profession however for the functions success and effectiveness university and post graduate holders need to be employed, the findings showed that 3.3% were graduate holders and 26.7% degree holders.

Experience in the Profession

The findings from the data indicates that majority of procurement staff -63.3% were experienced between the 10-30 years bracket and 20% above 30 years only 16.7 fall below 10 years bracket.

Tender Board Composition

The tender board comprises of approximately equal proportions of representation from the various council department. Purchasing and suppliers 22.2%, treasures 20.6%, finance 19%, stores 19% user department 195, all departments therefore participate in tender evaluation and selection.

Computerization

From the findings it was established that computer use is average, 63.5% of the respondents agreed on it being average. 20.6% felt that it was poorly utilized. Though a remarkable development a lot need to be done to improve computer usage in the department.

Corruption

MMC employees and suppliers agreed that corruption is ripe in the councils procurement, the procurement staff did not support this view but acceptable that it was present at a 20% prevalence rate.

Political Influence

MMC employees and suppliers hold the same view that political influence hinders the procurement function effectiveness. 75% of suppliers and 320.6% MMC employees felt that corruption prevalence was average.

Record keeping

The findings indicate that 87.5% of transactions done in one month were recorded. 12.5% of the transaction records were however missing, tough a low percentage. It's a sign of poor record keeping trait in the council.

Ethics

In any profession ethnical standards guide the professional members in their actions, though an important aspect, it is not maintained, 83.4% of procurement staff acknowledged lack of adherents to ethical standards.

Supplier Satisfaction

The data indicated that 60% of suppliers were dissatisfied with the procurement function; no supplier acknowledged that he /she was very satisfied with the contract management.

World Class Procurement Concepts

MMC employees unanimously agreed with a 100% (percentage(that world class concepts in procurement that increases efficiency such as JIT, MRP and environmental concerns were not incorporated.

83.3% of MMC employees acknowledged that partnership sourcing was not practiced fully in the organization. 7% of suppliers agreed with this fact.

Competitive Bidding and Negotiation

From the findings Competitive bidding is the procurement tool mainly used in the council, 90% of transactions are done through competitive bidding, this is partly due to government regulation and its efficiency as well as time management. since it does not entail discussions as in the case of negotiation.

Paperwork

Findings indicates that 95% of procurement personnel agreed that there was a lot of paperwork especially, in purchasing and storage. This increases the cost of procurement.

Salary

100% of procurement staff were dissatisfied with their salaries.

Research and development

100% of MMC employees acknowledged lack of R&D in procurement activity. This hinders innovation and efficiency.

KISM Membership

Though KISM-Membership is an important aspect for growth and development of procurement employees countywide by imparting new knowledge and concepts through, seminars and conferences, majority of procurement (90%) are not members of this important body of procurement professionals.

Information

From the findings It was established that 92% of MMC employees and 90% of suppliers do not share information freely with one another

5.3 Conclusion

Though the purchasing function still faces limitations it has however seen a considerable change in its status over the last twenty years as a result of both internal and external factors affecting its developments. Essentially the reasons for its development revolve around such factors as a recognition of the strategic importance of the activity and its importance in reducing organization's cost particularly through supply chain integration.

5.4 Recommendations

Based on the findings, the following are the recommendations for best practice.

Administrative factors along side organizational issues relate to manning levels as well as personnel standards. To staff a strategic purchasing function properly requires high caliber personnel with skills needs above the normal buyer criteria; analytical, logical, enumerative, business argument, tertiary education preferably to MBA level do not represent the average skills specification of a purchasing job. Combined with a preferred technical background; the

overall person specification for the strategic purchasing post is demanding and should be considered in employment of purchasing staff especially at the corporate level.

The tender board committee should comprise persons of known integrity, not only experts, participation in the board should be seen as a post of public honour and with the members own wealth being subjected to public scrutiny. Project implementation should be supervised by a consultant other than the one responsible for preparing the bid documentation. Special procedures must close loopholes whereby artificially cost- over -runs are met through the national budget and not from a foreign loan. Outsiders can participate in bid preparation especially independent consultants with public reputation to defend and can also participate in bid evaluation.

The procurement function should be computerized to increase efficiency, speed and accountability of the Function.

Strict adherence to procedures and duties is needed to curb negligence and also to eliminate corruption since for corruption to succeed it requires either sides active cooperation and/or negligence in the performance of duties.

Efficient management is one of the effective preventive mechanisms. It promotes transparency and facilitates oversight and citizen participation, and brings legitimacy to governmental decisions. Rule that may follow laid down principles also provide a good basis to prevent corruption.

Written procurement procedures should outline the whole process, using explicit criteria to award contracts.

The following helps in fighting corruption

Adequate training of procurement officers, Establishment of multidisciplinary and multi-party evaluation committees, Rotation principles for procurement officials and Establishment of accountability and report procedures are key in fighting corruption.

The key decision in supply management should center on supplier selection, it should not be simply the selection but also the ensuring relationship between the purchaser and the supplier (partnership sourcing) that will determine the nature and the characteristics of the contribution to organizational objectives and strategies.

With regard to supplier selection, outstanding supplier performance normally requires extensive communication and cooperation between various representatives of the buying organization and selling organization over a long period of time, Access to information should be provided through documentation and communication systems including on line communication where information can be shared with auditors, complainants and the general public. Supplies management must ensure that a timely cost effective and comprehensive information system is in place to provide data required for optimal supply decision making .

Public buying should put a premium on long term planning and budgeting needed to anticipate requirements and opportunities in advance, this is to avoid last minute unwise purchases.

Purchasing department in view of environmental considerations should purchase materials that may not directly or indirectly increase environmental concerns. Sound environmental practices should be adhered to. New environmental legislation is continually tightening standards and addressing new issues such as recycling regulations, which should be adhered to.

The buyer and seller should be responsible for ensuring that unethical conduct is not tolerated at all in procurement activity.

There should be rotation of procurement officials from one section to the other to avoid overstaying in one section.

Incentives promoting "good behaviour" for individuals is needed, systems usually should plan punishment and corrective measures for "bad behaviour", Experience proves that rewards for good behaviour motivate individuals, development of codes of conduct for procurement staff is also extremely important, there should be a commitment to a code of business conduct.

Procurement staff need to undertake steps to ensure items delivered meet the specifications under which the purchase order was written, the following arrangements should be made;

- The user can be advised to check delivered items immediately and report any quality, variances.
- The supplier may be asked to supply notarized copies of inspection reports which resulted and formed the basis for a decision to ship the items.
- The buyer may send materials or samples out to an independent testing lab.

- The buyer may employ someone to come into the organization to inspect purchased items (independent consultant).
- The buyer may decide to perform certain simple tests on selected items.
- A separate incoming quality control department can be established within the public agency.

A trained traffic person in the organization will make a major contribution in such areas as classification and routing of shipments, carrier selection, freight charges determination and filing damage claims, and should therefore be employed.

5.5 Recommendations For Further Research

This research study was carried out on the factors affecting the effectiveness of public procurement practices. Further research need to be done on the following;

- Effects of strategic purchasing on organisational success.
- An assessment of international purchasing contributions to organisational growth.

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**APPENDIX A: QUESTIONNAIRE FOR MAUA MUNICIPAL COUNCIL
EMPLOYEES.**

Dear Respondent,

I am a supplies and procurement student at Kampala International University pursuing a degree, leading to the award of Bachelor of Supplies and Procurement Management (BSP). I am carrying out a research on the factors affecting the effectiveness of public procurement practice in Maua Municipal Council (MMC). I kindly request you to participate and respond to items in the questionnaire, your contribution will be highly appreciated. I kindly pledge that the information obtained from this research will be used entirely on this academic exercise and will be treated in confidence.

Kindly put a tick and fill in the blank spaces as appropriate.

SECTION A: BACKGROUND INFORMATION

1. Do you work in the procurement department?

Yes ☐ No ☐

If no move to section B

2.a) What is your age?

18 - 25 years ☐

26-34 years ☐

Above 35 years ☐

b) What is your highest level of education?

Primary ☐

College ☐

University ☐

Postgraduate ☐

c) How long have you worked in this organisation?

Above 30 years ☐

10-30 years ☐

Below 10 years ☐

d) Do you understand and practice ethical practices in procurement?

No ☐

Yes ☐

e) What is the effective procurement methods used in the council?

Competitive bidding

Negotiations

Request for quotation

Restricted tender

Expression of interest

No ☐

Yes ☐

h) Are you satisfied with your salary levels?

yes ☐

No ☐

I) Do you have any professional document that you have studied in KISM? (Kenya Institute of Supplies Management?)

No ☐

Yes ☐

SECTION B

3) What is composition of your tender committee?

Purchasing and supplies ☐

Treasurers ☐

Finance ☐

Stores ☐

User departments ☐

4) How would you rate the computer use in the procurement function?

Excellent ☐

Very good ☐

Good ☐

Average ☐

Poor ☐

5) How do you rate corruption prevalence in the procurement function?

0% ☐ 20% ☐ 30% ☐ 40% ☐ 50% ☐

60% ☐ 70% ☐ 80% ☐ 90% ☐ 100% ☐

6) What is your view on the extent of political influence in the council?

High ☐

Low ☐

None ☐

7) Do you use JIT (Just in Time) technique in the organisation?

No ☐

Yes ☐

8) Does the council support and allocate funds to research?

No ☐

Yes ☐

If no what is your recommendation to improve R & D in procurement function?

.....
.....

9) Are you aware of the required government regulations on procurement?

Yes ☐

No ☐

If yes what is your view on those regulations, do they constrain the function or improve its effectiveness?

.....
.....

10) What are the problems facing the council's procurement function?

.....
.....

11) Explain briefly what should be done to improve procurement functions effectiveness?

.....
.....

APPENDIX B: QUESTIONNAIRE FOR MAUA MUNICIPAL COUNCIL SUPPLIERS.

Dear Respondent,

I am a supplies and procurement student at Kampala International University pursuing a degree, leading to the award of Bachelor of Supplies and Procurement Management (BSP). I am carrying out a research on the factors affecting the effectiveness of public procurement practice in Maua Municipal Council (MMC). I kindly request you to participate and respond to items in the questionnaire, your contribution will be highly appreciated. I kindly pledge that the information obtained from this research will be used entirely on this academic exercise and will be treated in confidence.

Kindly put a tick and fill in the blank spaces as appropriate.

SECTION A

1) What is the nature of your business?

Hardware ☐

Petrol station ☐

Office station ☐

Office equipment ☐

Motor vehicles ☐

Tyres and tubes ☐

Others specify.....

SECTION B

2) How do you rate the level of corruption in the councils' procurement function?

0% ☐ 10% ☐ 20% ☐ 30% ☐ 40% ☐

50% ☐ 60% ☐ 70% ☐ 80% ☐

3) How do you rate political influence in the procurement function of Eldoret Municipal Council?

High ☐

Average ☐

Low ☐

None ☐

4) Are you satisfied with the council's procurement system, indicate which position you are?

Very satisfied ☐

Satisfied ☐

Average ☐

Dissatisfied ☐

5) Does the councils' procurement staff practice partnership sourcing with you (suppliers)?

Yes ☐

No ☐

6) Explain briefly your view on the effectiveness of the councils procurement function in terms of the following:

a) Tender awards

.....
.....

b) Transparency and accountability

.....
.....

c) Explain briefly what should be done to make you a better supplier

.....
.....

INTERVIEW GUIDE.

- 1) What is your name?
.....
- 2) What age are you?
.....
- 3) What is your highest level of education?
.....
- 4) Do you work in the procurement department?
.....
- 5) What is your experience in your work place?
.....
- 6) What are the procurement methods used by your council?
.....
- 7) How would you rate the use of information technology in your council?
.....
- 8) Do you think Fraud and corrupt practices exist within the procurement function of your council?
.....
- 9) Do you think political affiliation affect the procurement function at your council?
- 10) What are the major problems facing the procurement function
.....
.....
- 11) What do you feel must be done to improve procurement function effectiveness?
.....
.....