

THE CONTRIBUTION OF PROCUREMENT SYSTEM ON THE PERFORMANCE OF PUBLIC INSTITUTIONS IN RWANDA. A CASE STUDY OF THE MINISTRY OF AGRICULTURE AND ANIMAL RESOURCES.

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Abstract.

The Study dealt with the Contribution of Procurement System on the performance of public Institutions in Rwanda and singling out Ministry of Agriculture and Animal Resources. The main research Problem is that Public organizations are traditionally known for lack of effective management Practices register loses in their financial reports due to Procurement malpractices and delays in procurement. The specific objective was to find out if the procurement system contributes to the performance of MINAGRI, find out how it performs their duty through procurement system and highlight the contribution of procurement system on the performance of public institutions. This research adopted a descriptive and correlation research design and also 37 respondents were purposively Selected from Procurement department which covers employees and consultants from Ministry of Agriculture who had worked for more for than three years with MINAGRI. Secondary data were collected while using questionnaire technique. Data were Processed through editing, coding, classification and tabulation. With the assistance of Statistical Package for the Social Sciences (SPSS) Software, data were statistically analyzed. The findings revealed that Procurement entity is able to keep Procurement records and this led to transparency and accountability which facilitate proper management of State resources. It was revealed that 96.3 % of procurement entity contacted and published information on Procurement and tendering process. The study also revealed that 91.9% of both procurement officers and contractors admitted that National News Papers are used as the medium through which they get access to information about advertisement. Publication of general procurement notice is through government media houses and other official gazettes. Conclusively it was revealed that contactors receive compensation in case of delays and they indicated that prevailing interest rate and price negotiations were to determine the rate of Compensation. The study revealed that Procurement system had a significant correlation with the Performance at the rate of 2.8% ($r^2 = (0.168)^2 = 0.028968 \approx 2.8\%$). Honestly the low correlation had no implication on how government should change the ways and procedures it goes through.

Key words: Procurement System, Performance and public institutions

INTRODUCTION

Procurement is the acquisition of goods, services or works from an external source. It is favorable that the goods, services or works are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quantity and quality, time, and location (Patrick L. Burkhardt, 1993).

According to World Bank, (1995) procurement is a technical word that was introduced by the World Bank and it is a process through which goods, services, and works are acquired by an institution.

Procurement plays a vital role in the economic development of developing countries. The procurement system contributes a considerable percentage to the corporate economy. The procurement is one among the functions that help institutions to improve their performance since they provide timeliness, efficiency, transparency, economy, and accountability in the use of public funds when procuring works, goods, and services.

The governments all over the world are providers of the services, goods and work. Public institutions use procurement system that is established by the government

authorities when they are procuring goods, services, and works and enables the institution acquire what is required in effective way. It is imperative in the public institutions to totally understand this important aspect of procurement function because many institutions have little realization, appreciation and acknowledgment of the value an efficient procurement scheme can have on the performance of public institutions.

According to Bialy et al. (2008), today public institutions all over the world have received a great deal of attention as providers of essential services such as health, education, defense, and infrastructure. To be able to perform the demand public institutions purchase goods, services, and works from the marketplace either internal or external. In other words, public institutions are purchasers of works, supplies, and services from open market placing their demands alongside those of the private sector (p.273).

The government of Rwanda as one of developing countries trying to accelerate its economic development through good governance recognized the importance of procurement activities. Since then the government of Rwanda established the National Tender Board (NTB) in 1997, to

organize and manage the public procurement policy on its behalf. Before this period, procurement was governed by the decree law of 25/02/1959 promulgated by the King of Belgium on 26/01/1959. The guiding principles of NTB operations are transparency, economy, equity, efficiency, and accountability in executing public procurement. From 2007, NTB has been changed in to Rwanda Public Procurement Authority (RPPA) By the law No 63/2007 which established and determined the organization, functions and responsibilities of RPPA.

Procurement enhances greater participation with equal competitions and gives more chances for the procurement entity as to price, technical, quality aspects which give more value for money in the economy. Procurement is a pillar of good governance as it impacts directly on soundness public expenditures management and efficiency of the delivery of the government services Turpin, C. (1989).

Therefore, the aim of this study is to find out how procurement system is used and its contribution on the performance of public institutions based on the case of MINAGRI (2011-2013).

In fact, the effectiveness of the procurement system in public sector is one of the key requirements for the attainment of Vision 2020 goals. The Rwanda procurement regulations require that all procuring entities, as well as consultants participating in public procurement adhere to the highest ethical standards both during the selection process and throughout the execution of the contract to promote efficiency, effectiveness, and accountability in public procurement.

The enactment of the RPPA in 2007 and creation of NTB are some of the recent developments that serve to promote efficiency, effectiveness, and accountability in public procurement.

It is on such ground that prompted the researcher to conduct a research on the contribution of procurement system on the performance of public institutions in MINAGRI after introduction of internal tender committees by RPPA.

In this study, the sample was selected using purpose methods. The total population was estimated at 37 and was analyzed using SPSS software. The case study profile was Procurement department which covers employees and consultants from Ministry of Agriculture who had worked for more for than three years with MINAGRI.

Data collection instruments

There is several instruments used to collect primary data, but the choice depend more on the purpose of the study, the resources available and the skills of respondents. The data collection instruments used for the study were only questionnaires on a study population of 27 which was regarded as a small population that did not require to look for sample size. The corrected data was analyzed with the use of SPSS.

Results and discussion

Here both primary and secondary data were presented and analyzed. On how procurement system contributes to the performance of MINAGRI. The Performance level was 91.9 % of both procurement officers and contractors where they admitted that national newspapers as the medium through which they get access to information about advertisement. Again improvement on performance indicated that procurement activities in MINAGRI are exposed to all stakeholders that allow for a strong competition which leads to value for money

Advertisement of contract and medium advertisement

It was clear for the process of procurement and tendering that all contracts should be advertised and interestingly the study revealed that contracts awarded were publically advertised for consumption of all potential contractors which improved the performance of MINAGRI. The study revealed that 83.8 percent of respondents (both contractors and procurement officers) who awarded or have been awarded contracts before responded in affirmative that they advertised or had the contracts awarded to them were advertised to the general public. 13.5 of both agreed that they advertised or had the contracts awarded them advertised to the general public. Contractors did not in any way influence the selection process and they were given the contracts on merit.

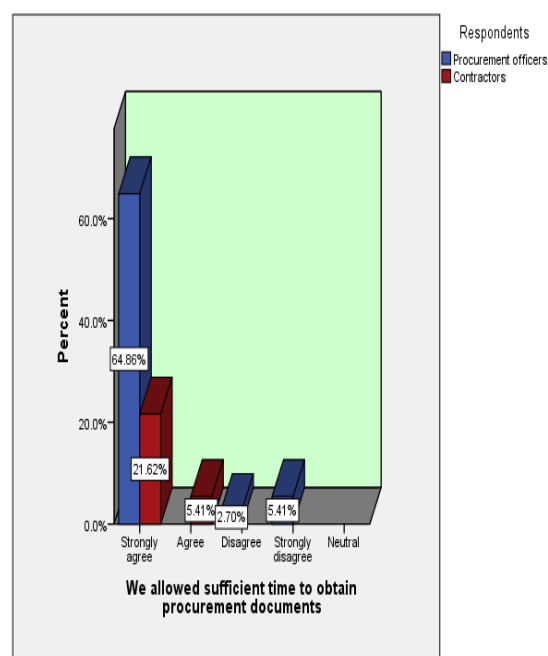
This buttresses and entrenches the importance of transparency in the act of procurement since advertisement of contracts attracts competition and create platform for transparency

Table 1: Contracts to be awarded are publicly advertised through

		Respondents					
		Procurement officers		Contractors		Total	
		Freq	%	Freq	%	%	Freq
Contracts to be awarded are publicly advertised through	National newspapers	24	88.9%	10	100.0%	34	91.9%
	Journals	2	7.4%	0	0.0%	2	5.4%
	Magazine	1	3.7%	0	0.0%	1	2.7%
	Total	27	100.0%	10	100.0%	37	100.0%

4.3.4 Time allowed for obtaining tender document and opening

Figure 1: There was sufficient time to obtain procurement documents

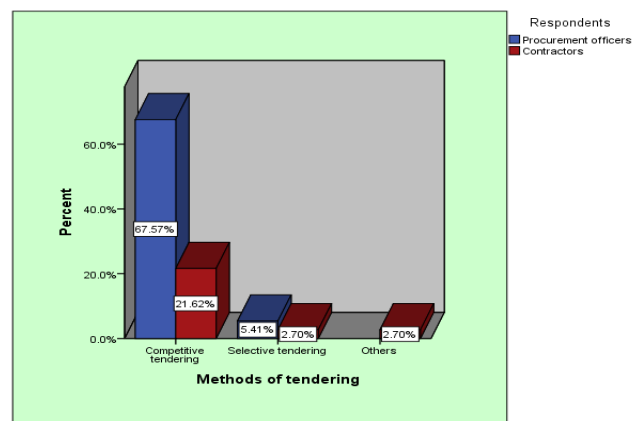


The minimum time period allowed for tender invitation is measured as the difference between the date the tender notice appeared in the newspapers and the date the tender opening. The respondents in both parties conformed that the period was between one and four weeks. The table 10 revealed that

86.5 percent of both procurement officers and contractors responded affirmative strongly agree that sufficient time was allowed for contractors to prepare and respond to invitation. Also 5.4 percent of procurement officers confirmed with agree that they allowed enough time to contractors to prepare bids whereas the reminder 8.1 percent of both respond with disagree and strongly disagree that they were given insufficient time. They confirmed that the time period allowed for them to prepare bids is insufficient. This helped in data collection on tender which avoided under or over estimation of contract values.

4.3.5 Methods of tendering

Table2: Application of procurement method in tendering process



Application of the required procurement method is important for any successful procurement activity. In connection with the

response to tendering method which aimed at unraveling if there is always the application of the required procurement method, all the 27 respondents of procurement representing 100 percent responded in affirmative with strongly agree and therefore, admitted that they really adhered to the appropriate procurement methods, in order to be sure of the claim by procurement officers. Contractors were asked if they are convinced with the application of methods and procedures of procurement. However, all contractors admitted that they were convinced that appropriate methods and procedures are being used.

Figure 2 Depicts the response of procurement officers and contractors on the various methods used

With regards to the methods used in procurement revealed that 89.2 percent of both procurement officers and contractors used competitive tendering. Under this method, each member is awarded a contract based on merit other than any other reasons. The tendering is therefore keenly contested and the best competitor wins the contract. However, 8.1 percent admitted that they employed selective tendering method. With this method, not everyone who applies for a

contract is given the chance to compete. Procurement entity select individuals or companies to be awarded contract based on certain laid down criteria. While 2.7percent indicated that other methods are used. Contractors also admitted that procurement entity apply appropriate procurement methods and the national competitive tendering is after used.

From the foregoing analysis, it presupposes that National Competitive tendering is rated the highest among the procurement methods employed by the MINAGRI. The study revealed that the National competitive tendering was appropriate for lower value procurements where goods, works or service by their nature or scope do not acquire attracting foreign competition or even entity give justifiable reasons for restricting tendering to domestic suppliers. Caldwell, N.D. Roehrich (2009).

From the above analysis, NCT among the methods benefits suppliers as it ensures fair and transparency is tendering process. Application of these methods were in conformity with public procurement act and this endorses Tas (2008) assertion that competitive environment improves efficiency and cost saving in government procurement.

4.3.6 Period for opening tendering and mode of opening

Table 4: Tenders are publicly opened in the presence of tender representatives

		Respondents					
		Procurement officers		Contractors		Total	
		Freq	%	Freq	%	Freq	%
We always open tenders publicly in the presence of tenders representatives	Strongly agree	26	96.3%	10	100.0%	36	97.3%
	Agree	0	0.0%	0	0.0%	0	0.0%
	Disagree	0	0.0%	0	0.0%	0	0.0%
	Strongly disagree	1	3.7%	0	0.0%	1	2.7%
	Total	27	100.0%	10	100.0%	37	100.0%

Generally, the study indicated that 36 respondents of procurement officers and contractors representing 97.3 percent responded with strongly agreed that tenders are opened immediately after deadline and in the presence of tenders representatives while 2.7 percent responded with strongly disagree and they said that tender application is opened two weeks after deadline. This therefore, means that procurement in MINAGRI follow the rules in the Act that recommend that the time of tender opening should be the same as the deadline for submission or promptly in accordance with Rwanda Public procurement (RRPA). This clearly shows that procurement processes in MINAGRI do not violate the rules and this avoids or reduces suspicious in the general public or procurement activities in

MINAGRI, this support the view of OsafoMarfo (2003) that transparency means decision taken and their enforcement is done in a manner that follows rules and regulations.

4.4 causes of delays in procurement

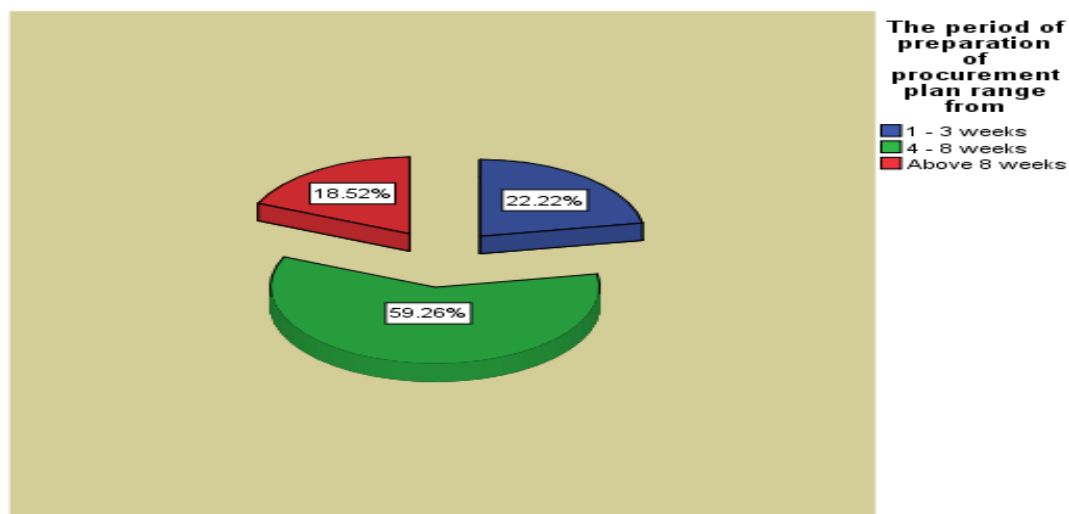
4.4.1. Preparation of procurement plan and duration

One of the challenges of public procurement system in Rwanda is proper planning. In order to achieve a viable public procurement, there is the need to strengthen day to day planning activities. The study revealed that procurement officers indicated that they prepare their procurements plans themselves. This is an indication that procurement department consulted followed the laid down procedures or provision of the Act. The Act

(21) states that all the procurement entities shall prepare procurement plans to support their approved programs. According to Mamiro(2010), one of major setbacks in public procurement is poor planning and management process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of the skills of staff responsible for procurement. The preparation of procurement plans by procurement entity avoids unplanned

expenditure by entity and allows him to spend with its budgetary allocation for the fiscal year. It determines performance standards, establishes direction, reduces uncertainties and enhances coordination of various activities.

Figure 3: The period of preparation of procurement plan range from



The study revealed that 6 respondents representing 22.2 percent indicated that it takes them between 1-3 weeks to prepare procurement plans while 16 respondents of procurement officers representing 59.3% indicated that it takes them between 4 and 8 weeks to prepare procurement plans, 5 respondents representing 18.5% indicated

that they used above 8 months to prepare their procurement plans. It is clear from table 14, below that preparation of procurement plans takes a lot of time and therefore delayed the process. It is an affirmation of the existing literature that delays in work plans and timeliness lead to poor performance by Caldwell, N.D Roerich (2009).

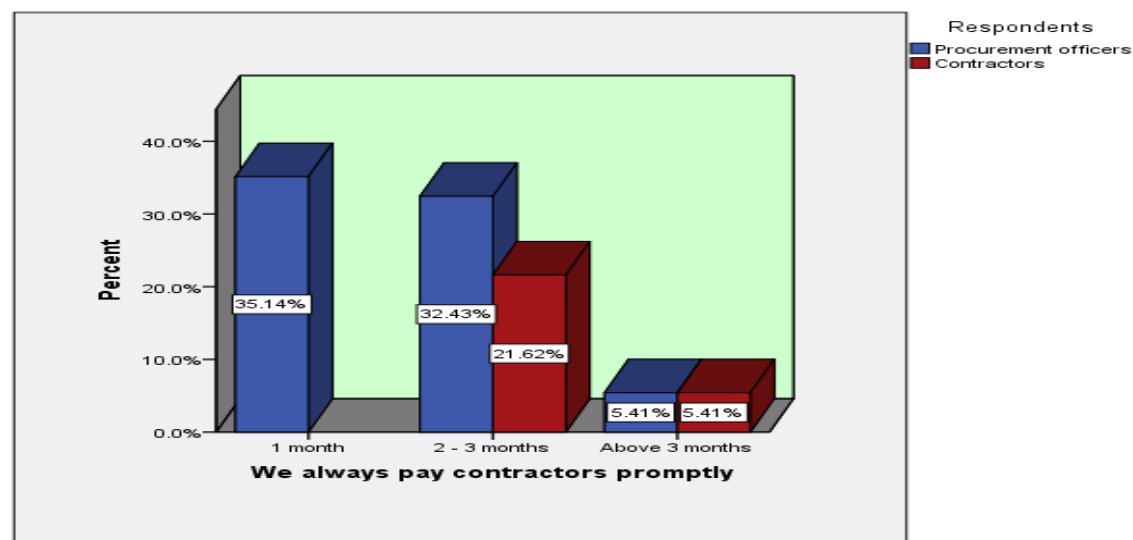
Table16. Duration for evaluation of tenders (bids)

	Number of respondents of procurement officers	Percent	Cumulative Percent
1 - 3 weeks	21	77.8	77.8
4 - 8 weeks	6	22.2	100.0
Total	27	100.0	

It is was interesting to note that 77.8 percent representing 21 respondents indicated that it takes between 1-3 weeks to evaluate procurement document while 22 percent representing 6 respondents respond that it takes them between 1-2 months for evaluation. It is evident from the above figures that it really takes time to evaluate

tender documents and this causes delay in procurement process.

4.4.2 Payment of contractors

Table17: We always pay contractors promptly**Figure 4 Payment for contractors:**

From table16, it can clearly be observed that 13 of procurement officers representing 48 percent responded that contractors were paid between 1-4 weeks. Fifty four of the

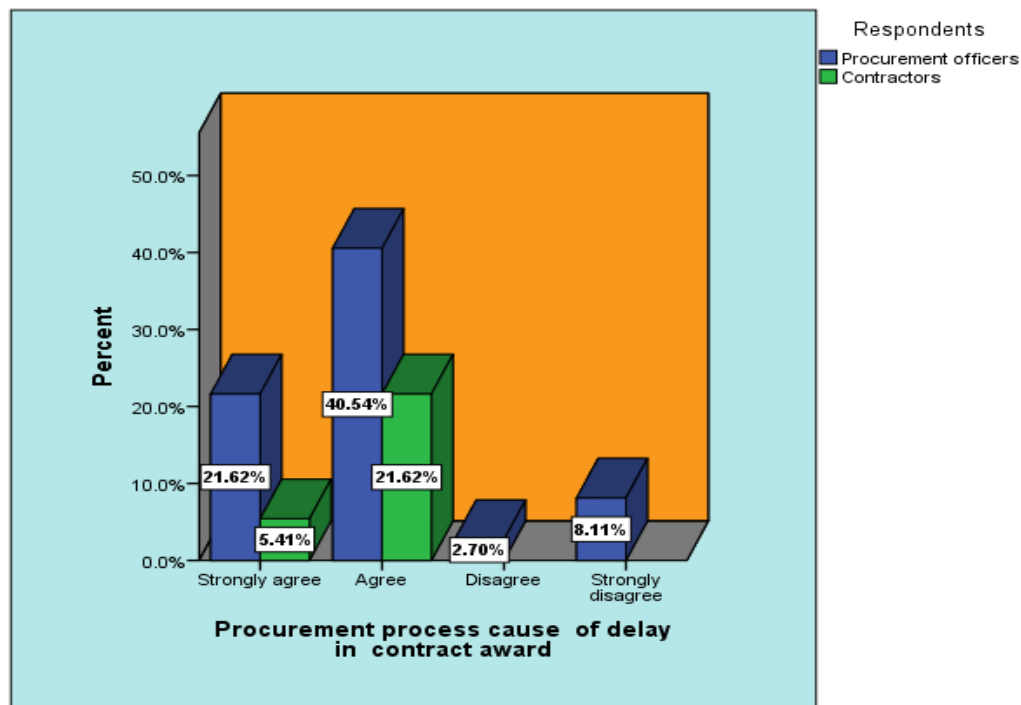
procurement and contractors admitted that contractors were paid between 2-3months however two procurement officers and two contractors representing ten percent

responded that contractors were paid period above 3 months.

The above table is a confirmation that contractors were not paid on time and it endorses the assertion of Caldwell, N.D Roerich (2009) that if they were delays in

payment to suppliers and contractors, this affects directly on their service delivery.

Figure 5 Procurement process cause delay of contract award

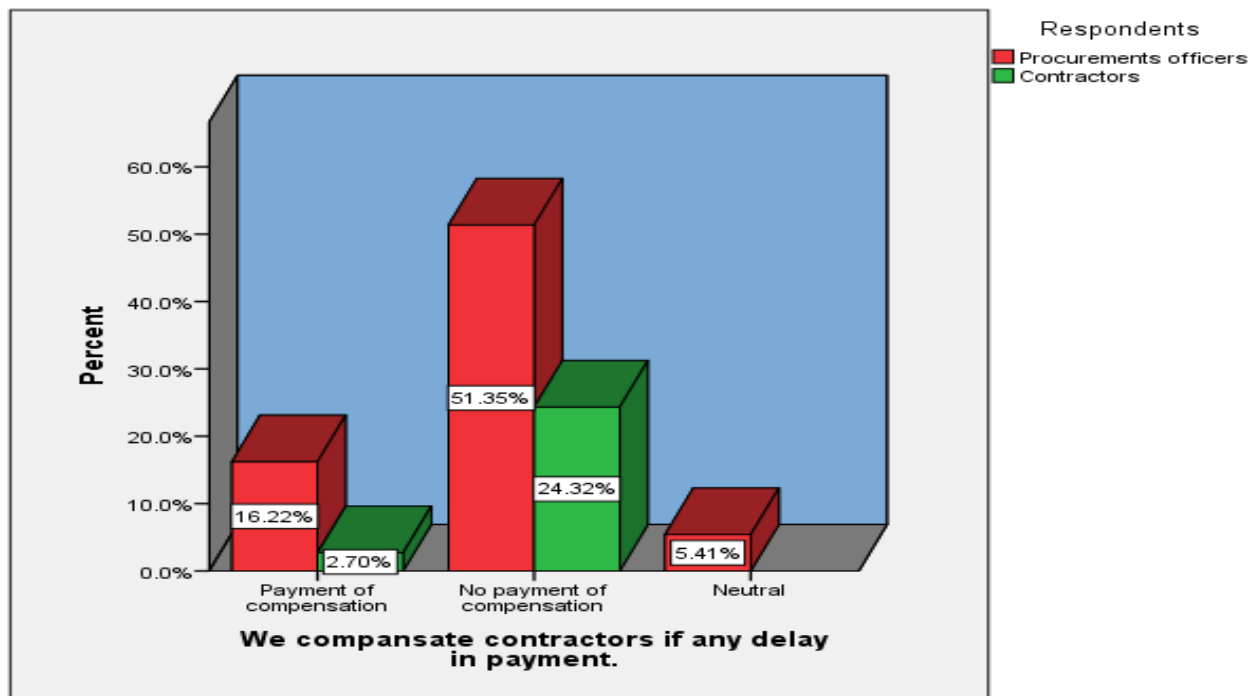


As indicated in table17, both groups of respondents (procurement officers and contractors) admitted that procurement process causes delays in awarding contract. Twenty seven percent responded with strongly agree, sixty two percent with agree, two percent for procurement officers responded by disagree while eight percent of procurement department responded by strongly disagree that procurement process does not cause delay in awarding contracts.

This means that the procurement process delays the award of contracts since most of respondents both procurement department and contractors agreed to that effect. And these are in line with Antill and Woodhead (1989) and World Bank's (2000) assertion that one of the effects of bureaucracy in procurement is delayed of project implementation.

4 Compensation of delay of payment

Table 19: Compensation for contractors if any delay occurs in payment



As it was clear on table 18, 18.9 percent representing 7 contractors and procurement officers agreed that they pay or receive compensation in case of delays and they indicated that prevailing interest rate and price negotiations were used to determine the rate of compensation. 75.7 percent representing 28 respondents of procurement department and contractors responded that procurement entity of MINAGRI does not pay compensation to contractors in case of delays in payment. The remainder was neutral.

It was disclosed in this study that MINAGRI does not pay compensation and therefore it does not affect its management. Again, these responses from respondents are clear

information of the existing literature that delays as result of bureaucracy process affect financial management of any organization since delays add more cost to the organization due to inflation and high interest rate as claimed by Lawton and Rose (1994).

4.5 Tender committee

Table 20: We as tender committee meet

	Number of respondents of procurement officers	Percent
Monthly	11	40.7
Quarterly	9	33.3
Every six months	4	14.8
Yearly	3	11.1
Total	27	100.0

As it is indicated in table 19, Tender Committee in MINAGRI meet monthly with a big percentage, this means that Tender Committee fulfilled its responsibilities when it meets many times in year. It is indicated by respondents that the Tender Committee had a considerable effect on procurement process because it is in charge of bid opening, evaluation and recommendation for award of

public procurement contracts and this contributed a lot in achieving effective procurement process.

4.6 Value for money

Table 21: Procurement through competent personnel and effective communication have brought value for money

	Number of respondents of procurement officers	Percent
Strongly agree	11	40.7
Agree	13	48.1
Disagree	1	3.7
Neutral	2	7.4
Total	27	100.0

The table above indicated how procurement through competent personnel and effective communication have brought value for money. Eighty eight percent confirmed the assertion saying that through procurement system rules and regulations are followed and through competent personnel value for money are assured. Effective communication

is needed in procurement system because it enhances efficiency, transparency and accountability. This outcome collaborates with Sarpong's (2007) view that procurement is the management of sustainable acquisition of goods, works and services to optimize value for money through a professional, auditable and transparent frame work.

Table 22: Correlation between procurement system and performance

Correlations								
		Performance of public institution	We always pay contractors promptly	Procurement through competent personnel and effective communication have brought value for money	We advertised publicly contracts to be awarded	Our tender award is based on resource allocation and confirmation	Methods of tendering	The period of preparation of procurement plan range from
Spearman's rho	Performance of public institution	1.000	.835 ^{**}	.978 ^{**}	.502 ^{**}	.716 ^{**}	.398	.791 ^{**}
			.000	.000	.002	.000	.015	.000
		37	37	27	37	27	37	27
	We always pay contractors promptly	.835 ^{**}	1.000	.840 ^{**}	.580 ^{**}	.507 ^{**}	.602 ^{**}	.643 ^{**}
		.000		.000	.000	.007	.000	.000
		37	37	27	37	27	37	27
	Procurement through competent personnel and effective communication have brought value for money	.978 ^{**}	.840 ^{**}	1.000	.	.673 ^{**}	.	.757 ^{**}
		.000	.000	.	.	.000	.	.000
	We advertised publicly contracts to be awarded	.502 ^{**}	.580 ^{**}	.	1.000	.	.804 ^{**}	.
		.002	.000000	.
		37	37	27	37	27	37	27
	Our tender award is based on resource allocation and confirmation	.716 ^{**}	.507 ^{**}	.673 ^{**}	.	1.000	.	.802 ^{**}
		.000	.007	.000000
		27	27	27	27	27	27	27
	Methods of tendering	.398	.602 ^{**}	.	.804 ^{**}	.	1.000	.
		.015	.000	.	.000	.	.	.
	The period of preparation of procurement plan range from	.791 ^{**}	.643 ^{**}	.757 ^{**}	.	.802 ^{**}	.	1.000
		.000	.000	.000	.	.000	.	.
		27	27	27	27	27	27	27

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

* . Correlation is significant at the 0.05 level (2-tailed).

CONCLUSION

The findings were totally in tandem with the literature which stipulated that transparency and accountability in procurement process enables the creation of open, fair and competitiveness. Competition is the cornerstone of public procurement. It underpins the pillars of fairness and

transparency and is the primary driver of value for money in virtually all procurements.

Research question number three was answered by testing the hypothesis which said that "there is a significant relationship between procurement system and performance".

The table 22 revealed the correlation co efficiency.

Finally, basing on hypothesis testing, the table above shows that the null hypothesis was rejected and adopts the alternate hypothesis. The study revealed that there was a significant relationship between procurement system and performance. This meant that performance of public institutions depend on the procurement system. Efficiency and effectiveness procurement system led to the performance in MINAGRI. The above indicated that there were a positive correlation between procurement system and performance. As respondent said, if there were transparency and accountability in procurement cycle the performance is assured in public institutions. And the study revealed that MINAGRI followed laid down procedures in preparation of procurement plans, award of contracts, and method of tendering, resource allocation, and availability of procurement information.

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