

**THE EFFECTS OF PUBLIC PROCUREMENT LAWS ON EFFECTIVE PROJECT IMPLEMENTATION: A CASE STUDY OF KISAUNI CONSTITUENCY DEVELOPMENT FUND**

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**CITATION:** Nyagah, S. M. & Mugambi, F. (2014). The effects of public procurement laws on effective project implementation: A case study of Kisauni Constituency Development Fund. *International Journal of Social Sciences and Entrepreneurship*, 1 (13), 69-92.

**ABSTRACT**

This study sought to evaluate the effects of the PPDA on effective project implementation in public entities in Kenya. The study critically analyzed four aspects of the PPDA namely; public financial management framework within which it is implemented, knowledge levels by the procurement unit, compliance to the PPDA by the procurement entity and effectiveness of oversight by the PPOA and how they influence effective project implementation. Kisauni Constituency Development Fund (CDF) was taken as the case study. The study relied on primary data collected from respondents from four sub groups: Constituency projects tender committee, Constituency development fund tender committee, individual project committees and suppliers. Stratified random sampling was used to select the sample for the study. Primary data was collected using questionnaires and personal interviews from a sample of 44 respondents. Data analysis was done and the results were presented in tables, graphs, Pie charts and accompanied by narrations on findings. The study found out that public procurement within Kisauni CDF was characterized by a high level of application of the public financial management framework, low levels of knowledge by the procurement unit, low levels of compliance to the public and ineffective oversight by the PPOA. This had adverse effects including; delays in project implementation, failure to eliminate corruption, inflation of project costs and to a small extent, poor quality goods, works and services. The study recommended that the public financial management framework and the procurement laws be reviewed to reduce inefficiencies, training for procurement professionals and improvement of the capacity of the PPOA to oversight the procurement process.

**Key Words:** *public procurement, public financial management framework, Constituency Development Fund (CDF), Kisauni, Kenya*

## **Introduction**

Lysons and Farrington (2006) define procurement as the process of obtaining goods or services in any way, including borrowing, leasing and even force or pillage. The Public Procurement and Disposal Act (2005) on the other hand, defines procurement as the acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise or by any other contractual means of any type of works, assets, services or goods including livestock or any combination. The Government procurement system is part of the conversion process, from the collection of funds to the successful implementation of projects (Hui et al, 2011) and therefore should be effective to ensure as little leakage from the system. Kipchilat (2006) quoting a Comesa report (2004) noted that procurement absorbs 60% of government expenditure and this means that the accountability at all times is important. This is quite a significant figure and can make a big impact to development if well used and so it is the interest of any government to seek to control procurement not only to reduce wastage but also drive its development agenda. (Hui, et al, 2011) concludes that the enormous amounts of money involved in government procurement and the fact that the money comes from the public demands accountability and transparency, which are not only national issues , but are also common global issues. The Government expects public procurement and disposal to contribute to the national economic growth and poverty reduction in line with national development goals (Ondieki et al, 2013).

Staples and Dalrymple (2011) argue that as a result of this very considerable investment, the procurement process has the potential to deliver very significant public value payoffs to the community. They also contend that the procurement of construction projects in the form of hospitals, schools and courthouses enables Governments to deliver services in the areas of health, education and justice. Winch (2002) as quoted by Staples and Dalrymple (2011) state that public sector invests in physical assets to deliver the goods, services and symbols that society values. The enormous amounts of money involved in government procurement and the fact that the money comes from the public demands accountability and transparency, which are not only national issues , but are also common global issues (Hui, et al, 2011).

Bailey et al (1998) notes that public purchasers are accountable to the public whose money are spent including disappointed tenderers and potential suppliers. As such they must produce procedures and practices which will stand up to scrutiny during either government audits or challenge through courts of any purchasing decision that has been made unprocedurally. The primary purpose of public accountability is to prevent abuse of taxpayer's money. In a study on obstacles of public procurement by Hunja (2001), it is noted that in the previous years, many developing countries did not see public procurement as having a strategic importance in the management of public resources. It was largely treated as a process oriented 'back office' support function undertaken by non professional staff of the buying agency. However, this has been changing recently in the face of shrinking budgets, the need to fight corruption and the realization that significant savings can be gained by a well organized procurement system.

## **Kenya's Perspective on Challenges in Public Procurement**

It is for this reason that the Kenyan Government has been undertaking tremendous reforms in consistence with global trends, which have culminated in the enactment of the Public Procurement and Disposal Act in 2005 and Public Procurement Regulations in 2006. Prior to these reforms, the legal framework governing public procurement was very amorphous, providing a conducive environment for the perpetration of various malpractices in public procurement including endemic corruption that characterized the system (Mutava, 2012). The World bank through the public procurement assessment reform and capacity project carried out a country procurement assessment review in 1997 which documented the shortcomings of the public procurement system in Kenya (PPOA, 2010). The shortcomings included the lack of a unified procurement system, lack of sanctions on those who breached regulations, lack of rules governing procurement of works, poor procurement record keeping and weak dispute resolution mechanisms (GOK, 2012).

This review laid the ground for Public procurement reforms in the country that began in 1998 with the aim of enhancing accountability, transparency and value for money (PPOA, 2010). Consequently, a task force was formed to undertake this work and a bill was drafted for debate in parliament in line with the taskforce's recommendations. As a result of delays in passing this bill by parliament, the Ministry of Finance passed the Exchequer and Audit (public procurement) regulations (2001) which guided public procurement in the country until 2007 when the PPDA was operationalised with the objectives of maximizing efficiency and accountability, promoting competition and ensuring that competitors are treated fairly, promoting integrity and fairness of the procedures, increasing transparency and accountability and increasing public confidence in the procedures.

However, studies reveal that even after the enactment of these laws, the process of public procurement in Kenya is still faced by various challenges. For example, in a study by the KPMG International carried out in 2008, it was found out that public procurement still suffers from fraud and misconduct (KPMG, 2008). Additionally, a review by the PPOA (October, 2011) carried out at the Kenya Institute of Administration (renamed Kenya School of Government) on the compliance levels to the procurement laws, revealed that the parastatal scored a paltry 31% level way below the 60% target set out in the performance monitoring plan under the RPPS II (reforming public procurement systems II). The report identified 53 areas of non compliance to the procurement laws by the procurement unit which increase inefficiency and could be a pointer to misconduct. Kenya et al (2011) contends that the established legal and regulatory framework in secondary schools in Kenya has added some strength to the public procurement system, but weaknesses still exist in the framework. For example, although open tenders were found to be the preferred method of tendering used by most of the public secondary schools, thus bringing it closer to its intended status as the default method of procurement, it is still clear that the procurement functioning needs to develop further and considerable effort made into defining

strategies for how to make open tendering the main method of procurement. Mutava (2012) notes that despite progress made in streamlining the public procurement process in Kenya, the new procurement regime still faces several challenges, namely; the new procurement regime lacks a firm legal basis because the Minister for finance can potentially simply repeal the regulations and retain a great deal of power that can be used to hamper reforms for instance, in 2003 all public procurement officers were suspended allegedly to purge the procurement process of corruption. Also the exemption of national security and defense procurements from the new regulations should be considered a flaw in the system as a number of corrupt security procurements have been exposed by the media including the Anglo leasing scandal (Mutava, 2012 quoting Madara, 2009).

Recently, there have been reports of procurement irregularities touching on government institutions such as the investigations of senior public officers in the Ministry of Foreign affairs and water among many others by the KACC (now Ethics and Anti Corruption Commission, EACC) which have also reinforced the need to critically to investigate why rampant anomalies exist in public procurement despite the existence of law regulating the process (Kiawa, 2012 quoting The Daily Nation on 17th October, 2010 and 3rd November, 2010).

### **Global Perspective on Challenges in Public Procurement**

Staples and Dalrymple (2011) state that there is a growing comprehension of the importance of procurement in realizing value for all clients. Consequently in many parts of the world, public procurement has become an issue of public attention and debate and has been subjected to reforms, restructuring, rules and regulations (Onyinkwa, 2013). Despite these efforts, challenges have been experienced during the implementation of the reforms in public procurement. Odhiambo and Kamau (2003) assert that although several developing countries have taken steps to reform their procurement systems, the process is still shrouded in secrecy, inefficiency, corruption and undercutting. In all these cases, huge amounts of resources are wasted. De Boer and Telgen (1998) confirm that non compliance affects not only the third world countries but also countries in the European Union. This position is further supported by Gelderman et al (2006) who contend that compliance in public procurement is still a major issue. Hui et al (2011) while analyzing procurement issues in Malaysia established that procurement officers were blamed for malpractices and non compliance to the procurement policies and procedures. In Uganda, many central Government ministries and agencies have not followed the prescribed practices (Agaba and Shipman, 2007 as quoted by Onyinkwa, 2013). The PPDA in the same country reports that out of 322 contracts audited at the end of 2005, only 7 constituting 2% were assessed to be compliant (Onyinkwa, 2013). In Ghana, a study conducted by Ameyaw et al (2012) notes that there is no evidence that the passage of the public procurement law and its implementation has made any significant impact in curbing corruption in public procurement in the country.

The non compliance to the procurement laws is an issue with serious financial, political and social implications. In Kenya for instance, the Transparency International (TI) in 2005 as quoted by Ondieki et al (2013) reported that Kenya lost 475 billion shillings in shady procurement deals in a period of seven (7) years. In 2009, the then KACC director was quoted as saying that Kenya loses 23-35% of the annual budget through skewed procurement, pilferage and wastage of public resources (PPOA, 2009). Ondieki et al (2013) concludes that the implementation and operationalization of the Act has posed challenges to the end users and therefore there is need to re-examine the act and its impact on the end users and the economy at large with a view to taking remedial measures.

### **Statement of the Problem**

The Constituency Development Fund (CDF) was established through the CDF Act (2003) and amended in 2007 (Ochieng et al, 2012). CDF's origin can be traced back to the CDF bill drafted by opposition MPs in a bid to have equitable distribution of resources across the country (Mungai, 2009 as quoted by Ochieng et al, 2012). The CDF bill was passed into law in 2003 following the coming to power of a new Government in 2008. The act was revised in 2013. Worldwide, Parliamentary involvement in grassroots projects through Constituency Development funds commonly referred to as CDFs has been growing in recent times in a diverse set of countries like Kenya, Bhutan, Pakistan, India Uganda and Papua New Guinea. The funds usually dedicate public money to benefit specific political sub divisions through allocation and spending decisions influenced by their representatives in the national assembly (Ochieng and Tubey, 2013). At the national level, the CDF Act Amended in 2007 Section 4(2a) mandates that at least 2.5% of the government's annual ordinary revenue be channeled to the Constituencies for purposes of development. Section 19 (1) of the CDF Act stipulates the allocation criteria for the above 2.5% to the constituencies; 75% is allocated equally among all 210 constituencies and the remaining 25% is allocated based on the national poverty index multiplied by the constituency poverty index.

By 2009, more than 35,000 CDF projects had been established in various parts of Kenya (TISA, 2009). The impact of these projects is experienced in the key sectors funded by the CDF such as education with about 38% of the allocations, health 11% and water 8%. Through the CDF program, a total of sh. 70.8 billion has been made to the constituencies since inception in 2003 to 2011. The CDF act states that projects to be included in the CDF projects submission form shall be a minimum of five and a maximum of twenty in each constituency in each financial year. The CDF act (2013) stipulates that all CDF projects must be managed by a projects committee. The committee is composed of community members charged with the responsibility of managing the individual project on behalf of the community and is considered by the law as a public entity subject to the government financial and procurement regulations (GOK, 2013).

However, despite the fact that the CDF funds have had a tremendous impact at the grassroots level, challenges are still being experienced. For example, an audit conducted by National Tax Payers Association (NTA) found massive wastage of the CDF funds in Migori County. In sample of three constituencies in Migori County which received Kshs. 134, 655, 092 in the financial years 2006/2007 and 2007/2008, 20.4% of the funds (Kshs. 27,469,638) were unaccounted for (NTA, 2010). Another study conducted by the National Anti-corruption Campaign Steering committee in 2008 observed that there are no clear tendering and procurement guidelines and/or procedures and tenders are not usually advertised. This invites corruption through irregular award of tenders and nepotism. The report goes to highlight that the lowest bidder is not always awarded the contract and some contractors are said to be bribe key CDF committee members to win tenders. It was also observed that in such underhand deals, some committee members collude to win tenders then sub contract their kin. Usually, tender winners have the blessings of the sitting MP or are given to his/her close relatives, friends or associates (NACSC, 2008).

This study therefore seeks to evaluate the effects of the procurement laws on public sector procurement with specific reference to how this has affected project implementation in Kisauni CDF. Four aspects have been identified for investigation including public procurement laws financial management framework, public procurement laws knowledge levels by the procurement unit, compliance to the procurement laws and the level of oversight by the PPOA.

### **General Objectives**

The general objective of the study is to evaluate the effects of the procurement laws on the effective implementation of projects in the public sector in Kenya.

### **Specific Objectives**

1. To evaluate the effect of public procurement laws financial management framework on effective project implementation within Kisauni CDF.
2. To ascertain the level of knowledge of the public procurement laws by the procuring unit and how it affects effective project implementation in Kisauni CDF.
3. To establish the compliance levels to the public procurement laws by the procurement unit and how this influences effective project implementation in Kisauni CDF.
4. To establish the adequacy of oversight by the PPOA on the procurement unit and its influence of the effective implementation of projects in Kisauni CDF.

## **Literature Review**

### **Transaction Costs Theory**

Theories concerning public procurement can be described as a special case of theories of public sector. Several theories have been put forward by various scholars to provide a theoretical basis for public procurement. Reimarova (2011) quoting Coase (1998) begins with the theory of transaction costs and stresses that transaction costs are influenced by the institutional system of a given country and that the institutional environment is one of the most important aspects which influence the performance of an economy. Reimarova defines transaction costs as any costs that arise from a contract other than actual production costs. Transaction costs for public purchases are usually higher than in cases of normal purchases between two private entities.

### **Neoclassical Approach Theory**

Another theory that has been advanced in relation to public procurement is the neoclassical approach. Reimarova (2011) quotes Stiglitz (2000) that competition is one of the central points of neoclassical economics and should lead to efficient resource allocation under the condition of functioning markets. This allocation produces an equilibrium which is Pareto-efficient. The theory classifies goods and services as private and public, while the proportion of the share of private and public goods should be determined through competition and functioning markets. Goods and services should be produced when the public entity is able to produce it with lower costs than the private company. According to this model, the issue of public purchasing is from a certain perspective of the make or buys decision. This can be described as a strategic choice between producing the good internally (make) or buying it externally (buy). This proposition holds under the condition that the goods and services produced internally are the same quality as those produced externally.

### **Principal-agent Relationship Theory**

According to Estache et al (2009), traditional economic theory has extended procurement as a principal-agent relationship where the Government as the benevolent principal intends to accomplish a piece of public work that cannot be performed by itself and therefore delegate the task to an agent which could be either a government employee or a company. Reimarova (2011) quotes Eisenhardt (1989) who defines this as the agency theory directed at the ubiquitous agency relationship in which one party (the principal) delegates work to another (agent) who performs the work. The agency theory in public procurement issues can be found in the relationship between the buyer (government agency) and the supplier (private company). The agency theory is an economic concept which evolved in the 1970s when the problem of different attitudes to risk and risk sharing between two parties that should cooperate was first described. The

government which is interested in gaining benefits for its citizens is in this case the agent for its citizens and should enter into public contracts which are in the best interests of the citizens.

Moreover, there are other levels of this relationship; government agencies are the agents of the government and should behave in favor of the government and the relationship between the seller and the government agency. The government agency who wants to buy goods and services doesn't know the exact prices, thus the seller has the information about production costs the buyer doesn't have. The supplier then may maximize his profit even if it would lead to higher costs for the government agency. Eyaa et al (2011) quoting Donahue (1989) explains that procurement managers in the public sector play a relationship role and are the agents for elected representatives. Eyaa further holds that shirking is likely to occur when there is some disagreement between policy makers and the bureaucracy. Estache et al (2009) argues that the main source of difficulty under the agency theory is that the government lacks the information of who are the efficient agents, how much effort they made and to what extent the performance would be attributable to their efforts. Therefore, a matter of concern in public procurement emerges as a problem of incentives. The government cannot monitor the agent's efforts towards cost cutting and may not be able to induce its agents to make the maximum effort towards containing public procurement costs.

In analysis of public procurement, a useful point of departure in mainstream economics is auction theory. In such a perspective, public procurement is treated as a game in which the buyer and the supplier try to make advantage of other's weaknesses. The supplier supposedly superior knowledge stands against the buyer's advantage in being in control over the actual design of the auction rules. Applying this perspective to a regular procurement process would regardless of the procurer be a straightforward activity. The lowest bid to meet the specifications should automatically be awarded the contract.

### **Conceptual Framework**

The key variables that will be measured in regard to the researcher's study will encompass both the independent and dependent variables. The four independent variables are; public financial management framework within which the PPDA operates, knowledge of the procurement laws by the procurement unit, compliance to the public procurement laws by the procurement unit and the adequacy of oversight by the PPOA. The dependent variable under investigation will be the effective implementation of public projects with specific reference to CDF projects within Kisauni constituency.

### **Public Financial Management Framework**

Public funds are subject to the provisions of the Government Financial Management Act (2004) which emphasizes on good financial management in public institutions. Public procurement must

be linked to the budget meaning that no procurement will be undertaken or commenced before the budget or availability of funds to pay the supplier or contractor is ascertained. The linkages have been highlighted in the PPOA manual (PPOA, 2009) and include budget preparation which states that procurement planning should form the basis of budget preparation and procuring entities need to revise their procurement plans to conform to the actual budget estimates as approved by parliament. Additionally, budgetary releases are made according to the revised procurement plans.

Secondly, budget execution provides that cash flow submissions by the public entities to the Ministry of finance for purposes of budget releases should be based on procurement plans. Another linkage is commitment control whereby procurement process should not be initiated without due regard to the availability of funds. Labeling and filling of procurement documentation is also highlighted and all procurement units are required to maintain comprehensive records that relate to individual contracts. These records should include contractor's claims, payment vouchers and receipts of goods/works/services. These should be clearly codified to correspond with respective expenditure files for the purposes of easy audit. Lastly, the audit function is also important as all procurement entities are required to maintain accurate and adequate documentation, recording, minuting and filling of all stages of the procurement process. These records form the basis of expenditure control and audit and must be maintained for a period of six years. Poor procurement management without well managed linkages to the budget can totally undermine the budget process and ultimately the project implementation process.

A procurement system should ensure adequate internal control and risk management. The procurement system should have installed an arrangement of integrated systems that link various functions such as budgeting and planning, procurement procedures and the contract or project implementation process. These linkages with the financial and audit functions have always been cited as a source of bottlenecks to efficient and effective procurement and project implementation. In its annual report in 2007, the PPOA (PPOA, 2007) notes that budget law and financial management procedures are not supportive of timely procurement. The report further notes that there are no legal provisions, procedures on the time limits for the appropriation of funds, processing of invoices and payments. This has always led to delays in the release of funds for the implementation of projects resulting to return of substantial amounts of unspent funds to the treasury at the end of the financial year.

For example, in the Auditor Generals' report for the 2009/2010 (GOK, 2010) financial year, the Government of Kenya reported under expenditure totaling in excess of Ksh 54 billion attributable to slow implementation of projects as a result of inadequate exchequer issues, delayed disbursement of funds and non submission of expenditure returns by various development partners. This has affected project implementation within the public sector because under funding results to stalled projects whereas delayed disbursements of funds has led to return

of unspent funds at the close of the financial year. A recent report by a newspaper quoted the Parliamentary Committee on Transport calling on the Government to streamline the process of procurement to prevent ministries from returning funds to the Treasury every year. (Mutava, 2012 quoting The Standard Newspaper, 15/06/2011). 'It is sad that the money was not used despite being allocated for projects', the Chairman was quoted as saying (David Were, 2011).

### **Oversight by the PPOA**

The Public Procurement Oversight Authority (PPOA) was created by an act of Parliament in January, 2007. The authority is mandated to among others ensure that procurement procedures established under the Public Procurement and disposal act (2005) are complied with and to monitor the procurement system and report to the Government on its overall functioning. The Authority's other roles include initiating public procurement policy as well as assisting in the implementation and operation of the public procurement system by preparing and distributing manuals and standard tender documents (GOK, 2012). The Authority also offers advisory services to procuring entities as well as supporting training and professional development of procurement staff.

The PPOA is headed by a director General appointed by the advisory board from a person having professional qualifications in procurement. The director general is charged with the duty of the general direction management of the authority. Section 5 (1) of the procurement regulations defines the membership of the advisory board, that is, nine members drawn from fourteen professional organizations and are charged with the main responsibilities of advising the authority on its general operations and approval of its budget (PPOA, 2009). All procurement entities should co-operate fully with the PPOA and comply with its directives and respond promptly and accurately to its requests and reporting requirements. The PPOA should maintain a website that will enable it better carry out its functions. Kiawa (2012) observes that a sound procurement system should ensure that the procurement entities comply with the applicable rules for instance, compliance with procedures and the best procurement method considering the circumstances, publication of the results of contract awards the keeping of detailed records of decisions and the furnishing of reasons for the participating firms. Kiawa (2012) further notes that the system should also mechanisms for scrutinizing the decisions of procurement entities to ensure that they comply with norms for instance subjecting procurement decisions to oversight by a regulatory body and providing a quasi judicial organ to which unsuccessful bidders can obtain the review of decisions. The PPOA notes that it has been able to provide oversight to the public sector procurement process in Kenya and has recorded major achievements in the areas of enforcing compliance, capacity building, policy research and information and communication technology (PPOA, 2010).

However, it goes ahead to highlight challenges which have prevented the PPOA from fulfilling its mandate; insufficient staffing levels, job insecurity due to staff being seconded from

ministries, inadequate financial resources, inadequate application of ICT in its processes, weak linkages with other stakeholders like EACC and judiciary, inadequate organization structure, weak monitoring and evaluation systems and inadequate linkages between PPOAB, PPARB and management staff. In the PPOA 2009-2010 annual report (PPOA 2010), the authority acknowledges that it faces challenges in fulfilling its mandate of oversight of the public procurement function in Kenya due to capacity constraints with only seven (7) personnel available for this. Considering the magnitude of public procurement activities, these efforts are not adequate in providing adequate oversight of the process.

As a result, a lot of malpractices have been observed leading to loss of confidence in the process and subsequently, a high number of potential suppliers/contractors seeking administrative reviews or moving to the courts of law for judicial reviews which occasions delays in project implementation. The PPOA reports that in the financial year 2009/2010, the PPARB held 152 sittings whereby 73 cases were discussed and concluded with 35 of these being dismissed, 27 being successful and 10 being withdrawn by the applicants (PPOA, 2010). In the same report, a total of six (6) cases were referred for judicial review in the high court. Ameyaw et al (2012) quoting the National Public Procurement Authority of Sierra Leone report produced in 2005 observes several challenges bedeviling the operations of the authority. These include inadequate funding, deficient staff strength and organizational and logistical limitations. These annual reports of the authority since establishment have always cited inadequate funding as the leading barrier to smooth operations of the authority.

### **Compliance Levels by the Procurement Unit**

In general, compliance refers to a target 'acting in accordance with an influence attempt from the source' (Payan et al, 2005 as quoted by Gelderman, 2006). From the perspective of a formal concept of compliance, the conduct of the regulated actor is compared to a formal definition of the corresponding (legal) obligation (Lange, 1999 as quoted by Gelderman, 2006). Kiawa (2012) says that an ideal public procurement system should have sufficiently publicized rules of procedure to circumscribe discretion within procurement entities. She further argues that such a system should ensure that the procurement entities comply with the applicable rules for instance; compliance with procedures and the best procurement method considering the existing circumstances, publication of awards, the keeping of detailed records of decisions and furnishing of records to participating firms.

In seeking to outsource for goods, services and works, good practice and business efficacy demands that the purchaser wants to find a supplier who will be both reliable and will provide products, services or works that are good value for money (Griffith and Griffith, 2002). Good value for money does not simply mean the cheapest but will include other factors such as quality, lead time, and compliance with tendering criteria. This is the bedrock upon which the PPDA (2005) was enacted and therefore compliance to these laws is of essence if public projects are to

be effectively implemented. De Boer and Telgen (1998) confirm that non compliance affects not only the third world countries but also countries in the European Union. This position is further supported by Gelderman et al (2006) who contend that compliance in public procurement is still a major issue.

As a way of ensuring compliance with the public procurement laws by procurement entities in the country, the PPOA conducted assessment in 36 procuring entities and comprehensive reviews in 16 others during the 2009-2010 financial year (PPOA, 2010). The procurement entities included Ijara CDF, KICC, Narok north and Eldoret West districts among others. The findings of the report indicated an overall compliance level of 62% with the mandatory institutional arrangements of establishing procuring units, tender committees, procurement committees, inspection and acceptances committees and disposal committees; Compliance levels with the requirements of the procurement processes were at 59% and included such aspects as annual procurement planning, presence of tender boxes among others; Mandatory reporting requirements as governed by PPOA circular 4 recorded compliance levels of only 12%. Other areas of non compliance to the public procurement laws and regulations were varied and included non adherence with the authorities' market price index occasioning procurement at higher prices, incomplete record keeping and documentation of procurement activities and splitting of procurement to avoid the appropriate procurement method.

In yet another report by the PPOA in 2007 on procurement of common user items, it was found out that common user were being procured at about 60% above the prevailing market prices. This was brought about by collusive practices, and bid rigging by persons involved in procurement process (PPOA, 2010). As a result, the objective of value for money through effective competition and use of the PPOA's market price index for comparison is not achieved. Cases of procurement of sub standard goods and projects are common and this can be attributed to the fact that some procurement entities have not established inspection and acceptances committee which are required to approve all procurements for conformity to specifications before receipt and payment, for example in a procurement review conducted on the National social security Fund (NSSF) by the PPOA in 2011 (PPOA, 2011), it was found out that the PE had not established an inspection and acceptances committee putting into question the quality of goods, services and works procured by the procuring entity considering the fact that the parastatal spent billions of shillings in both recurrent and capital goods. Onyinkwa (2013) notes that various countries both in the developed and least developed countries have instituted procurement reforms involving laws and regulations but the major obstacles however has been inadequate regulatory compliance.

### **Knowledge Levels by the Procuring Unit**

Section 7 of the PPDA states that a procurement unit shall be staffed with procurement professionals whose qualifications are recognized by the PPOA. The act further specifies that the

person should be trained in procurement and supply management from a recognized institution and must be a member of a recognized institute of purchasing and supply. Consequently, parliament enacted the supplies practitioners' management act in 2007 to make provisions for the training, registration and licensing of supplies practitioners and to regulate their practice (GOK, 2007). The act establishes the Kenya Institute of supplies and management with the mandate of conducting examinations, registration, licensing and discipline of the supplies practitioners. Section 36 of the act (PPDA, 2005) gives the Minister of finance the power to make regulations for the better carrying out of the provisions of the act.

Insofar as public procurement has important economic and political implications, ensuring that the process is economic and efficient is crucial (Kenya, 2011). Kenya further asserts that this requires in part that the whole process is well understood by both the actors (the government, the procuring entities and the business community/suppliers) and other stakeholders including the professional associations, academic entities and the general public. The PPOA has a big role to play in this aspect by aiding in the development, promotion and support the training and professional development of people involved in procurement. It is also mandated to ensure that procuring entities engage procurement professionals in procurement units. Kenya (2011) notes that the Public procurement regulations were meant to ensure that efficient training has been offered to professionals to serve in procurement. Quoting a study by the PPOA conducted in 2007, Kenya (2011) says that the study revealed that the available expertise at the procuring units did not meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce. The overall lack of procurement knowledge remains a major weakness to the efficiency of the procurement operations. Short term procurement training was also found to be in short supply although it was noted that the PPOA is currently offering a series of sensitization sessions targeting both the public and private sectors.

According to De Boer and Telgen (1998) as quoted by Gelderman et al (2006), one of the causes of non compliance with the procurement regulations is the level of awareness with the procurement regulations. De Boer and Telgen (1998) assert that during the early days of the inception of the public procurement regulations in the Netherlands, many municipalities could not comply to the regulations because they were not familiar with them. Gelderman et al (2006) confirmed this position in a survey of compliance with the EU procurement directives. In Ghana, a country procurement assessment report conducted in 2003 revealed that most staff members of ministries, departments and agencies and district assemblies responsible for procurement were not proficient even though they had been trained (Ameyaw et al, 2012). He goes further by quoting Forgor (2007) who highlights the fact that lack of proper training of managers on the procurement process is a challenge that confronts procurement reforms. On the other hand, Onyinkwa (2013) contends that it is possible that those who are familiar with the regulations know it so well that they know how to beat the loopholes to their advantage.

## **Research Methodology**

### **Research Design**

Research design is defined as a blueprint for collection, measurement and analysis of data (Kothari, 2004). Cooper and Schindler (2003) explain that a research design is a framework for specifying relationships among the study's variables and outlines procedures for every research activity.

This study was descriptive in nature. Mugenda and Mugenda (2003) explain that descriptive design attempts to provide further insight into the research problem by describing the variables of interest. Descriptive survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables (Mugenda & Mugenda, 2003). This design enabled the researcher to investigate the effects of the public procurement laws on effective project implementation in Kisauni Constituency development Fund. The design was appropriate for this project study because it allowed the researcher to use the findings within Kisauni CDF to explain how the aspects of knowledge of public procurement laws, compliance levels, public financial management framework and oversight by the PPOA affected procurement during project implementation for CDF projects in Kenya. Qualitative survey design adopted allowed the researcher to measure the respondents' opinions and attitudes through the use of guided and open ended questionnaires to obtain data.

The study used a case study method and Kisauni constituency was taken as the case study. Mugenda and Mugenda (2003) define case study as an in depth investigation of an individual, group, institution or phenomenon. Mugenda explains further that case studies are based on the premise that a case can be located that is typical of many cases and is viewed as an example of a class of events or a group of individuals. Additionally, a case study usually provides rich details about cases under investigation, of a predominantly qualitative nature and aims to provide insight into a particular situation stressing the experiences and interpretations of those involved. It generates new understandings, explanations or hypotheses (Mugenda & Mugenda, 2003). The study was done in Kisauni Constituency in Mombasa County which measures 109.7 km<sup>2</sup> with a population of 380,055 (KNBS, 2010).

### **Study Population**

Cooper and Schindler (2003) define a population as the total collection of elements about which the researcher wishes to make inference. Manoj (2006) considers population to be any group of people, events or things that are of interest to the researchers and that they wish to investigate. Mugenda and Mugenda (2003) define population as a complete set of individuals, cases or objects with same observable characteristics. A target population is that to which the researcher wants to generalize the results of the study (Mugenda and Mugenda, 2003). Mugenda further

states that, it is often impossible to study the whole target population and therefore researchers usually identify and define an experimentally accessible population; sometimes referred to as a survey population. In this study, the accessible/survey population was composed of all those officials involved with procurement for works in project implementation under Kisauni CDF. These officials are sub divided into four groups namely; the Constituency projects tender committee members, Constituency tender committee members, projects management committee members and suppliers.

### **Sample and Sampling Technique**

Mugenda and Mugenda (2003) define a sampling frame as a list, directory or index of cases from which a sample can be selected. A sample is defined as a smaller group obtained from the accessible population (Mugenda and Mugenda, 2003). Mugenda further explains that the sample should be carefully selected so as to be representative of the whole population with the relevant characteristics. Cramer and Howitt (2004) define it as a set of entities drawn from a population with the aim of estimating the characteristics of a population. Mugenda and Mugenda (2003) define sampling as the process of selecting a number of individuals for a study so that the individuals selected represent the larger group from which they were selected. Stratified random sampling technique was used to select a sample for the study. Mugenda and Mugenda (2003) explain that the goal of stratified random sampling is to achieve desired representation from various sub groups in the population. In the study, four sub groups were identified from which the sampling will be done; Constituency Projects tender committees, Constituency development fund tender committees, project management committees and suppliers.

### **Sample Size**

Mugenda and Mugenda (2003) admits that the sample size depends on factors such as the number of variables in the study, the type of research design, the method of data analysis and the size of the accessible population. Gay (1981) suggests that for descriptive research, ten percent of the accessible population is enough. In this study, the population was stratified into four strata. Within the first three strata, that is, constituency projects committees, constituency tender committees and project management committees, the sample was selected purposively so as to include the members who are involved in executive roles because they will be more resourceful. In the last strata of suppliers, random sampling was used because the group is more homogenous.

### **Pilot Testing**

A pretest was conducted one week to the administration of the questionnaires on a randomly selected group of ten civil servants at the Kisauni District headquarters. The purpose of this was to ensure that the questionnaires are easily understood and that there are no language or wording

errors. The pretest also enabled the researcher to establish the reliability and validity of the questionnaires to elicit the desired responses during the data collection.

### **Data Collection**

Mugenda and Mugenda (2003) identify four methods of data collection; Questionnaires, interview schedules, observational forms and standardized tests. In this study, two methods of data collection were used, that is, questionnaires and personal interviews. A total of twenty questionnaires were sent to the members of the project management committees and another twenty to the suppliers. Interviews were conducted with the four members of constituency projects committee and another four with the members of the Constituency tender committee selected for the study.

### **Data Analysis and Presentation**

Mugenda and Mugenda (2003) explain that data obtained from the field in raw form is difficult to interpret. Such data must be cleaned, coded, key-punched into a computer and analyzed. It is from the results of such analysis that researchers are able to make sense of the data. In the study, data collected was analyzed both qualitatively and quantitatively and the results of the analysis were presented in the form of pie charts, graphs and tables with appropriate narrations on the findings. Inferences were drawn from the findings and recommendations put forth on how procurement laws can be improved for effective implementation of projects.

### **Research Results**

#### **Demographic Data**

The researcher had through the study requested the respondents to indicate the period of time in which they have been involved in procurement for the Constituency Development fund (CDF). According to the results of the study, 27.27% of the respondents indicated that they had been involved in CDF procurement for not more than two years, while only 4.54% had been involved in CDF procurement for more than six years. The majority of the respondents represented by 68.18% had undertaken CDF procurement for between three to five years. The relevance of this in relation to how it affects the implementation of procurement laws during procurement for the CDF is that the findings show that most of the individuals involved may not have been able to gain enough expertise in procurement. This is due to the relatively short period of time that majority of them had been involved in procurement considering that with the exception of Government officers, the other respondents are appointed by the Member of Parliament for a period of five years with low possibility of a second term. The members of the project

management committees also serve for brief periods during the implementation of particular projects.

Also, the public procurement laws and regulations are relatively new in Kenya and so a lot of professionals and suppliers are still not conversant with them. This agrees with Kenyanya, et al (2011) in a study of Secondary Schools in Mosoch Division, Kisii County which found that out of the 46 members of the Tendering Committees who responded, 6 had served for less than one year in procurement, 24 had served for between one and two years, 16 had served for between three and four years and none had served for more than four years

### **Level of Training in Public Procurement**

The researcher wanted to establish the level of training in public procurement of the individuals involved in procurement for the CDF. According to the results of the study, 61.36% of the respondents did not have any training on public procurement at all whereas only 38.64 indicated in the affirmative. Additionally, among the respondents who had received training on public procurement, the findings from the respondents indicated that most of them (88.24%) had basic training in procurement whereas 5.88% had certificate level training. The same figure (5.88%) was also registered for diploma level and none had university level training in public procurement.

This can be supported by a study by the PPOA in 2007 which revealed that the available expertise at the procurement units did not meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce. The overall lack of procurement knowledge remains a major weakness to the efficiency of procurement operations. In Ghana, Ameyaw (2012) quoting Forgor (2007) highlights the fact that lack of proper training of managers on the procurement process is a challenge that confronts procurement reforms.

### **Level of Compliance to Procurement Laws**

The researcher sought to establish the compliance levels to the public procurement laws by the procuring unit, in this particular case, the Kisauni CDF. According to the findings, 20.45% of the respondents were of the opinion that the level of compliance to the procurement laws was high whereas the majority represented by 79.55% felt that the level was low. In addition, the researcher wanted to establish the areas of non compliance (if any) that the respondents had observed during procurement for Kisauni CDF projects. The area that was identified as being the most common in terms of non compliance was inconsistent treatment of bidders by 47.73 of the respondents, followed by lack of inspection and acceptances committees at 20.45%, inappropriate choice of procurement method with 18.18%, poor contract management at 9.09% and lastly failure to use standard tender documents with 4.55%. These findings agree with

similar studies conducted by researchers before. For example, De Boer and Telgen (1998) confirm that non compliance affects not only the third world countries but also countries in the European Union. This position is further supported by Gelderman et al (2006) who contend that compliance in public procurement is still a major issue. In Kenya, PPOA conducted assessment in 36 procuring entities and comprehensive reviews in 16 others during the 2009-2010 financial year (PPOA, 2010). The procurement entities included Ijara CDF, KICC, Narok north and Eldoret West districts among others. The findings of the report indicated an overall compliance level of 62% with the mandatory institutional arrangements of establishing procuring units, tender committees, procurement committees, inspection and acceptances committees and disposal committees; Compliance levels with the requirements of the procurement processes were at 59% and included such aspects as annual procurement planning, presence of tender boxes among others; Mandatory reporting requirements as governed by PPOA circular 4 recorded compliance levels of only 12%. Other areas of non compliance to the public procurement laws and regulations were varied and included non adherence with the authorities' market price index occasioning procurement at higher prices, incomplete record keeping and documentation of procurement activities and splitting of procurement to avoid the appropriate procurement method.

### **Public Financial Management Framework**

The researcher sought to evaluate the effect of public procurement laws financial management framework on effective project implementation within Kisauni CDF. The respondents indicated that the public financial management regulations were applied in CDF procurement to a level of 97.73% whereas 2.27% felt that the regulations were not applied. The findings also indicated that 59.09% of the respondents felt that government financial regulations led to delays in disbursement of funds, 34.09% indicate they had the effect of delaying payments to supplier while 4.55% indicated that it led to inadequate funds for project implementation. These findings are in conformity with the PPOA (PPOA, 2007) which noted that budget law and financial management procedures are not supportive of timely procurement. The report further notes that there are no legal provisions, procedures on the time limits for the appropriation of funds, processing of invoices and payments. This has always led to delays in the release of funds for the implementation of projects resulting to return of substantial amounts of unspent funds to the treasury at the end of the financial year. In the Auditor General's report for the 2009/2010 (GOK, 2010) financial year, the Government of Kenya reported under expenditure totaling in excess of Ksh 54 billion attributable to slow implementation of projects as a result of inadequate exchequer issues, delayed disbursement of funds and non submission of expenditure returns by various development partners.

### **Adequacy of Oversight by PPOA**

The respondents indicated that oversight by the PPOA was not adequate as shown by a percentage of 88.64% whereas only 11.36% indicated satisfaction with the level of oversight. The findings also indicated that 47.73% were of the opinion that more funds and staff should be given to the PPOA to strengthen its capacity while 45.45% recommended that the PPOA establish offices at the local level. These findings reinforce a report by the PPOA (PPOA 2010), where the authority acknowledges that it faces challenges in fulfilling its mandate of oversight of the public procurement function in Kenyan due to capacity constraints with only seven (7) personnel available for this. Ameyaw et al (2012) quoting the National Public Procurement Authority of Sierra Leone report produced in 2005 observes several challenges bedeviling the operations of the authority. These include inadequate funding, deficient staff strength and organizational and logistical limitations. These annual reports of the authority since establishment have always cited inadequate funding as the leading barrier to smooth operations of the authority.

### **Effects of Procurement Laws on Effective Project Implementation**

The researcher sought to investigate the effects of the public procurement laws on effective project implementation. The findings indicated that 52.27% of the respondents were of the opinion that they led delays in project implementation, 25% felt that the laws failed to eliminate corruption, 13.64% indicated that it led to inflation of project costs while 6.82% indicated that the laws led to poor quality goods, works and services. These findings confirm a study by Ameyaw et al (2012) who contends that the high adoption of less competitive procurement methods, low capacity of procurement officers, low interaction between procurement entities and the PPA, splitting of contracts into smaller packages and non-cooperation of suppliers means high cost of procurement to the state. Another study by Odhiambo and Kamau (2003) assert that although several developing countries have taken steps to reform their procurement systems, the process is still shrouded in secrecy, inefficiency, corruption and undercutting. In all these cases, huge amounts of resources are wasted. A recent report by a newspaper quoted the Parliamentary Committee on Transport calling on the Government to streamline the process of procurement to prevent ministries from returning funds to the Treasury every year. (Mutava, 2012 quoting The Standard Newspaper, 15/06/2011). 'It is sad that the money was not used despite being allocated for projects', the Chairman was quoted as saying (David Were, 2011).

In a report by the PPOA carried out in 2007 on procurement of common user items, it was found out that public entities lost substantial amounts of money due to overpricing. The initial findings indicated that common user items were being overpriced by up to 60% above the prevailing market rates. This was largely brought about by collusive practices and bid rigging by persons involved in the procurement process (PPOA, 2007).

## **Summary of Findings**

The research investigated the effects of the public procurement laws on the effective implementation of projects. Kisauni Constituency Development Fund, Mombasa County was taken as the case study. By using Questionnaires, interviews, Government records, published research papers and journals, the researcher was able to provide answers to the research objectives and questions. A response rate of 92.5% and 87.5% was achieved for the questionnaires and interviews respectively make an average response rate of 91.67%. The major findings of the research indicated that public procurement within Kisauni CDF was characterized by a high level of application of the public financial management framework, low levels of knowledge by the procurement unit, low levels of compliance to the public and ineffective oversight by the PPOA. This state of affairs has had adverse effects on effective project implementation. These effects include; delays in project implementation (52.27% of the respondents), failure to eliminate corruption (25% of the respondents), inflation of project costs (13.64% of the respondents), poor quality goods, works and services (6.82% of the respondents).

## **Conclusions**

The effective implementation of projects within the public sector in Kenya is critical for the achievement of the Government's development goals. The Public Procurement and Disposal Act (2005) and the Public Procurement and Disposal regulations (2006) if properly implemented can greatly assist in streamlining public procurement to ensure it is timely, cost effective, corruption free and achieves value for money. However, the successful implementation of these laws depends on other aspects namely; the public financial management framework, knowledge levels by the procurement unit, compliance levels by the procurement unit and effective oversight by the PPOA. It is important for the Government and other stakeholders to work together to eliminate the bottlenecks that inhibit the effective implementation of the public procurement laws. This would go a long way in making it possible for the effective implementation of projects within the public sector for attainment of the goals of development and service provision.

## **Recommendations**

1. The public financial management framework should be reviewed to eradicate unnecessary bureaucracy in the disbursement of funds and other transactionary procedures.
2. The public procurement laws should also be reviewed to eliminate loopholes that lead to collusive practices, inflation in project costs and long lead times.
3. Strengthen the capacity of the PPOA to provide adequate oversight to the public procurement sector in the country.

4. Ensure adequate training of all procurement professionals and other individuals involved in public procurement on the public procurement laws.

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