

Resource allocation Planning: Impact on Public Sector Procurement Performance in Kenya

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Abstract

For decades procurement performance has been attracting great attention from practitioners, academicians and researchers due to poor performance resulting from non-adherence to proper processes and procedures. Literature suggests that procurement performance is an issue that needs to be highly addressed more so when it affects the public sphere. This research sought to determine how resources allocation planning influences public procurement in Kenya. Using a case study of public financial institutions, purposive sampling was used to select 12 firms involved in financial services provision. The public procurement Acts (2005) and Regulations (2006) and revised (2010) were used as a guide on the resource allocation procedure as employed in public institutions. Results show that (i) resources allocated to public financial sector were not enough (ii) Resource allocation affected procurement performance. It is recommended that public entities try and balance resource allocation and even allocate more funds to departments in charge of procurement since cost cutting and efficiency measures implemented at the procurement level will affect all the other departments in the organization.

Keywords: Public procurement, Procurement regulations, Public sector, Resource allocation planning

1. Introduction

The evaluation of procurement performance has always been a vexing problem for procurement professionals in the Kenyan public practice (Odhiambo & Kamau 2003). Due to the advent of supply chain management and other factors, the purchasing performance is an important but complex issue for public entities. The Public Procurement Oversight Authority (2007) suggests that procurement performance starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in public entities. According to Mc Crudden (2004) purchasing performance is considered to be the result of two elements: purchasing effectiveness and purchasing performance. Performance provides the basis to assess how well public entities are progressing towards predetermined objectives and decides on future initiatives with the goal of initiating performance improvements (Gelderman, et al 2006). This means that purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Trionfetti 2000). Traditionally, public sector firms concentrated on analyzing their own internal need satisfaction, government industry standards and trends undertaken by other public firms. Unlike firms in the private sector, firms in the public sector are expected to feed the auditor general and public procurement oversight authority (PPOA) with financial reports and procurement reports at the end of every financial year. According PPOA Public entities are required to embrace e-procurement procedures for easy public scrutiny of procurement activities. Very few entities have introduced e-procurement in their procurement operations (Comesa Public Procurement Reform Project 2004).

According to KPMG International (2006) this presents a major challenge in respect to public accountability and transparency when public resources are used to acquire goods and services by public entities. Most of the public entities lack clear accountability on how the resources provided impact on their performance therefore going against the fundamental principles of public procurement (value for money spent, accountability, transparency and equity).

In Kenya, the need to benchmark and measure performance in public sector organization is becoming more intense. With the devolution of powers to the county levels, pressure will even increase as public firms will be operating close to citizens who constitute the public. Measurement efforts will be further augmented by the public procurement and disposal act. The purpose of this act is to establish procedures for procurement, disposal of unserviceable, obsolete or surplus stores and equipment by public entities to maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, Moreover this has also to promote integrity, increase transparency and accountability and to increase public confidence in those procedures so that facilitation and the promotion of local industry and economic development is upheld. In view of the setbacks presented to the public by the procurement systems, it should be realized that procurement practitioners face many challenges given by complexity of sets of law, and government systems at times not in line with the procurement act (Bukhala, 2003). According to the procurement act (Revised) the procuring entity shall establish a procurement unit in accordance with this Regulation. The level of qualification and experience required of procurement units under section 26 (9) of the Act shall be stipulated by the same unit. Moreover the procurement unit also maintains and updates annual lists of registered tenderers of required entity and liaises the authority's register of suppliers and procurement agents. According to Wanyama (2010) the unit should also prepare, publish and distribute procurement and disposal opportunities including invitations to tender, pre-qualification documents and invitations for expressions of interest as it co-ordinates the receiving and opening of tender documents, safeguard procurement and disposal documents ,prepares lists of pre-qualified tenderers to the tender committee and issue procurement and disposal documents. It must also propose the membership of evaluation committee to the accounting officer for approval, co-ordinate the evaluation of tenders, quotations and prepare contract variations and modifications to documents as they maintain and archive documents.

As procuring entities perform these functions, it is noted that public procurement at public levels is often viewed to be anchored around corruption and lack of openness (Transparency international 2007). Other issues affecting public procurement have to do with core objectives being set by politicians whose political choices regarding the prioritization and allocation of scarce resources are politically motivated and myopic (Preuss 2009). Political interference constraints procurement results attainment particularly in areas of disposal of public property, provision of consultancy services, national competitive bidding and bid invitation. Theoretically, those choices may set objectives for the procurement strategy and performance. Nevertheless there is lack of correlation between political activities and policy contribution towards performance (Kabaj 2008). This being the case, it is quite possible that procurement may pursue goals at variance to those of their political leaders. The performance of public sector procurement is fundamental to the Kenya of today that is devolving and likely to be affected by central government activities as they often try to undermine local government and maintain their grip on finances and administration in power struggles (Telgen 2011). This will further be made complex by virtue that the 47 counties will receive 15% of national budget from the central government therefore forcing them to rely on the central government to some extent.

Procurement issues and challenges such as those presented above can only be dealt with in an environment where procurement takes a professional view and the impact of resources on performance is vividly shown. The consequence of poor resource procurement has been summarized by the Kenya Gazette supplement report (2006) as procurement failing to meet the resource of affected parties. The public procurement oversight authority assists in the implementation and operationalization of the public procurement system but does not report how efficiently the allocated resources adhered to the public procurement plan.

II. Statement of the Problem

Regardless of the effort by the governments of developing countries, like Kenya and development policies like the procurement Acts and regulations enacted to improve resource performance of the procurement function, public procurement is still marred by poor quality goods and services (GOK 2005).

Failure to conveniently employ available resource or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated public activities, and failure to attract and retain experienced and skilled personnel in the procurement positions, thus affecting the function's performance (Farmer & Weele 2000). Procurement functions of most public entities were not complying to set procurement process and performance procedures, leading to irregular and subjective decisions (PPOA, *ibid*) Organizations which do not have performance means in their processes, procedures, and plans experience lower performance ,higher public dissatisfaction and lack of public trust (Amaratunga & Baldry, 2002). Since the introduction of these procurement allocation plans, the effect of this planning of resources allocation has not been established in public sector procurement performance. Although this is the case it should be realized that overseeing and ensuring that wastage is minimized is not an easy task (Croom & Brandon 2004). This is because plans need focus, on the short term superiority of their bargaining power and contract to minimize inflationary effects and cost reduction. This should be done in the context of each firm's uniqueness and the presented environment. Until an organization measures purchasing performance they will never know how well they are performing and why they should measure purchasing performance. The main objective of this study was to establish how resource allocation planning impacts on procurement performance in the Kenyan financial public sector.

III. Public Procurement

Studies by Bukhala (*ibid*) in Ugandan public sector procurement indicate that procurement planning and control helps organization achieve strategic performance. This is because with resources, the ultimate goal of any public procurement is to satisfy the public interest as entrusted on the public procurement Act. The procurement planning aspect in this case has to exist for each level of planning in the free areas of technical and operational strategy (Walker & Brammer, 2009). Edler and Georgia (2007) indicate that procurement plans in this case will serve as a road map and its main goal should be to enable efficient use of available resources.

IV. Research Methodology

We employed a cross section survey approach relating the influence of resource allocation planning on procurement performance in the Kenya public finance sector. Descriptive research design was employed as it best works where research seeks information concerning the current status or 'what exists' (Mugenda & Mugenda 2003). The target population consists of the 124 state agencies. Using purposive sampling 12 parastatals were eligible for the study. The 12 were Kenya Revenue Authority, Capital market authority, Deposit protection funds, Local authority provident fund, Industrial development bank, Central Bank of Kenya, Higher education loan board, and National bank of Kenya, Kenya post office savings bank, and consolidated bank. Semi structured questionnaires and interviews were used to collect the data from procurement directors, finance directors and chairpersons of procurement committees. Data analysis was done using descriptive statistics.

V. Results

One Hundred and twenty questionnaires were sent to the sample population. Eighty questionnaires were filled and collected. This translated to 67% response rate. According to Punch (2003) a high response rate helps to ensure that results are representative.

The study first sought to establish whether procurement was recognized as significant in the operations of public entities (See Table 1).

Results indicated that 23% and 34% of the respondents strongly agreed and agreed respectively that procurement departments were very important to public entities. This corroborates with Davies (2002) studies in Kenyan public sector with suggested that public firms must be able to account for all their purchasing activities since they were undertaken by public officers answerable to the public and who were likely to be tempted by the large amount of resources they handled. The study also sought to establish whether the resources allocated to the procurement departments of these firms were adequate (Table 2).

Results indicated that 41% of the response showed that resources allocated to procurement were adequate while 59% indicated that the resources were not enough (see table 2). This corroborated studies of Agaba and Shipman (2006) in the Kenyan public sector which found out that performance was mostly compromised in most institutions due to scarcity of resources.

We further sought to establish the extent to which resource allocation affected procurement. Respondents were required to rate the extent to influence based on whether it had increased, stagnated or decreased. Gamma results indicated that resource allocation planning predicted procurement planning by 38%. Interviewee's responses were directed towards indicating that there was a strong relationship between resource allocation and procurement performance. This corroborated studies Halachmi (2005) on performance based procurement in developing countries which found out that when resources are few performance of procurement is poor as performance levels are compromised. Nevertheless respondents indicated that at all times resources are scarce and those allocated to procurement are always not enough.

VI. Managerial Implications

The purpose of Public Procurement and Disposal Act is to promote local, national and regional industry and support socioeconomic development. It was established as an act of Parliament to establish procedures for efficient public procurement and for the disposal of unserviceable, obsolete or surplus stores, assets and equipment by public entities and to provide for other related matters affecting efficient public matters. The resource allocation in many public organizations in developing countries is always inadequate due to budgetary deficits. The Know-how components of the public procurement were more hidden to the public but were increasingly fundamental to the successful operation of public entities. In relation to systems, practices and procedures, this paper has placed emphasis on the pressures on the public procurement in public entities resulting from the employment of good procurement practice. A particular requirement during the study was that evaluation is based on the regulations at hand and professional etiquettes. The paper has also revealed the significance of resource planning and its contribution to public entity procurement although financial institutions were used to set this right in that public procurement goes through the same challenges in all public organizations. Although this is the case of late most public financial institutions are run on private sector principles and therefore follow the procurement practices of the private sector which is based on strategic procurement. Resource allocation is an important aspect in determining how effective the whole process will be. This calls for public entities to try and balance resource allocation and even allocate more funds to procurement departments (Davis 2002). This is because procurement is the base of all other departments and its success percolates down to the whole organization. It's imperative that as procurement resource allocation planning is done in a manner that it takes care of the pursued strategic fit in the public entities. Kenya is a new state undergoing devolution where decentralization is increasing. This will affect resource allocation plans to the public entities some of which are now undergoing restructuring to fit into the system. Further research is needed to check on the effect of resource allocation planning on performance after the intended devolution.

Table 1: Procurement Recognized as Significant

	Percentage
Strongly Disagree	11
Disagree	13
Neither Agree nor disagree	19
Agree	34
Strongly Agree	23
Total	100.0

Source: Researcher's database (2013)

Table 2: Adequacy of Allocated Resources

Extent	Percentage
Not Adequate	54
Indifferent	5
Adequate	20
Very adequate	21
	100

Source: Researcher's database (2013)

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