

**PROCUREMENT RISK MANAGEMENT AND CONTRACT
PERFORMANCE IN THE PUBLIC SECTOR A CASE STUDY OF
NGORA DISTRICT LOCAL GOVERNMENT.**

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2011/U/HD/300/MSC.SCM

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**A RESEARCH REPORT SUBMITTED TO BOARD OF EXAMINERS IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
AWARD OF A MASTERS' DEGREE OF SCIENCE IN SUPPLY CHAIN
MANAGEMENT OF KYAMBOGO UNIVERSITY**

OCTOBER 2013

DECLARATION

I declare that this research report is my original work and to the best of my knowledge, it has never been submitted for any academic award or published at any University or high institution of learning.

Sign:  Date ..10.01.2014.....

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APPROVAL

This research report has been submitted with my approval as the supervisor.

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DEDICATION

To the almighty God, my Parents, my Brothers and Uncle Eng. Elias Bahanda.

ACKNOWLEDGMENTS

For the development and production of this research report, I feel a deep sense of gratitude to; My supervisors; Dr. Ndandiko Charles and Mr. Kalinzi Charles for their guidance and supervision, Ngora District Local Government Management staff for their support rendered while collecting data, for the information shared and support given to me to make this work a success. Kyambogo University-School of Management and Entrepreneurship Staff for sharing their knowledge and expertise with me throughout the course. Finally to all my friends and MSC.SCM colleagues for their support, encouragement rendered to me throughout this Journey.

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LIST OF ACRONYMS

PPDA	-	Public Procurement and Disposal of Public Assets Authority
KCCA	-	Kampala City Council Authority
MoLG	-	Ministry of Local Government
MoIA	-	Ministry of internal Affairs
LGPPDA	-	Local Government Procurement and Disposal of Public Assets.
TOR	-	Terms of Reference
SOW	-	Scope of Works
CIPS	-	Chartered Institute of Purchasing and supply
CVI	-	Content validity index

ABSTRACT

Achievement of Stake holders' value in any Organization is a core goal through delivery of maximum service and organizational effectiveness. Therefore recent studies have shown that effectively managing risks can lead to significant savings in resources, timely delivery and improved quality of services and relationships with clients. The purpose of the study was to examine the relationship between Procurement risk management and contract performance in the public sector with Ngora District as a case study. The study was guided by three objectives that is; to examine the risks in the procurement process, establish contract performance indicators and their relationships within the Local Government. This study involved both quantitative and qualitative approaches using a case study design. The data collection instruments used were self-administered questionnaires, observation and the structured interview guide. Data collected was analyzed using Pearson's product moment correlation coefficient to generate regressions and correlation between the variables. The findings revealed several risks like inadequate specifications and showed that contract performance indicators needed to be identified early and communicated to the service providers before contract implementation to enable each party understand their obligations. Further the findings revealed that procurement process risks had a positive significant relationship with contract performance in the public sector. It was thus recommended that if contract performance is to be improved in public sector organizations, policy makers and other stakeholders need to develop a culture of risk management as procurement risks are inherent and appears at each stage in the procurement process. This would ensure streamlined procurement planning backed by a procurement policy and a framework on risk management.

CHAPTER ONE

1.0 Introduction

This chapter presents the background, problem statement, specific objectives, research questions, scope and significance of the study. It also highlights on the background context of the Ngora District local Government.

1.1 Background to the study

Procurement is the overarching function that describes the activities and processes to acquire goods and services, Lloyd (2005). According to the Scotland Government procurement Guidelines 2009, the procurement process begins when a need to buy something is identified and will generally end after the contract is awarded and emphasizes that a contract must be awarded through genuine and effective competition unless there are exceptional reasons to the contrary.

Procurement accounts for a high proportion of total expenditure and in Uganda it accounts for 70% compared with a global average of 12-20%, Edga & Nigel (2006) therefore failure to procure goods and services cost effectively and timely can put the achievement of key Local government Objectives at Risk (Tadeo , Bernadette and Maurice 2012).

Loana and Loana (2010) observed that public procurement represents an important part of the current economy reality. Throughout the procurement process due to effect of the interaction among the components of public procurement system, certain actions with significant negative effects on its optimal operation may occur. Risks may turn into certainty either because of a simple error in the development and administration of the procurement process

or because of a deliberate deviation from the existing legal provisions. Therefore, managing risk in public procurement is an operational activity, that is the responsibility of the Entity that is accountable in procurement as was found in the (UN Procurement capacity development Centre, discussion note 2012 n.p).

The public sector procures a wide range of products and services using many different approaches, processes and techniques where the focus is on achieving Value for money whilst being efficient and effective (David and Sheila 2010). Thus, the National Procurement Survey Report of Ireland 2011, views procurement as a strategic corporate function that can deliver bottom-line impact through total value of ownership and increasingly be a stimulus to drive top line growth for business as well as the National Economy. This was further stressed by Kenneth (2010), who stated that Procurement in the public sector demands the highest integrity. The slightest error or inconsistency in conducting procurement processes or activities can lead to accusations that, even if ultimately proved to be without merit, can cause significant and lasting damage to the reputation of an individual and/or a procurement agency.

In Uganda for example the 2007 CHOGM Car Scandal, 2011 MoLG bicycle Scandal, and the I.D project represent fraudulent procurement processes. At the District level the tender for revenue collection from Mbale Main taxi park as was found in the PPDA Investigation Report (2008), Management of Kampala City Council Authority-KCCA Markets FY 2000-2011, shown in the statement on the issues of KCCA, (2013) where in certain instances the procurement process would take more than one year resulting in delayed/ non delivery of service. In some instances contracts were awarded to brief case companies while credible

ones had to pay hefty sums of money to be awarded contracts; as a result funds are lost, returned to the treasury, projects abandoned and incomplete. This continues to threaten the rights of the citizens, misuse and abuse of public funds, and hinders service delivery.

The ultimate goal of risk management according to Richard (2010) is to protect and enhance what the enterprise is primarily there to do and therefore for the public sector, is to deliver maximum service and organizational effectiveness within the constraints of the resources provided to do it.

In the same vein the PPDA Audit Report for FY 2011-2012 on compliance, Ngora District was rated unsatisfactory with the procurement value of Ushs.2.3Bn and most projects rated high risk. According to the Report some contracts were found incomplete and abandoned, the entity used wrong evaluation methods and in some cases contract managers were not appointed. The Report further pointed out low bidder participation where one out of more than three bidders invited, responded. Whereas the Procurement Plans were in place, they were not implemented as required.

Jason (2005) observed that a contract is the result of the strategic sourcing process, and serves as the foundation for the supplier relationship. This was further stressed by Kit (2005) who urged that there is no point in trying to avoid risk completely.... 'hide from risk and you hide from its rewards' . . . therefore, lack of planning or precaution can ultimately lead to disaster and excessive caution leads to missed opportunities, as such introducing risk management can help the board to define what kind of risks it wants to take.

1.2 Statement of the problem

Globally Public Sector projects are often in spot light when their activities go wrong yet lessons from such failed projects seem not to be learned (Duncan 2004). Richard (2010) further urged that public sector managers are good at reacting to issues when they arise. Generally it has been argued that identification, assessment and analysis of risks in the early stages of procurement process, would help organizations achieve their objectives, Government of South Australia - managing risk procurement guidelines 2011. Ann (2012) also urged that procurement risk management can result into significant savings in resources, timely delivery and improved quality of services and relationships with clients. Ann further emphasized that procurement risk management results in reliable planning, improved decision making and greater certainty of outcomes.

In Uganda the 2007 PPDA Reports noted that out of the 837 procurements reviewed, only 9 procurements had payment records [1%]; 16 procurements [2%] had contractor manager appointed (a report on the Compliance and Performance Indicators for the Uganda Procurement System, PPDA 2007). At the same time, the PPDA audit reports, investigation reports and print press have continued to report on the loss of taxpayer's money through fraudulent procurement processes. Despite the effort and mandate of the PPDA contract performance continues to be poor in the public sector. It's against this background that the researcher intends to examine the relationship between procurement risk management and contract performance.

1.3 General Objective of the study

The general objective of the study was to examine the relationship between procurement risk management and contract performance in the public sector a case of Ngora District Local Government.

1.4 Specific Objectives

To examine risks in the procurement process and how they affect contract performance.

To establish the contract performance indicators employed at Ngora District local government.

To find out the relationship between procurement risk management and contract performance.

1.5 Research Questions

- a) What procurement risks does Ngora District Local Government experience in their procurement process?
- b) What are the Contract performance indicators employed at Ngora District Local government?
- c) What is the relationship between procurement risk management and contract performance?

1.6 Scope of the study

Content scope. Risk is unavoidable in public procurement and exists at every stage in the procurement process, Kiersten, (2012) mostly prevalent at time of choice of procedure, solicitation of bidders, evaluation of bid offers and contract management.

Several PPDA Reports on compliance have rated procurement transactions as high risk. For instance, the PPDA 2011 Report highlighted Bukhaweka-Butiru road in Manafwa District and the procurement of 70,000 LC bicycle among others which led to huge financial loss to Entities. For purposes of this study, the researcher analyzed procurement documents [of Ngora District] with a focus on risks in the procurement process at two stages i.e. procurement planning and evaluation of offers.

Time scope. This study took a period of six months from January –June 2013 covering the period from FY 2010/11 to date.

Geographical scope. This study was carried out from Ngora District Local Government located in Eastern Uganda.

1.7 Historical Context of Ngora District Local Government

Ngora District is located in the Eastern Uganda. It borders Kumi District from East, Serere District to the West, Soroti District in the North West, Katakwi District in the North and Pallisa District in the South. Ngora was gazetted as a District in 2010 from Kumi District. The District is governed by the Local Government Act 1997 [as amended] and its Procurement activities by the Local Government PPDA Regulations 2006. The Chief Administrative Officer is the Accounting Officer and head of Civil Service within the District.

In the PPDA Audit Report for FY 2011-12 on compliance, with the procurement value of Ushs.2,300,781,523/= Ngora District was rated unsatisfactory and most projects rated high risk. According to the Report some contracts were found incomplete and abandoned, the

entity used wrong evaluation methods and contract managers were not appointed. The report further pointed out low bidder participation where out of more than three bidders invited to bid, only one responded. Whereas the procurement plan was in place, it was not implemented as planned. Ngora District in their response however, downplayed these failures and emphasized delayed funds releases for low performance, though one can still point out that use of inappropriate evaluation methods and failure to management contracts affects the achievement of contract objectives.

1.8 Significance of the study

It was hoped that the study will assist the entities to commit more efforts and have an insight in procurement risk management so as to have better contract performance in service provision.

To policy makers and other stakeholders, the outcome of the study will enable them design appropriate policies and strategies for addressing the challenges of procurement risks and how they can be managed to enhance contract performance.

In academics, the study will be used as a point of reference for further research.

1.9 Definition of Terms

Contract performance. According to Stockmeyer (2002) Performance of a contract refers to the execution of a contract by which the contracting parties are automatically discharged of their obligations under it, that is completing a deal according to terms and conditions.

Procurement. Van (2010), Lloyd (2005) describe Procurement as the act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. It often involves purchasing planning, standard determination, specification development, supplier research and selection, value analysis, financing, price negotiation, making the purchase supply contract administration, inventory control and stores, disposal and other related functions.

Procurement contract is any legally binding agreement entered into on behalf of the organization for procurement of goods and services, Journal of Public Procurement and Contract Management Volume, No 1, 2012.

Procurement process, according to the PPDA Act 2003, means the successive stages in the procurement cycle including planning, choice of procedure, measures to solicit offers from bidders, examination and evaluation of those offers award of contract and contract management.

Procurement Risk according to Y shi, et al (2010) exists for an organisation when supply market behaviour and the organizations' dealings with suppliers create outcomes which harm company reputation, capability, operational integrity and financial viability.

Risk management is defined as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects, (Western Australia Government Risk assessment and management guide 2011).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter the researcher reviewed the existing literature on procurement risk management and contract performance and also presents the conceptual frame work which shows the dependent and independent variables and how they are related.

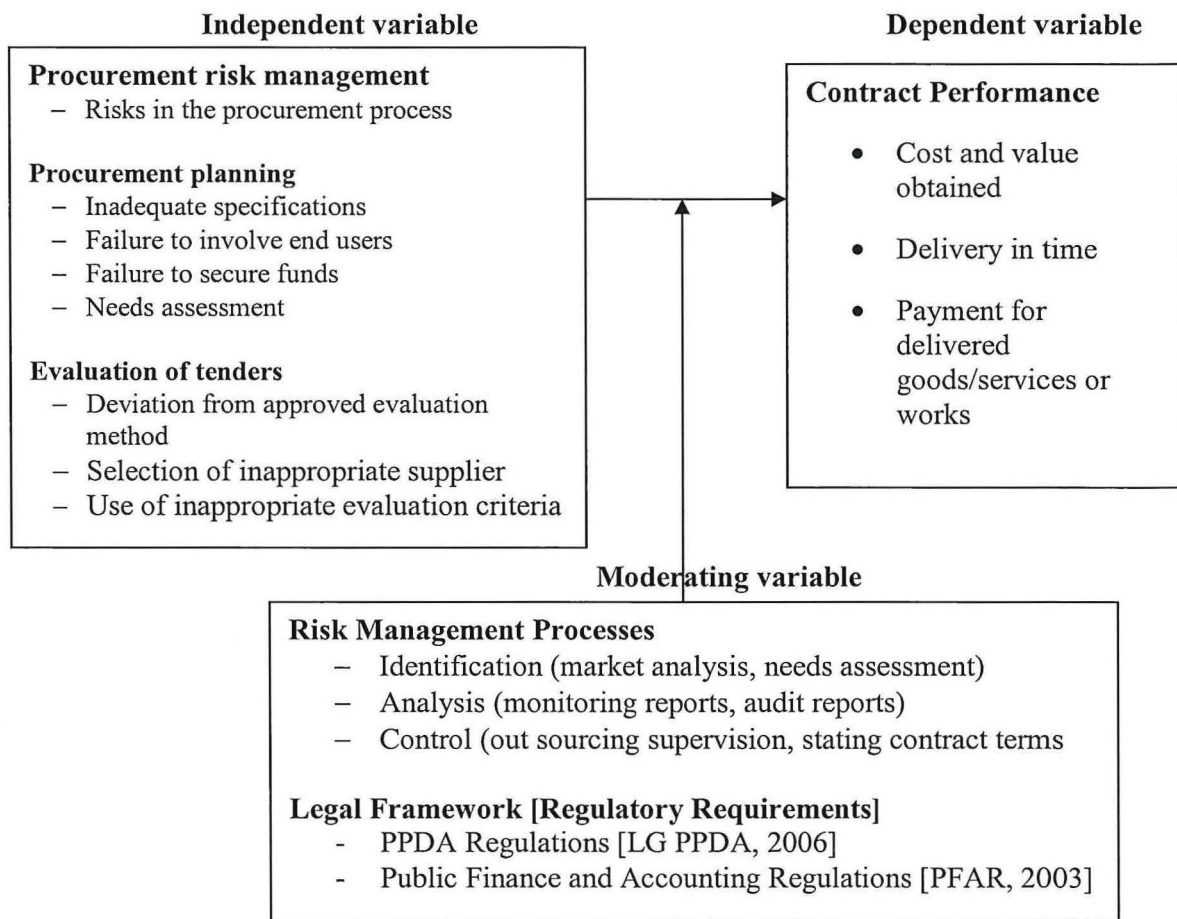
2.2 Theoretical Framework

This study was guided by the Enterprise Risk Management-Integrated Framework as cited in the (COSO,2004) which noted that organizations exist to deliver value for its stakeholders. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise Risk Management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. The framework recognized the process of risk management from identification, analysis to control applies to all functions of management therefore the stakeholders must be involved at all stages of procurement to identify , analyse and control risks in order to attain the contract objectives. This study therefore will examine risks in procurement process and their effect on contract performance.

2.3 Conceptual Framework

The conceptual framework was developed after reviewing literature as guided by the Enterprise Risk management –Integrated frame work. It shows the dependent variable and independent variables and how they are related and the moderating variables.

Figure 1. Conceptual frame work



Source: Researcher’s Secondary Data (developed after reviewing literature)

Kalvert and Lember (2010) stressed that risk is inherent in public procurement from planning, to contract development and finally at contract administration thus public entities need to have in place risk management culture to achieve their procurement objectives. Benon (2008) urged that an effective procurement planning will produce more efficient and economical procurements which will deliver goods, works and services in an acceptable and timely manner. The Associated General Contractors of America(2008) pointed out that delays or defaults by owners in meeting contractual payment obligation to contractors are continuing cause of litigation, liens, long delays in completion of construction, abandonment of contracts

and bankruptcy of contractors and subcontractors. This was further noted by Ambisisi (2011) who urged that having errors [omissions or misrepresentations] will mean that the estimation for the project cost will lead to extra works, change orders thus cost overruns.

On the other hand deviation from approved evaluation criteria, selection of inappropriate supplier leads to selection of a supplier who fails to fulfill the contract, IAPWG (2006).

Jason (2005) observed that a contract serves as the foundation for the supplier relationship. The objectives might be related to: cost, time and quality. OECD (2011) emphasized that contract performance controls need to be considered and devised at an early stage of the procurement process when determining needs and deciding the outcomes of a contract.

The regulatory framework on the other hand is provided through the Public Procurement and Disposal of Public Assets Act, 2003 supplemented by the Local government Regulations, 2006 that applies to all public procurement and disposal activities and in particular shall apply to all public finances, resources in the form of counterpart transfers or co-financing or any finances of a similar nature; and procurement or disposal of works, services, supplies or any combination however classified within the public entities.

This is supported by the Public Finance and Accountability Act, 2003 that regulates the Financial Management of the Government and prescribes the responsibilities of persons entrusted with financial management in the Government.

2.4 What is Procurement

Axelsson & Wynstra, (2002) and the Scotland Government procurement guidelines 2009 describe procurement as the process of buying goods, services and works from external services/sources. It is favorable that the goods, services of works are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time and location. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collection. The PPDA Act 2003, detailed different stakeholders and their roles in the function of procurement.

Procurements vary greatly in size and complexity but the purpose of procurement is to obtain a quality product or service and reasonable price that will support the broader objectives of the agency, (APTA Procurement Standards Committee Contract risk Allocation Group 2007).

Procurement accounts for a high proportion of total expenditure and in Uganda it accounts for 70% compared with a global average of 12-20%, Edga & Shipman (2006) therefore failure to procure goods and services cost effectively and timely can put the achievement of key Local government Objectives at Risk (Tadeo , Bernadette and Maurice 2012).

The overriding objective of a state's public procurement system is to deliver efficiency and "value for money" in the use of public funds, whilst adhering to national laws and policies.

A pre-requisite to any measurement of procurement performance is that the Authority has produced a written procurement strategy that is aligned with the Authority's corporate objectives and that this strategy is being implemented because there is little point in measuring procurement performance if the reasons for collecting such information and how it will be used are unclear (Improvement and Development Agency 2003).

The National procurement survey report of Ireland (2011) views procurement as a strategic corporate function that can deliver bottom-line impact through total value of ownership and increasingly be a stimulus to drive top line growth for business as well as the National Economy. Therefore the role of procurement in a public sector organization is to contribute to the achievement of the organization's mandate through the acquisition of goods, works and services while adhering to the values, principles and practices of public procurement within that jurisdiction. As such, it is accountable to the leadership of the organization that is the Government and ultimately to the beneficiaries that is the citizens. This requires having an insight into risk management in public procurement, because companies without effective risk management strategies are unable to predict or react effectively to problems and are vulnerable to crises (Derek & Keith 2003).

2.5 Procurement process

According to the PPDA Act 2003, procurement process means the successive stages in the procurement cycle including planning, choice of procedure, measures to solicit offers from bidders, examination and evaluation of those offers, award of contract and contract management.

Lloyd (2005) defined the procurement process as a method by which items are purchased from external sources and that process specifies how the supplier relationships will be managed to ensure a high level of service is received. Therefore the procurement process helps to "get what you have paid for". Further Lloyd advised that any time you want to buy items from external suppliers employ the process because it helps you manage the supplier relationship, ensuring that any issues are resolved quickly thus implementing the process you can ensure you get the maximum value from your supplier relationships.

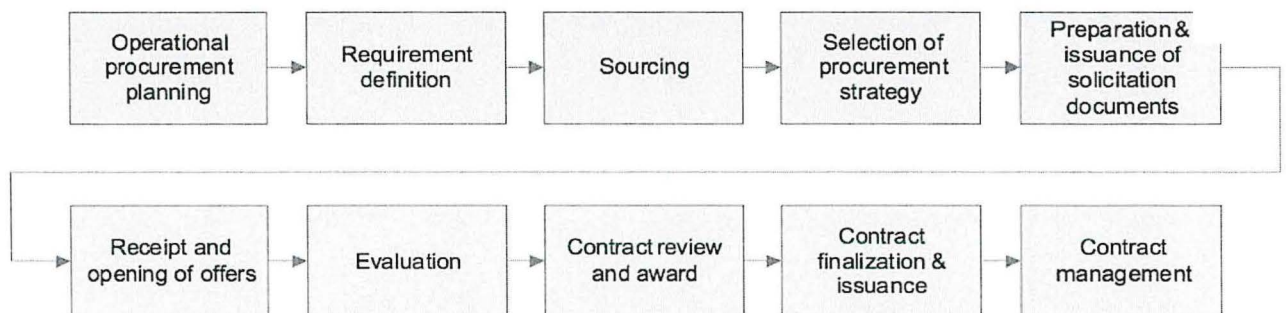
The Northwest Territories public works procurement Guidelines 2009, stated that the procurement process can range from simply deciding to directly award (single source) a contract to a multi-stage process that involves information gathering and solicitation activities. Therefore there are different methods of procurement which are utilized to acquire goods or services. They further detailed that there are many factors which determine which method is best, but the most important would be: the complexity of your need, the value of the procurement, your time horizon, the availability of potential suppliers, and the interest of potential suppliers competing for this procurement and the risk if something goes wrong during the process because all these factors will influence the procurement strategy and the selection of the best method of procurement in a given situation. Richard (2010) urged that the procurement process covers all activities from deciding on a business need to committing a supplier to satisfy that need, and ensuring that the outcome is acceptable. He highlighted the information systems and decision making tools which support the process if it is to be well informed and effective these include, specifying the need; searching the market and soliciting offers from suppliers; negotiating and awarding the contract and finally keeping a commercial watch on overall contract performance.

However, APTA Procurement Standards Committee Contract risk allocating Working Group (March, 2007) urged that the procurement methods and processes used should facilitate information flow between the agency and sellers to permit a realistic assessment and mitigation of risks an accurate determination of price and a timely clear process. Van Weele (2010) further stressed that the process of procurement is often part of a company's strategy because the ability to purchase certain materials will determine if operations will continue. A business will not be able to survive if its price of procurement is more than the profit it takes on selling the actual product.

From the above understanding of the procurement process therefore one observes that an essential component to success in any Organization is having holistic insight into activities and drivers that define the organization’s mission. This level of insight helps the accurate assessment of an organizations performance and more importantly identifies areas for improvement. The procurement process is not exempt from this concept. The different Authors agreed that the procurement process covers all activities from identifying the need to committing a supplier to deliver the need and that the process helps to management supplier relationships.

According to interagency procurement working group-IAPWG (2006), a procurement process is a method by which items are purchased from external suppliers. The procurement process also specifies how the supplier relationship will be managed to ensure a high level of service is received. IAPWG further shows each of the stages in the procurement process.

2.5.1 Figure 2.2 Stages in the Procurement Process



Source: IAPWG (2006)

2.6 Risks in the procurement process

Tarmo and Veiko (2010) stressed that risk is inherent in public procurement from planning, to contract development and finally at contract administration thus public entities need to have in place risk management culture to achieve their procurement objectives. Y.shi, et al (2010), also recognized that there are risks in every phase and stage of the process, with certain risks of greater importance during each stage therefore Loana and Loana (2010), IAPWG (2006), Kirsten (2012) Scottish Government procurement tool Kit (June 22, 2007) urged that understanding the main categories of risk faced in the procurement process assists in risk assessment and planning practical management and operational measures that should be taken to mitigate those risks.

On the other hand however, Richard (2010) observed that focusing on risks external to the company tells only half the story. What is less known is that risk exposures also exist inside the company and can just be demanding, therefore from the ethical perspective during the procurement process, due to the interaction among components of the system such actions may occur with negative effects on the entire system. Those uncertain but probable events, whose occurrence may generate damage or negative impacts on certain community specific values, continue to impart on the results of the contract.

2.6.1 Procurement Planning

Chief Paschal Egwim as viewed on 20th September in the article “prequalification of contractors n.d” defined Procurement planning as the process used by Institutions and Agencies to plan procurement activities for a specified period of time. This is usually prepared during the annual budgeting process, preferably during the last Quarter of each year.

Each year, Government Departments and Agencies are required to prepare a Budget for all activities to be executed within the financial year and this must immediately be followed with a detailed Procurement Plan.

This was further agreed by Basheka (2008) who urged that an effective procurement planning will produce more efficient and economical procurements which will deliver goods, works and services in an acceptable and timely manner and is backed by Andrea (2009), who stressed that procurement Planning is seen to be important, and even more so in large and complex, multi-year and/or multi-million dollar requirements, where people will change over time or requirements will evolve and where risk and scrutiny increases. Nevertheless it would appear that good planning is not done as often as it should be. As a key project activity, the need for planning appears to be underemphasized at the initial stages of procurement projects but the absence of it is highlighted at projects' end.

The IAPWG, (2006) urged that ultimate goal of procurement planning is coordinated and integrated action to fulfill a need for goods, services or works in a timely manner and at a reasonable cost. Thus, Early and accurate planning is essential to avoid last minute, emergency or ill-planned procurement, which is contrary to open, efficient and effective – and consequently transparent – procurement.

In addition, most potential savings in the procurement process are achieved by improvements in the planning stages. Even in situations where planning is difficult such as emergencies, proactive measures can be taken to ensure contingency planning and be better prepared to address upcoming procurement requests. This stage clarifies what is needed and when it is

needed to both the buyer and the user. The Australian Government department of Finance and Deregulation 2005, further stressed that a procurement planning process can assist the agency in deciding whether procurement is feasible and should be undertaken; thereby allowing for the development of a business case including risk management. Loana and Loana (2010), Interagency Procurement Working Group -IAPWG (2006), Kirsten (2012) and the Scottish Government procurement tool Kit (June 22, 2007) further identify risks at the planning stage which include Insufficient lead times, Inadequate specifications, Failure to involve end users and to secure funds which ultimately results to inadequate supplier responses increases the total procurement costs because of higher prices thus failure to achieve key organizational results.

Furthermore OECD (2007) highlighted risks at this stage which include lack of adequate needs assessment, planning and budgeting of public procurement , requirements that are not adequately or objectively defined .All these concern the function of procurement planning. Should local government's procurement system fail to manage these risks, accountability and eventual service delivery is seriously threatened, Benon (2008). This was further observed by Loana and Loana (2010) who urged that failure to secure ongoing supply critical to the organization will ultimately increase total costs of procurement hence failure to achieve key organizational results.

Ambisi (2011) urged that having errors [omissions or misrepresentation] will mean that the estimation for the project cost will lead to extra works, change orders thus resulting in delay and cost overruns. Dr. Faisal M. A and Dr. LowSui Pheng as cited in the Cebe Working Paper No.10(n,p) stressed this further by urging that poorly drafted specifications and contract documents often lead to contract variations on vital aspects. They further said that

ambiguous specifications can be looked upon by potential renderers' as full of risks and challenges to deliver, therefore if they win the work based on providing competitive price with many qualifiers and assumptions, they will issue variation requests. This must be managed professionally in order to minimize its cost schedule and consequential impacts that may divert the project from its targeted goals. However the Australian Government department of Finance and Deregulation (2005) urged that any specifications must be in terms of performance and functional/technical requirements rather than design and descriptive characteristics because specifications stated may limit the scope of responses. There cannot be procurement without a plan as observed by the 1998 Uganda Task force procurement report. Richard (2007) stressed that procurement planning processes are often used to assemble right teams and minimize risks from ill-conceived solicitations. Thus organizations having robust procurement planning policies and processes make clear decisions about what risk to accept and avoid in the context of procurements.

On the other hand, the Associated General Contractors of America(2008) pointed out that delays or defaults by owners in meeting contractual payment obligation to contractors are continuing cause of litigation, liens, long delays in completion of construction, abandonment of contracts and bankruptcy of contractors and subcontractors. As cited in the Construction Contracts Bill 2010, Ronan agreed that bad payment practices in the construction industry can give rise to substantial additional financing and transaction costs as well as consuming considerable skilled resources in dealing with disputes over payment that could otherwise be put to productive use. More importantly, certainty over time and amount in regard to payment builds trust between supply team members leading to improved working relationships which

underpin collaborative working resulting in achieving better value for money for projects that are delivered more efficiently.

The Local Governments (Public Procurement and Disposal of Public Assets)- LGPPDA, Regulations, 2006 Regulation 62 requires a user department to prepare and submit an annual work plan for procurement based on the approved budget to the Procurement and Disposal Unit to facilitate orderly execution of annual procurement activities. However the PPDA investigation report (2011) on the irregular works on Bukhaweka-Butiru road in Manafwa district local government revealed that the procurement was never planned for. Contracts are further affected by the ever changing Indicative planning figures-IPFs which impact on planned time frames, costs and inflation makes it difficult for procurement officers to forecast change in prices all this is felt at the end of the project. Failure of local governments to realize planned budgets from Central Government has continued to affect the overall contract performance in the public sector.

2.6.2 Requirements Definition

According to IAPWG (2006), Requirement definition involves defining and describing what is needed and will be procured, collecting information, identifying appropriate solutions and specifying these in specifications for goods and equipment, terms of reference (TOR) for services, or statement of works (SOW) for works. This constitutes the technical basis for the solicitation and the evaluation of offers to determine if they satisfy the requirements as stipulated in the solicitation documents. They become the foundation upon which the eventual contract is written and later administered. They have an effect on the procurement that lasts its entire lifetime—from planning, through bid evaluation, award and contract

performance up to completion and post-contract evaluations. Loana and Loana (2010) observed risks at this stage which include Biased or restrictive specifications inadequate specification and Requisition splitting. The end result of such risks if not managed will lead to Claims of unethical or unfair dealings, Inadequate supplier response, Significant variety in offers received, Insufficient responses, Offer of goods/services that do not meet needs, Difficulty in evaluating competing offers, Possibility that evaluation process may not stand up to audit scrutiny, Inability to achieve economies of scale and Higher total cost of acquisition.

2.6.3 Sourcing

IAPWG (2006) defined Sourcing as a technical activity with the purpose of identifying existing suitable products and services on the market and qualified suppliers available to provide those products and services. Sourcing also aims at collecting and analyzing information about capabilities within the market to satisfy the organization's requirements, such as obtaining updated cost information, determining the appropriate technology and alternative products, as well as identifying appropriate supplier qualification criteria. Loana and Loana (2010) identify risks associated with the sourcing phase which include Informal commitments to suppliers by requisitions, Outdated information on potential suppliers, misrepresentation of facts by potential suppliers if not managed will lead to inappropriate supplier response, higher prices, selection of inappropriate procurement method and ultimately breach of contract.

2.6.4 Selection of a Procurement Strategy

According to IAPWG (2006) the purpose of identifying and selecting an appropriate procurement strategy is to find the best way to obtain the solution to satisfy the needs of the

end user for goods, works and services by obtaining the most advantageous pricing and contractual conditions through a competitive process that will best deliver what is required in a timely manner while ensuring achievement of the guiding procurement principles.

Kirsten (2012) highlighted risks at this stage which include delayed requisitions to create false emergencies and Selection of inappropriate procurement strategy leading to compromised value for money.

2.6.5 Preparation and Issuance of Solicitation Documents

Solicitation documents are the documents used to request potential suppliers to offer a quotation, bid or proposal to provide the required goods, services or works, IAPWG (2006). Preparation of solicitation documents covers the process of assembling and formalizing the information and documentation necessary for potential suppliers to prepare responsive and easily comparable offers, consistent with the requirement and procurement strategy.

IAPWG (2006) stressed that during this stage; evaluation criteria are developed and formulated to obtain the best value in the specific case. This includes informing the potential suppliers regarding: administrative rules for the solicitation process, including the evaluation criteria and method Function, performance requirements and physical characteristics of the goods, works or services needed, including a clear statement of minimum quality requirements, commercial, legal and contract terms and conditions). According to Kirsten as cited in the UN discussion Note (2012), risks at this stage include use of inappropriate evaluation criteria, terms and conditions unacceptable to suppliers, uncertainty among suppliers because of new and unusual conditions of contract, provisions of inadequate information and actual or perceived favoritism in providing information.

2.6.6 Receipt and Opening of Offers

After the solicitation process, offers are received, registered, handled, opened and stored by authorized staff members. The purpose of this formal process is to ensure that offers are received, handled and opened according to the instructions provided in the solicitation documents and that transparency and confidentiality is maintained as specified in the relevant regulations, rules and procedures of the organization. Kirsten in the UN discussion Note (2012) identified risks at this stage such as breach of confidentiality this could lead to Supplier complaints and mistrust by suppliers.

2.6.7 Evaluation

Damian (2009) urged that production delays due to parts shortages and recalls of faulty products by non-compliant suppliers have cost buyer firms millions of dollars through recalls, warranty costs and associated inventory adjustments, and have inflicted untold damage on the reputation and future sales potential. Therefore to avoid the direct outcomes of non-supplier performance. Further Damian (2009) stressed that buyers must take proactive steps to verify supplier qualifications which include financial status checks, surge capacity availability and indicators of supplier quality. According to IAPWG, (2006) the evaluation process consists of the preliminary examination and evaluation of the offers received, and considered to be valid, to assess their responsiveness to specifications and requirements as defined in the solicitation document, analyze their cost and benefit, and determine their price and value. Evaluation, together with the requirement definition and the evaluation criteria and method specified in the solicitation document, is the basis for the subsequent selection of the offer that provides the best value for money for the organization.

Best value for money in the context of evaluation of offers, means that price alone is not always the only criterion factored into an evaluation method. Other criteria such as quality, availability, time, compliance, cost for maintenance and support, life cycle cost, are part of the equation to determine the best return on investment of the procurement of goods, services or works. Risks involved at this stage include failure of offers to meet needs, failure of evaluation to identify a clear winner, leading to selection on subjective grounds or new criteria, deviation from approved evaluation criteria, no response from known high-quality suppliers and selection of inappropriate goods or services, selection of inappropriate supplier leading to failure of supplier to fulfill the contract, IAPWG (2006).

Regulation 72 of the LGPPDA, Regulations 2006, clearly states the evaluation procedures, however, on observation due to financial constraints in the Entities, the composition of the evaluation committee just follows the compliance requirement. One should accept that this is the second determination of the Contracts life, the slightest error in determining the right supplier will significantly harm the life of a contract. Evaluation committee should move away from using the evaluation sheets but understanding the evaluation criteria set. This should be done at the initial stages of specification and bid document development in collaboration with the End-User. Throughout the procurement process due to effect of the interaction among the components of public procurement system, certain actions with significant negative effects on its optimal operation may occur. Risks may turn into certainty either because of a simple error in the development and administration of the procurement process or because of a deliberate deviation from the existing legal provisions (Loana and Loana 2010).

It was revealed further in the PPDA Investigation Report (2011) on the procurement of 70,000 LC bicycles that the evaluation did not fully adhere to the criteria in the bidding documents. Specifically, the committee did not adequately assess the capabilities of bidders to perform the contract with regard to their experience in similar contracts which was one of the requirements in the solicitation document the contract was signed between wrong parties , this led to payments of no goods received amounting to a loss of USD1,919,454.⁵⁸ The delivery of NISS (ID Project) was delayed due to poor planning and failure to adhere to advice from the PPDA, Though in the Report, ESO carried out due diligence, the MoIA did not take the advice. All this delayed the delivery of the project.

Richard (2010) asserts that the information systems and decision making tools which support the process if it is to be well informed and effective include, specifying the need; searching the market and soliciting offers from suppliers; negotiating and awarding the contract and finally keeping a commercial watch on overall contract performance.

According to several PPDA audit reports and compliance checks, such risks have been treated as irregularities in the process where much emphasis has been on compliance. Risk management has not been identified as area of much emphasis with evidence of continued poor contract performance. Administrative reviews are a result of undermined risks in the procurement process, where most often the outcome is cancellation /halt of the process, litigation against government by contractors. What is bothering is that a few or no cases against contractors have been registered. Taxpayer's money continues to be wasted in such practices.

2.6.8 Contract review and award

Contract review is an essential step in the contracting process. It provides for independent written advice on the acceptability of the procurement process undertaken, and the proposed commitment of funds by the highest level procurement authority or officer with the appropriate delegated authority, through contracts or purchase Orders IAPWG (2000).

2.6.9 Contract Finalization and Issuance

The OECD brief 22 (2011) emphasized careful handling of issuing of a contract to the vendors. the IAPWG (2006) discussed risks at this stage which include failure to reflect the terms and conditions agreed in the contract, undue concession to suppliers, failure to secure mandatory conditions which culminates to delayed delivery ,need to restart the procurement process and contract disputes.

2.6.10 Contract Management.

According to the CIPS Contract management guide, contract management is the process of systematically and efficiently managing contract creation, execution and analysis for maximizing operational and financial performance and minimizing risk. The OGC contract Management Guidelines 2002 stressed that contract management enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimizing the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the customer-provider.

The OECD brief 22 (2011) discussed risks involved in contract management and observed that they relate to the economic operator being un-able to deliver at all or not delivering at a satisfactory level of quality they include lack of capacity, at the contracting authority with knowledge of the contract who transfer or move on, weakening the relationship, factors beyond the economic operator's control disrupt delivery of goods or services, for example, premises cannot be accessed because of a natural disaster and the contracting authority's inability to meet its obligations under the contract management. Kari et al (2010) further discussed risks associated with contract which include Poor supervision from public officials, leading to the sub-standard of goods and service not being detected, Collusion between corrupt company and corrupt supervising official, leading to price increases, often through changes in specifications or cost increases, Subcontractors are not selected in a transparent manner and not kept accountable for their work.

Further Kari et al (2010) observed that terms and conditions poorly designed and negotiated contracts fail to address key components such as indemnification, product ownership, payment terms, termination, pricing, rights, warranty, obligations, and general and specific risk assignment leading to disputes and potentially significant losses or costs.

The New South wales Government procurement guidelines 2006 emphasized the need to manage risks at all stages of procurement to improve procurement outcomes. The risk management process is applicable to all stages of procurement, from identifying a need, satisfying that need, and ultimately through to disposal. It is an integral part of good procurement management. Effectively managing risk can lead to significant savings in resources, timely delivery and improved quality of services and relationships with clients.

2.7 Procurement Risk Management

According to the World Economic Forum Report on global risks (2008), Richard (2010) Y.shi, et al (2010) assert that procurement risk exists for an organization when supply market behavior and the organization's dealings with suppliers, create outcomes which harm company reputation, capability, operational integrity and financial viability.

Western Australia Government Risk assessment and management guide (2011) observed that Risks may turn into uncertainty either because of a simple error in the development and administration of the procurement process, or because of a deliberate deviation from the existing legal provisions.

Risk management is defined as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. Management of risk incorporates all the activities required to identify and control risks that may have an impact on fulfillment of a contract.

Risk management identifies potential risks, analyses their consequences, and develops mitigations strategies. Public procurement represents an important part of the current economy reality. Kenneth (2010) observed that Procurement in the public sector demands the highest integrity as any slightest error in conducting procurement processes can lead to accusations that, even if ultimately proved to be without merit, can cause significant and lasting damage to the reputation of an individual and/or a procurement agency.

Kirsten in the UN procurement capacity development Centre discussion note (2012) agrees that risk is unavoidable in public procurement and exists at each stage in the procurement

process. Managing risk in public procurement is therefore an operational activity that is the responsibility of the procuring and disposing entity that “owns” or is accountable in procurement.

Ann (2012) highlights that the risk management process is applicable to all stages of procurement and is an integral part of good procurement management. Effectively managing risk can lead to significant savings in resources, timely delivery and improved quality of services and relationships with clients. Kirsten (2012) asserts that the level of resources invested in the risk management process and the mitigation strategies should be appropriate to the importance of the procurement. Risk assessment and preparing risk management plans should be done as part of procurement planning but revisited and updated throughout the stages of the procurement process. Stages in risk management include:

Identifying risks; during the procurement planning phase of the contracting process, a risk management plan should be developed showing the major risks and how those risks will be managed during the contract development phase. The risk management plan should also include draft risk management strategies for the contract management phase. For example through brainstorming, discussions with end users, reviewing previous cases or use of checklists, SWOT analysis, site observation, close collaborative working with suppliers as stated in the CIPS principles and practices of public procurement. (2012). Kit (2005) emphasized that the companies need to collect proper market research and technical data, including similar projects undertaken by other firms. This was further agreed by Richard (2010) who lighted the importance on gathering data in mitigating procurement risks, data about trends in prices and costs, volumes used and how these are expected to change in the

future ; current supplier performance and also the company's products and services which rely on these suppliers. AK Munns and BF Bjeirmi (1996) also recognized that gathering sufficient information and being aware of the project considerations and constraints will determine the indicators to completion to project satisfying the project schedule, adequately standards and meeting the contract goals.

Assessing identified risks; CIPS principles and practices of public procurement (2012) Observes that in any procurement there are variety of risks thus the precondition to overall risk management is the risk assessment. This involves analyzing the probability, the impact, and the effect of every known risk on the achievement of established objectives as well as corrective action should they occur. Kit (2005) emphasizes that documentation is critical in assessing risks, risk registers should be in place, results of audit publicized and communicated to all stake holders. Internal and external audits in the public sector are one of the tools for assessing risks. Assessing will help the entities to allocate resources and draft contract terms and conditions that are achievable. This will reduce litigation and disputes plus the involved costs and time.

Priotising the risks; Once the likelihood and consequence of the identified risks have been quantified, it is necessary to prioritize the risks so that the most urgent risks are treated first. Often this is done by quantifying the level of each risk (high ,medium or low) by combining scores for how likely a risk is to occur(from almost certain to rare) with the consequences (from catastrophic to insignificant.

Manage risks; Identify mitigation strategies; assign responsibilities and monitor for example through a risk log. Risk treatment must be appropriate to the significance of the risk and the importance of the activity. Risk treatment options may include:

Transferring the risk; Kirsten (2012) in the UN discussion note observed that Contracts and specific terms of a contract between a company and its service providers are the primary means of allocating risks between the parties involved in procurement. Richard (2010) emphasized that developing a robust contract strategy is a vital aspect of the procurement risk management and allocating risks to the party able to handle risks. Term and conditions of the contract will clearly define who is responsible for what for timely delivery.

Accepting the risk; when it cannot be avoided or transferred or the cost of doing so would not be worthwhile. It is recommended that risk reduction or impact mitigation measures and monitoring be employed in these circumstances, as appropriate.

2.8 Contract performance

According to Stockmeyer (2002) Performance of a contract refers to the execution of a contract by which the contracting parties are automatically discharged of their obligations under it, that is completing a deal according to terms and conditions. This was further agreed by Department of Finance Western Australia (2011), who stated that Success in a contracting project is usually measured by the extent to which contracting objectives were achieved. The objectives might be related to: cost, time and quality. All contracts for procurement of goods and services should be evaluated upon completion. This is to identify the strengths and weaknesses in the procurement process and lessons that can be applied (Australian

Government; Department of Foreign Affairs and Trade 2012). The point is that we must have a clear idea of what we value and want to achieve, this provides focus and direction to all concerned.

Richard (2007) agreed that specification development during the early planning of procurement and defining the nature of contractual commitment will be established and understanding the nature of existing contracts to avoid the risk of breaching them because Stockmeyer (2002) said that failure of either party to perform their obligations leads to damages and compensation will follow.

Jason (2005) observed that a contract is the result of the strategic sourcing process, and serves as the foundation for the supplier relationship. By giving visibility into and enforcing contractual compliance, purchasing can reduce or eliminate savings leakage from the point of negotiation throughout the life of the contract. The actual contracting process is extremely important and understanding it provides the basis for measuring performance in the contract. Performance relates to the prescribed goals or objectives which form the project parameters Chitkara, (2005). From project management perspective, it is all about meeting or exceeding stakeholders' needs, expectations and invariably involves placing consideration time, cost and quality Project Management Institute, (2004). Thus in today's highly competitive and uncertain business environment, the client who is the major stakeholder, want speedier service delivery, (Centre for Construction Strategic Studies, 1998 n.p). Whereas many tend to focus on the elements of cost, quality and time which are important parameters of project performance, OECD (2011) therefore, contract performance controls need to be considered and devised at an early stage of the procurement process.

Therefore, key performance indicators need to be identified in tender documentation and Project managers should pay strict attention to performance measures because these are the basis for successful contract performance (Jim K, Federal Sector Report 2000). Key performance indicators can also be used more broadly as part of a benchmarking exercise to assess the performance of one project relative to another, to assess business compared to others within the industry and to assess the performance of the industry as a whole relative to the rest of the economy.

2.8.1 Indicators of Contract Performance

According to CIPS Contract Management Guide (2007) Performance measures to cover all aspects of a contract should be designed to suit the requirements of a particular contract and should be set out in the contract documentation to ensure suppliers are fully aware of both the measures and the measurement methodology before any contract is awarded. It is important that the performance measures selected provide clear and demonstrable evidence of the success (or otherwise) of the relationship and, in principle, issues such as the following should be covered; Cost and value obtained, Performance and customer satisfaction, timely deliveries, delivery capability, benefits realized, payments made and Relationship strength and responsiveness.

Payments; among the rights of the supplier are the right to be paid in a timely manner for effects completed, according to the terms and conditions of the contract. Therefore IAPWG (2006) emphasized that no to cause undue cost to the supply by unreasonable management of financial obligations, payments should be made on a timely basis. Financial aspects of the

contract vary among organizations but commonly include payments due according to the contract and upon certification of requisiteness if required in the contract. Review financial implications of a contract changes in terms of original costs and available budget. Liquidate financial securities, release of bid bonds, performance bonds, and advance payment bonds once the reason for requesting them has become moot. Payments made to the supplier could be in form of advance, partial, progress final or retention.

Timely delivery: Delivering the goods and services in the time specified under the contract terms and conditions. On the other hand Good contract administration assures that the end users are satisfied with the product or service being obtained under the contract. One way to accomplish customer satisfaction is to obtain input directly from the customers through the use of customer satisfaction surveys.

2.9 Relationship between procurement risks management and contract performance

Richard (2007) observed that risks management is an activity in an organization to identify and manage threats to achieving organizational objectives where the strategic goal of the supply chain function is to provide goods and services that support the overall organizational mission and vision.

Richard further stressed that financial strategies of supply management organizations commit resources based on, among other things risk assessments. Projects have become more complex, often requiring consultant assistance in developing solicitations. This practical reality demands the governments to developed specifications and terms for performance thus failure by the buyer to specify those requirements, contractors are free to propose varying

methods of performing the contract (Richard 2007). In such a case if the contractor fails to meet the objectives of the buyer the contract compromises the success of a project because contract monitoring becomes hard. Tarmo et al, (2010) urged that Procurement techniques requires that the right people are at the table during the planning phase for evaluating and addressing the impact of risks in a cost effective way because the usual risk management tools like screening for abnormally low offers, screening suppliers through insurance schemes and different scoring rules may outplay the most innovative offers.

Summary of Literature Review

According to many scholars, risks are inherent in public procurement and appear at each stage of the procurement process. The procurement process will help the organizations to ‘get what they paid for’ emphasizing utmost integrity must be employed. According to the literature reviewed, at each stage of the procurement process, risks must be identified and managed to have a successful contract since a contract was realized as a result of sourcing processes. Risks will impact on the projects end therefore they must be managed in the early stages of procurement process and controlled.

According to literature reviewed, it was observed benefits of risk management are highly recognized in developed countries.

In conclusion therefore, the public sector organizations must have a culture of identifying and managing risks in a coherent and collaborative manner involving all stake holders since their roles impact on the projects end.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents and discusses the various methods that the researcher used to collect and analyze data. It also discusses the research design, study population, sample selection, data collection instruments and data analysis procedure that was used in the study.

3.2 Research design

The researcher adopted a case study design using both qualitative and quantitative methods. According to Patton (2001) a case study use subjects with common characteristics enough to represent the rest, than studying the entire population. Mark Saunders, Phillip and Adrian (2003) urged that because of time horizons for studying relationships between variables for short period of time a case study is preferred. The researcher therefore used the data and information from Ngora District Local Government for deductions and generalization on procurement risk management and contract performance in the public sector as was guided by the enterprise risk management-integrated frame work.

Both qualitative and quantitative methods were employed to collect data because according to Mark, Phillip and Adrian (2003) this enables triangulation to take place. Quantitative methodology involved the use of structured technique of data collection that allows quantification, measurement and operation using quantitative methods of analysis like statistics. On the other hand, qualitative methodology was based on the theoretical and methodology principles of symbolic interactions. Thus the research combined aspects of both the qualitative and quantitative methods.

The qualitative method mainly used face to face interviews and review of available documents in line with procurement risk management and contract permanence, whereas quantitative method used the close ended questionnaires.

3.3 Target Population

The study involved 75 respondents from different departments that included the Procurement units, Contracts Committee Members, Users departments since they had ample knowledge on procurement process, the business community and council leadership and the procurement committees who had ample knowledge on procurement and contracting in the public sector within Ngora District.

3.3.1 Sample size

The study used selected purposive sampling which is a function of non- probability sampling. Under purposive sampling technique, the researchers purposely chose who, in their opinion were thought to be relevant to the research topic. A sample size of 63 respondents was used for the study and selected according to the following pattern as adapted from Daryle W. Morgan and Robert V. Krejcie (1970).

3.3.1 Table showing the sample size

Category of Respondents	Targeted Number of population	Targeted Sample size	Respondents
Procurement staff and Contracts Committee Members	10	10	10
Business community	20	15	14
Users departments	10	10	10
Procurement Committees at sub county Level	15	13	10
Council Members	20	15	13
TOTAL	75	63	57

Source: adapted from Daryle W. Morgan and Robert V. Krejcie (1970)

3.4 Sampling techniques and Sampling Selection

The study used purposive and simple random sampling to the targeted sample. Purposive technique was used because it is judgmental such that the researcher selected only those respondents with sufficient technical knowledge of the subject matter so as to access technically required information. These included respondents from use departments, contract committee and council members because they are the stake holders of the procurement function. Also simple random sampling technique was used in the selection of the respondents from business community using prequalified list of service providers from FY 2010-2012. These respondents were considered because the organization depends on them to achieve their procurement objectives.

3.5 Research instruments

The study used close ended questionnaires because it was easy to fill and time saving. Questionnaire used the Likert's 4 point scale of = strongly agree, =agree, -disagree, =strongly disagree to collect data. The interview guides were purposely administered to user departments Council members and contractors for immediate response and in depth information gathering. Documents relating to procurement risk management and contract performance like procurement files, procurement plans the PPDA Act and Regulations were reviewed to compliment data from interviews and questionnaires.

3.5.1 Administration of the instruments

A pre-test was carried out on the intended respondents before administering the questionnaires to pilot test them. Pre-testing allowed adjustments to the questionnaire by incorporating any other comments from the respondents. In addition to assess the language simplicity; ability to get information needed acceptability and privacy of the respondents.

This gave clues to un-foreseen errors in the study since a thorough check of planned procedures was appraised, this ensured validity of the instrument and reliability of data that was collected.

3.5.2 Testing the reliability and validity

Reliability is the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Reliability can be assessed by posing three questions that is, will the measures yield the same results on other occasions, will similar observations be reached by other observers and is there transparency in how sense was made from the raw data, Mark Saunders, Phillip and Adrian (2003) Reliability was tested using the alpha cronbach's coefficient as provided by SPSS and its results were proved to measure consistence of the Responses.

3.3.2 Table showing reliability test

Variables	construct	No.of items	Alpha variable
Independent variable	Procurement planning Evaluation	6	0.667
		8	0.574
			0.632
Dependent variable	Contract performance	9	0.793

Source: SPSS Reliability Test

Validity on the other hand, is concerned with whether the findings are really about what they appear to about. 5 questionnaires were piloted and the responses were in put to the content validity index –CVI

Content validity index was calculated to

CVI= No of items rated relevant/actual no of items in the study.

$CVI = 112/115 = 0.95$. Since the results were above 0.5 the questionnaire was therefore administered to the targeted respondents.

3.6 Data collection procedure

The researcher collected an introductory letter from Kyambogo University which was presented to Ngora District Local Government. After acceptance, questionnaires were self-administered and interviews from the targeted respondents were carried out.

3.7 Data presentation and Analysis

Data collected was edited, coded, cleaned, and entered into computer software for analysis. Analysis was done using SPSS (statistical package for social sciences) a computer data analysis program where, the structured and labeled tables and diagrams, relevant percentages, means and standard deviations were generated. Correlation Co-efficient and regression analysis were carried out to establish which of the predictor variables had the highest influence on the dependent variables and to establish whether the two variables were related.

CHAPER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the background of respondents, description of the dependent variable contract performance and testing of the study objectives. The data was analysed using spss where Pearson's product correlation coefficient was used to assess the relationship between the procurement risks management and contract performance. The regression coefficient was therefore used to assess the strength between the two variables. According to Mark, Phillip and Adrian (2003) the probability of the test statistic usually $p=0.05$ or lower* then there is a significant relationship

Response rate - A sample size of 63 respondents out of 75 was used for the quantitative study. The researcher sent out 63 questionnaires out of which 57 were returned fully completed yielding 91% response rate exclusive of 6 respondents who were interviewed to supplement the data from the questionnaire. A response rate of 70 % and above is generally good according to Mugenda and Mugenda (2003). Therefore the response rate obtained in this study of 91% was above 70% considered acceptable.

4.1 Backgrounds of respondents

In this section the background of respondents by position within procurement, years working with the organization and highest level of education are presented.

Table 4.1: Position within procurement

Position	Frequency	Percentage
Procurement and disposal unit	5	9%
Contracts committee	5	9%
User department	10	18%
Others	37	65%
Total	57	100%

Source: Field primary data.

Results from table 4.1 show that most of the employees were belonging to the category of others 37 (65%) followed by those who were from the User Department 10 (18%).

Table 4.2: Years working with the organization

Experience	Frequency	Percentage
1-2 years	16	28.07%
3-5 years	41	71.93%
Total	57	100%

Source: Field primary Data.

Table 4.2 shows that most of the respondents had experience 3-5 years 41 (71.93%), while the rest had experience of 1-2 years 16 (28.07%). The cumulative percentages on the whole suggest that respondents had a reasonable experience in the service of Ngora District which can enable them contribute highly towards contract performance as required.

Table 4.3: Highest level of education

Education level	Frequency	Percentage
A' level	3	5%
Diploma	12	21%
Degree	22	39%
Postgraduate	7	12%
Others (PLE/O'level Certificates or None)	13	23%
Total	57	100%

Source: Field primary Data

Results from table 4.3 shows that most of the respondents were degree holders 22 (39%) followed by those in the category of others 13 (22.8%) followed by diploma holders 12 (21%) while only 3(5%) had A'level education standard. Thus the qualifications of employees suggest that most could perform as required on the job.

4.2 Objective One.

To examine risks in the procurement process and how they affect to contract performance, this study was divided into two: namely risks at procurement planning and risks at evaluation of tenders' stages. These will be handled one by one.

4.2.1 Risks at Procurement Planning

Procurement planning was divided into six quantitative items on which respondents were requested to do self-rating basing on Likerts scale ranging from one which represented strongly agree, two represented agree, three represented disagree, four represented strongly disagree. These are presented in the table that follows.

Table 4.4: Requirements Specifications:

Departments clearly define their projects during the planning phase of procurement		Frequency	Percent	Mean	Standard Deviation
	Strongly agree	11	19%	2.2982	0.77839
	Agree	18	32%		
	Disagree	28	49%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Field primary data

Most Respondents in table 4.4 agreed that their department clearly define projects during the planning phase 29 (51%), while a majority 28 (49%) disagreed, which meant that respondents did not know at what stage were the specifications developed. However from the interview conducted with one of the Heads of a department, he said.

“departments defined their projects on initiation of the procurement”.

This revealed that user department did know when specifications are developed. However, specifications are usually developed to guide in budget allocation and contracting strategies.

Table 4.5: Stakeholder Involvement

Stakeholders are involved during specification development	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	6	11%	2.193	0.63916
	Agree	35	61%		
	Disagree	15	26%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Field primary data

Results from table 4.5 shows that most of the respondents 41 (72%) agreed that stakeholders are involved during specification development compared to 16 (28%) who disagreed. This was in line with the mean value 2.1930 which also showed that respondents agreed with stakeholder involvement. The low standard deviation .63916 showed that respondents had similar views and opinions on stakeholder involvement. This was in agreement with the interviewed respondents who actually agreed that indeed had been involved in procurement planning.

The respondents said,

” Sub counties usually consult us on matters of agro in puts, especially on varieties available since agro inputs specifications change with time and sometimes depending on the location of the farmers where the inputs will be used”

This meant that consultations are made on which projects to finance in particular financial year reflecting acceptance of the goods, services or works in the procurement plan once delivered.

Table 4.6: Funds Allocation

My organization allocates funds based on specification because they are sure funds will be available	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	26	46%	1.6667	0.69007
	Agree	24	42%		
	Disagree	7	12%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Field primary data.

Most of the respondents 50 (88%) agreed that their organization approves procurement because they are sure funds to finance the projects will be available compared to 7 (12%) who disagreed. This tallied with the mean 1.6667 which indicated that the agreed that approval of funds for procurement in public sector organizations is done. However from the interview carried out it was observed that though the entity approves the procurement plan, not all the funds are received and where contract have been signed , scope of works are reduced or even the contractor is stopped from continuing with the contract until funds have been received. Contract Completion periods have to be extended. The respondent said

“ for example last FY 2012-2013, the entity received a budget cut more over in the 4th quarter in the expected funds releases from central government, some contracts were halted and the procurement process of other projects stopped”

This meant that the entity approves procurement just because of the indicative planning figures which may be received in full or not. This is a Government policy. Thus, where funds are not received in full by the entity, this affects the timely deliveries of the contracts.

Table 4.7: Activity Procurement Plans

Departments	Scale	Frequency	Percent	Mean	Standard Deviation
aggregate their procurement and submit them to procurement	Strongly agree	9	16%	2.0526	0.61007
	Agree	36	63%		
	Disagree	12	21%		
	Strongly disagree	0	0%		
Total	Total	57	100%		

Source: Field Primary Data

Table 4.7 shows that most of the respondents agreed 45 (79%) that departments aggregate their procurement and submit them to the procurement unit compared to 12 (21%) who disagreed. This indicated the mean value 2.0526 tallies with agree on the Likert Scale suggesting further that respondents agreed and had similar opinions on the same. This was further confirmed in the PPDA Compliance Audit Report FY 2011-2012 which showed that the entity had a consolidated procurement plan under the year of review. This meant that

procurement is scheduled according to what, how and when the goods, services and works will be procured an indicator on good procurement planning.

Table 4.8: Market Analysis

My organization carries out market analysis during procurement planning	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	3	5%	2.386	0.59023
	Agree	29	51%		
	Disagree	25	44%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Field primary data

Results from table 4.8 shows that most of the respondents 32 (56%) agreed that their organization carries out market analysis during procurement planning compared to 25 (44%) who disagreed. The mean value 2.3860 also confirms market analysis is done. However, from the interview conducted respondents had different views on market analysis. Some respondents said that the prices and availability of suppliers is known after responses to bids where as others thought that that was the task of the Procurement and disposal Unit so they never carried out market analysis. Further when I asked whether sufficient bidders responded to the bid invitation, one of the respondents had this to say

‘‘ may be for open tenders but selective bidding, few responses are received’’

Failure to attract sufficient responses to bid might compromise the evaluation results where the justification for award of contracts will be because the single bidder responded. Thus completion and its advantages are not realized. Market analysis helps the entity to determine which procurement method to employ in the procurement of goods, works and services.

Table 4.9: Realization of Planned Funds

My organisation secures all the funds to pay for the completed contracts in time	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	8	14%	2.4035	0.77597
	Agree	20	35%		
	Disagree	27	47%		
	Strongly disagree	2	4%		
	Total	57	100%		

Source: Field Primary Data

Most of the respondents 29 (51%) disagreed the organization secure all funds to pay for the completed projects in time compared to 28 (49%) who agreed. From the interview carried out one of the respondents confirmed that not all funds for the contracts are received by the entity. To find out further how the entity fulfills its obligations to pay for the contracts, the respondents said.

“the Entity, issues instructions to contractors to halt the progress of works until funds are secured to avoid litigation and its associated costs”.

This meant that failure to secure funds to pay for the delivered goods affects the timely delivery of requirements and increases costs in the long run where variations in prices emerge.

To find out whether risks at procurement planning had a relationship with contract performance, the two variables were related using Pearson’s’ Correlation Co-efficient index as in Table 4.10. Table 4.10 Pearson’s correlation co-efficient index between risks at procurement planning and contract performance

Table 4.10 Correlations

		Risks at procurement Planning	Contract performance
R Planning	Pearson Correlation	1	.552(**)
	Sig. (2-tailed)		.000
	N	57	57
C perform	Pearson Correlation	.552(**)	1
	Sig. (2-tailed)	.000	
	N	57	57

** Correlation is significant at the 0.01 level (2-tailed).

Table 4.10 shows Pearson's correlation coefficient index between contract performance and risks at procurement planning $r = .552^{**}$ sig = 0.00 less than 0.05. This suggests a highly positive significant relationship between contract performance and risks at procurement planning. These risks if not well managed contract performance worsens and vice versa.

4.2.2 Risks at evaluation stage

Risk evaluation was operationalized into eight quantitative items on which employees in public sector organizations were requested to do self-rating. Results were presented question by question.

Table 4.11: Evaluation Procedures

Procedure for selection of evaluation committee is known so that right people are involved during evaluation exercise.	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	21	37%	1.7193	0.64792
	Agree	32	56%		
	Disagree	3	5%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Field Primary Data

Table 4.11 shows that most of the respondents 53 (93%) agreed that the procedure of evaluation committee is known so that the right people are involved during evaluation compared to 4(7%) who disagreed. This was in line with the mean value 1.7193 which showed they agreed. This meant that the PPDA guidelines on evaluation are adhered to

ensure right suppliers are selected to deliver the required good and services at agreed costs.

From the interview conducted respondents agreed that

‘‘different expertise depending on the nature of procurement are involved and each knows their roles during evaluation exercise’’.

On observation LGPP Form 11 was indeed available in all the Procurement files.

Table 4.12: Understanding Evaluation Criteria

The evaluation committee understands the evaluation criteria stated in the solicitation document	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	9	16%	2.1404	0.7181
	Agree	33	58%		
	Disagree	13	23%		
	Strongly disagree	2	4%		
	Total	57	100%		

Source: Field Primary Data

Results from table 4.12 shows that most of the respondents agreed that the evaluation committee understands the evaluation criteria stated in the solicitation document 32 (73%) compared to 15 (27%) who disagreed. This was confirmed by one respondent who said that

‘‘before the evaluation exercise starts, the evaluation committee is briefed by the Head of procurement and disposal Unit about the evaluation criteria stated, procedure for evaluation which helps the committee to select a right supplier who is hoped to deliver the procurement needed’’.

Understanding of the evaluation criteria will help the entity to select right suppliers objectively and this avoids administrative reviews and its associated costs including time wastage in the procurement process

Table 4.13: Adherence to Evaluation Criteria

The evaluation criteria give sufficient time for evaluation to identify a clear winner	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	14	25%	1.8596	0.5806
	Agree	37	65%		
	Disagree	6	11%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Field Primary Data

Results from table 4.13 shows that most of the respondents 51 (90%) agreed that the evaluation criteria give sufficient time for evaluation to identify the winner compared to 6 (10%) who disagreed. This shows that the evaluation helps to identify the winner to deliver the contract in time as per the terms and conditions of the contract, though failure to adhere to the evaluation criteria set often leads to compromise of contracts awards.

Table 4.14: Supplier Response to Invitations to Bid

Efficient and sufficient suppliers respond to the invitation to bid because specifications are specifically stated in the solicitation document	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	12	21%	2.3158	0.90943
	Agree	20	35%		
	Disagree	20	35%		
	Strongly disagree	5	9%		
	Total	57	100%		

Source: Field Primary Data

Respondents 32 (56%) agreed that efficient suppliers respond to the invitation to bid because specifications are clearly stated in the solicitation document compared 25 (44%). This suggested that invitations are responded to fairly. Surprisingly, the PPDA Compliance report FY 2011-2012 and internal Audit reports showed that few suppliers were responding to the invitation and that forced the warding committee to award the contract to only the respondent without following the evaluation criteria. No wonder timely delivery is poor as cited in the contract monitoring reports.

Table 4.15: Involvement of End Users in Evaluations

My organization involves end users in evaluation of offers	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	15	26%	1.9474	0.69233
	Agree	30	53%		
	Disagree	12	21%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Field Primary Data

Results from table 4.15 shows that most of the respondents 45 (79%) agreed that their organization involves end users in the evaluation of offers compared to 12 (21%) who disagreed. This meant that representatives of the users of the procured services are involved which helps to build the supplier relationship for timely delivery of projects therefore collusion is minimized between suppliers and end users which normally delays project implementation or delivery.

Table 4.16: Financial Facilitation is availed for Evaluation Exercise

Resources are assigned to ensure appropriate time and attention is paid to effective evaluation	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	5	9%	2.4386	0.73235
	Agree	25	44%		
	Disagree	24	42%		
	Strongly disagree	3	5%		
Total	57	100%			

Source: Field Primary Data

Respondents in table 4.16 showed that most of the respondents agreed that resources are assigned to ensure appropriate time and attention for effective evaluation 30 (53%) compared to 27 (47%) who disagreed. This showed that resources are assigned for effective evaluation. The big percentage of 53% percent shows that evaluation committee pays attention to the exercise to ensure the right suppliers selected without compromise.

Table 4.17: Supplier Capacity Assessment

Suppliers are assessed to ensure they have enough funds or have access to financial institutions for financing proposal	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	3	5%	2.1404	0.47795
	Agree	43	76%		
	Disagree	11	19%		
	Strongly disagree	0	0%		
Total	57	100%			

Source: Field Primary Data

In table 4.17 above, 46 (81%) of the respondents agreed that their suppliers are assessed to ensure they have enough funds or have access to financial institutions for financing the project compared to 11 (19%) who disagreed. This showed that suppliers are critically assessed. The mean value of 2.1404 also suggested agreement with the item.

Table 4.18: Results of Evaluation are communicated

Results of evaluation are published on the procurement notice boards and communicated to bidders	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	22	39%	1.667	0.57735
	Agree	32	56%		
	Disagree	3	5%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Primary Field Data

Results from table 4.18 showed that most of the respondents 54 (95%) agreed that results of the evaluation are published on the procurement notice boards and communicated to bidders compared to 3 (5%) who disagreed. This suggested that results from evaluation are provided to all. This indicated that there is fair selection of suppliers and suppliers are given time to respond in case they are not satisfied with the outcome. This was revealed further from the respondents who said that

“during evaluation the evaluation criteria is adhered to because they are sure of the implications if they divert from the stated criteria such as administrative reviews which consume time”.

From all the above presentation the results on the evaluation were aggregated into evaluation index. To find out whether risks at evaluation had a relationship with contract performance the two variables were related using persons correlation co-efficient index as in Table 4.19.

Table 4.19 Pearson’s correlation co-efficient index between risks at evaluation and contract performance.

Table 4.19 showing correlation

Model 1		Contract perform	Revaluation
Cperform	Pearson Correlation	1	.382(**)
	Sig. (2-tailed)		.003
	N	57	57
Revaluation	Pearson Correlation	.382(**)	1
	Sig. (2-tailed)	.003	
	N	57	57

** Correlation is significant at the 0.01 level (2-tailed).

Table 4.19 shows Pearson’s correlation coefficient index between contract performance and risks at evaluation $r = .382^{**}$ sig = 0.003 less than 0.05. This suggests a highly positive significant relationship between contract performance and risks at evaluation stage. These risks if not well managed contract performance worsens and vice versa.

4.3 Contract performance indicators

Contract performance was operationalized into eight quantitative items. Results there from are presented.

Table 4.20: Timely Payments for Contracts are made

Payments are made in time because auditors and subject matter specialists have confirmed performance as per specifications	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	4	7%	2.4035	0.70356
	Agree	29	51%		
	Disagree	21	37%		
	Strongly disagree	3	5%		
	Total	57	100%		

Source: Primary Field Data

Results in table 4.20 show that most of the respondents 33 (58%) agreed that payments are made in time because auditors and subject matter specialists have confirmed performance as per specifications compared to 24 (42%) who disagreed. These results are a direct reflection

of the entity performs of its obligations under the contract despite some contracts that remain unpaid as per the response of the 42% of the respondents.

Table 4.21: Detection of Contracts performance irregularities

Contract managers' report on progress of the contract as required so that any irregularities are rectified in time	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	8	14%	2.5088	0.84778
	Agree	17	30%		
	Disagree	27	47%		
	Strongly disagree	5	9%		
	Total	57	100%		

Source: Primary Field Data

Results in table 4.21 shows that most of the respondents 32 (56%) disagreed that contract managers' report on the progress of the contract as required compared to 25 (44%) who agreed. The mean value of 2.5088 and standard Deviation of 0.84778 and percentages agree that contract managers do not report the progress of contract that should have enabled the entity to resolve any issues and set a remedy in time for quality and timely delivery of the goods and services. This concurs with the PPDA Compliance Report of FY2011/12.

Table 4.22: Deliveries conformation to specifications

Deliveries which do not conform to specifications are rejected	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	16	28%	1.9298	0.72849
	Agree	30	53%		
	Disagree	10	18%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Primary Field Data

Results showed that respondents 46 (81%) agreed compared to 11 (19%) who disagreed. This implied that indeed end users were involved in the procurement planning where specifications are developed so they are able to appreciate quality of delivered goods, and services.

Table 4.23: Replacement of defective deliveries

Suppliers replace defective deliveries	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	15	26%	2.3158	0.65895
	Agree	20	35%		
	Disagree	21	37%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Primary Field Data

Results in table 4.23 show that most of the respondents 35 (61%) agreed that suppliers replace defective deliveries in time compared to 22 (39%) who agreed. From the interview conducted one of the responded said

“before a goods received note is issued at the stores, the audit team together with the user department inspect the delivery to ensure conformity to the terms and conditions of the contract or else the delivery is rejected”.

This showed that quality is paramount and defective deliveries are replaced. This further shows that suppliers understood the objectives of the contract and contract performance indicators.

Table 4.24: objective of Contracts

Both the organization and supplier understand the objective of the contract which forms basis for performance	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	15	26%	1.9825	0.74381
	Agree	29	51%		
	Disagree	12	21%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Field Primary Data.

Table 4.24 shows that the suppliers understand the objective of the contract which forms the basis for performance evaluation as shown by the 43 (77%) rate compared to 13 (23%) who disagreed. This suggested that objectives of the contract are known to all. This was further confirmed by the one respondent who said that

“Suppliers ask for extension of contract periods where challenges are encountered. The respondent gave an example of the contract where the construction materials were out of stock from a manufacturing company which would take the contractor one month to have his order for the materials delivered”.

Table 4.25: Contract Performance Indicators

Contract performance indicators are known in advance so that supplier understand them before contract execution	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	7	12%	2.0351	0.5584
	Agree	42	74%		
	Disagree	7	12%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: field primary data.

Table 4.25 shows that most of the respondents agreed that contract performance indicators are known in advance so that the suppliers understand them before contract execution 49 (86%) compared to 8 (14%) who disagreed. From the interview conducted, revealed that they considered timely delivery of their projects, and timely payments as indicators of contract performance. The researcher further asked whether these indicators are always achieved, the respondent confirmed that

“due to budget cuts , negotiation with suppliers has always taken place either extend completion time or even at times stop halt the progress of the contract to avoid litigation and its associated costs”.

Table 4.26: Measuring Contract performance vs the Financial Year

My organization measures contract performance against the financial year	Scale	Frequency	Percent	Mean	Standard Deviation
	Strongly agree	14	25%	2.0702	0.77597
	Agree	26	45%		
	Disagree	16	28%		
	Strongly disagree	1	2%		
	Total	57	100%		

Source: Field primary Data

Results from table 4.26 shows that most of the respondent agreed 40 (70%) that their organization measures contract performance against the financial year compared to 17 (30%)

who disagreed. From the respondents it was clear that the District runs a financial year-cash budget and any balances are returned to the treasury at the closure of the financial year. This means that contracts which are not paid by the end of the financial year, are either halted, or stopped since the entity is not sure of the return of the funds from the treasury.

Table 4.27: Resources for Contracts Performance

	Scale	Frequency	Percent	Mean	Standard Deviation
People, finance and technology are enablers of contract performance	Strongly agree	9	16%	1.9298	0.49496
	Agree	43	75%		
	Disagree	5	9%		
	Strongly disagree	0	0%		
	Total	57	100%		

Source: Primary Field Data

Respondents in Table 4.27 agreed 52 (91%) that sufficient resources (people, finance and technology) are enablers of contract performance as compared to 5 (9%) who suggested otherwise. This showed people, finance, and technology are core in contract performance implying that contract managers, finances and technology should be in place to enable contract performance.

Table 4.28: Supplier Appraisal

	Scale	Frequency	Percent	Mean	Standard Deviation
My organization carries out supplier appraisal to guide in the next procurement and evaluation	Strongly agree	4	7%	2.5965	0.77597
	Agree	21	36%		
	Disagree	26	46%		
	Strongly disagree	6	11%		
	Total	57	100%		

Source: Primary Field Data

Respondents in Table 4.28 above agreed 31 (57%) that their organization does not carries out supplier appraisal to guide in the next procurement as opposed to 25 (43%) who insisted the entity does so. This suggested supplier appraisal is done in public sector organizations in

Ngora District which is a basis for ascertaining if the contractor performed as per the terms and conditions of the contract. A contract must come to an end. To find out whether these risks had a relationship on contract performance these variables were related as in table 4.29 below.

Table 4.29: Pearson’s correlation coefficient index between contract performance and risks

		Contract	Risks
Contract performance	Pearson correlation	1	.417**
	Sig. 2-tailed		.001
	N	57	57
Risks at planning and evaluation	Pearson correlation	.417**	1
	Sig. 2-tailed	.001	
	N	57	57

**Correlation is significant of 0.01 level 2-tailed

Table 4.29 shows Pearson’s correlation coefficient index between contract performance and risks $r = .417^{**}$ sig = 0.01 less than 0.05. This suggests a highly positive significant relationship between contract performance and risks. These risks if not well managed contract performance worsens and vice versa.

To find out which stage in the study had great impact on contract performance highly, tables 36 were developed the Pearson’s correlation Co-efficient analysis done

Table 4.30 Showing Pearson’s Correlation Co-Efficient Analysis ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1. Regression	4.434	2	2.217	13.285	.000(a)
Residual	9.012	54	.167		
Total	13.446	56			

a Predictors: (Constant), Risks at Planning, Risks Evaluation

b Dependent Variable: Contract Perform

Source: SPSS Output

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 - (Constant)	.508	.399		1.274	.208
Risks Evaluation	.263	.184	.177	1.432	.158
Risks at Planning	.705	.183	.475	3.848	.001

a Dependent Variable: Contract Perform

Source: SPSS out put

From the regression done, it was found out that risks at planning were statistically more significant on contract performance (beta .475 sig .001) in public sector organizations in Ngora District than the rest of the variables. This meant that risks at procurement planning need utmost attention since it's the foundation of the procurement process. Procurement planning must be critically done for the organisation to attain its contract objectives, as was noted by Andrea Deme (2009) that the need for planning appears to be underemphasized at the initial stages of procurement projects but the absence of it is highlighted at projects' end.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This section presents the discussion of the findings that were obtained from the study, conclusions that were drawn basing on results and recommendations that were done objective by objective. These are presented below.

5.1 Discussion

This section presents the discussion of findings that were obtained from the study. The study used two data collection instruments mainly a self-administered questionnaire and structured interview guide. The results from the findings suggested that procurement risks management had a positive significant relationship with contract performance in the public sector. The discussion was done following the study objectives.

5.1.1 Objective One

The first objective of the study was to establish risks in the procurement process and how they affect Contract performance in public sector organizations in Ngora District. The findings identified risks like failure to Cleary define specifications during procurement planning, and failure to allocate funds based on specifications. These risks were found to have a highly positive significant relationship on contract performance in public sector organizations in Ngora District. These findings concurred with (Richard 2010), Loana and Loana, (2010), IAPWG (2006) and Benon (2008) who agreed that there are risks faced during the procurement process and Such risks lead to delayed projects, increased costs, extra works, change orders and can even lead to abandonment of the contract where variations occur and the entity has no money for such variations. Therefore understanding these risks assists in

risk assessment and planning practical management and operational measures that should be taken to mitigate the risks. Also Richard (2007) stressed that financial strategies of supply management organizations commit resources and funds based on, among other things risks assessments.

Inadequate Specifications often lead to difficulty in evaluation of competing offers and cause the possibility that the evaluation might not stand the audit scrutiny leading to selection of offer that will not meet needs. Therefore discussion of such specification with the stake holders is paramount and training user departments on specification development is essential for the organization to achieve its contract objectives.

The study revealed that evaluation of tenders on average was fairly done well and risks were being controlled through briefing the evaluation committees on the type of the evaluation criteria and its relevance in the procurement of goods and services, displaying results of the evaluation and communication of the same results to the bidders who participated in the invitation. However, failure to allocate enough resources especially funds to facilitate the evaluation exercise can lead to compromise of the results because integrity is paramount during this exercise. There were no indicators of such conduct from the study but the entity needs to allocate fund to facilitate the evaluation exercise because this area is risky and such risks can lead to administrative reviews and litigation plus its related costs such that even if ultimately found to be without merit, can delay the implementation of projects.

In conclusion of the discussion on this objective, procurement risks are significantly related to the contract performance in the public sector - Ngora District. Therefore, there needs to

develop a risk management culture which seeks to identify, analyze and control risks at each stage in the procurement process. This should further be guided by the Local Government Public Procurement and Disposal of Public Assets, 2006 and the Public Finance and Accountability Acts and Regulations ,2003. The risk management plans need to be developed as was suggested by Kit (2005) and Richard (2010). CIPS principles and practices of public procurement (2012). The need for risk registers is paramount in risk management. Drafting terms and conditions and highlighting the performance indicators in the contract are one way of sharing risks. Having in place personnel that is Auditors and project managers is a good risk control measure. However, (2005) emphasized that these personnel should be able to document all findings on a project.

5.1.2 Objective Two

The second objective of the study was to examine the contract performance indicators employed at Ngora District Local Government and the extent to which they were achieved. Findings on this objective revealed that the Ngora District and its service providers understood the contract performance indicators and each party knew its obligations which include among others delivery on time, payment for contracts, and delivery according to specifications. However, failure to timely secure funds as planned is major risk impacting on overall timely delivery of goods, services and works.

In conclusion on this objective, the Ngora District should continue devising means to ensure that the contract objectives are achieved and have a constructive communication with the service providers and the public sector accounting, financial and procurement regulations are adhered too.

5.2 Conclusions

From the study discussion, the following conclusions were drawn objective by objective;

From objective one it was concluded that risks are significantly related with the contract performance in the public sector organizations in Ngora District for example inadequate specifications will cause variations which increases the cost in contract.

From objective two, it was concluded that the contract performance indicators need to be identified and clearly defined early during the procurement process and understood between the two parties that the supplier and the procuring entity before contract is executed to ensure contract objectives are achieved.

It was however finally concluded that risk management at procurement planning is more significantly related to contract performance than at evaluation of offers. The entity needs to put much more efforts in identifying risks at planning and devising control measures to achieve the contract objectives.

5.3 Recommendations

Basing on the study findings, discussions and conclusions it was recommended that if contract performance is to be improved in public sector organizations in Ngora District, Ministry of Local Government, Local Council organizations in the district should do the following;

The government should consider procurement risk management as a strategic function and develop a frame work for risk management.

The government should allow for inter-sector reallocation of funds within the same entity to allow for utilization of unspent funds during the financial year given that contract performance is not measured against financial year but against terms and condition of the contract.

The Ngora District should consider planning strategies and processes like developing project specifications and administering them through involving of all the concerned parties particularly local council leaders before funds are allocated to minimize variations caused by specification development.

The Ngora District should ensure all stake holders are involved during procurement planning as this impact on the projects end. The Ngora District should ensure that risks are managed in a consensus and collaborative way from the initial stages of procurement and throughout the life of a contract.

5.4 Areas of Further Research

Risk is present at all stages of the procurement process, since this study concentrated on procurement planning and evaluation of offers, further research can be carried out on other stages of the procurement process and find out how these risks impact on the performance of a contract.

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APPENDICES:

A - RESEARCH QUESTIONNAIRE

PROCUREMENT RISK MANAGEMENT AND CONTRACT PERFORMANCE IN THE PUBLIC SECTOR.

Dear respondent,

This questionnaire has been developed to collect data concerning procurement risk management and contract performance in the public sector.

Please spare some few minutes of your busy schedule to fill this questionnaire. The information given is for academic purposes only and will be kept confidential.

Section A.

Demographic Information

1. Your position within procurement relates to:	<input type="radio"/> Contracts committee <input type="radio"/> User department <input type="radio"/> Procurement and disposal unit <input type="radio"/> Other specify
2. Years working with the organisation	<input type="radio"/> 1-2 <input type="radio"/> 3-5
3. Highest Level of Education	<input type="radio"/> A-level <input type="radio"/> Diploma <input type="radio"/> Degree <input type="radio"/> Post graduate <input type="radio"/> Other specify.....

For all sections that follow, please tick against the appropriated key in the box provided below according to their rankings.

Key: SA=Strongly Agree (1 point); A=Agree (2 points); DA=Disagree 3points); SD=Strongly Disagree (4 points)

SECTION B

Risks in the procurement process

Procurement planning		SA	A	D	SD
1	My organisation clearly defines their projects during the planning phase of procurement				
2	My organization carries out market analysis during procurement planning to ascertain the availability of suppliers and products				
3	Stakeholders are involved during specification development so that the delivered goods, services or works are accepted.				
4	My organization allocates funds based on specification so that the contracts are paid for at agreed contract values				

5	My organisation secures all the funds to pay for the completed contracts in time				
6	Departments aggregate their procurement and submit them to procurement unit for timely procurement				
Evaluation of offers (assessment, screening and selection of suppliers)					
1	Procedure for selection of evaluation committee is known so that right people are involved during evaluation exercise				
2	The evaluation committee understands the evaluation criteria stated in the solicitation document				
3	The evaluation criteria give sufficient time for evaluation to identify a clear winner				
4	suppliers respond to the invitation to bid because specifications are specifically stated in the solicitation document				
5	My organization involves end users in evaluation of offers				
6	Resources are assigned to ensure appropriate time and attention is paid to effective evaluation				
7	Suppliers are assessed to ensure they have enough funds or have access to financial institutions for financing proposal				
8	Results of evaluation are published on the procurement notice boards and communicated to bidders				
Contract performance Indicators					
1	Payments are made in time because auditors and subject matter specialists have confirmed performance as per specifications				
2	Contract managers' report on progress of the contract as required so that any irregularities are rectified in time				
3	Deliveries which do not conform to specifications are rejected				
4	Suppliers replace defective deliveries				
5	Both the organization and supplier understand the objective of the contract which forms basis for performance				
6	Contract performance indicators are known in advance so that supplier understand them before contract execution				
7	My organization measures contract performance against the financial year				
8	People, finance and technology are enablers of contract performance				
9	My organization carries out supplier appraisal to guide in the next procurement and evaluation				

Thank you so much for sparing time to respond to this questionnaire.

B - INTERVIEW GUIDE

Procurement risk management and contract performance in the public sector.

Objective one

To examine risks in the procurement process and how they affect contract performance.

Procurement planning

Does your organisation clearly define their procurement requirements (specifications) clearly so that funds are allocated realistically?

Does your organisation involve stakeholders in the planning of procurements so that from the beginning, projects to be implemented are agreed upon? This will help in monitoring of contracts and finally acceptance of the output.

How does your organisation obtain information on the availability of products and service providers?

How does the information obtained guide you in fulfilling the obligations of the contract?

A procurement plan is paramount in the procurement of goods and services because it works as a directory, does your organization have consolidated procurement plan in place?

Evaluation of tenders

There are established evaluation procedures in place for public entities; does your organisation follow such procedures in the evaluation of bids/tenders?

There are different evaluation criteria for evaluating different types of procurement, for example non consultancies, works may have different criteria, do you understand these criteria used in the evaluation so that you select the right supplier?

Objective two

To examine Contract performance indicators employed in Ngora District local government

A contract is measured according to how the obligations of either party are achieved.

In your organisation, you have signed contract agreements with service providers, what do you consider as contract performance indicators?

Before contract agreements are signed between your organisation and the contractor is there a modality that you ensure all the obligations are understood?

Do you always achieve the objectives of the contract? Example, delivery in time?

In your organisation, have you ever failed to pay for the contract in time as per the terms and conditions? If yes, what could have been the problem and how did you resolve the issue?

Objective three

Relationship between procurement risk management and contract performance

Do you think that if risks in the procurement process are identified and mitigation measures devised to control them, contract performance in the public sector will improve?

Or

What relationship do you think exists between procurement risk management and contract performance in the public sector?

Do you think that if an early specification development was done during procurement planning, this would help the stake holder's especially Council to allocate and approve funds realistic to pay for the contracts?

Thank you for your time.