CHALLENGES FACING THE PROCUREMENT PROCESS IN PARASTATALS IN KENYA: A Case Study of Tanathi Water Services Board

By

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A research project submitted to the School of Management and Leadership In partial fulfillment of the requirement for the award of the degree of Management and Leadership of the Management University of Africa

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DECLARATION

This project is my original work and has not been presented for award of a degree in any other University.

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ODL-BML/7/00292/3/2015

Declaration by the supervisor

This project has been submitted for examination with my approval as University Supervisor

Signature ..........................  Date........................................
Emmanuel Awuor
The Management University of Africa
DEDICATION

This work is dedicated to my parents, brothers and sisters for support and encouragement during research period.
ACKNOWLEDGEMENT

I wish to acknowledge the following individuals for the role they played towards making this research report a success. The Chief Executive Officer Tanathi Water Services Board. Secondly I wish to acknowledge the Procurement Manager Tanathi Water Service Board and the procurement section for availing credible information on procurement process which was the basis for my research work. Lastly I acknowledge the entire staff of The Management University of Africa and more specifically Dr. Emmanuel Awuor my Supervisor for guiding me through the entire research process.
ABSTRACT

Procurement is the acquisition of goods or services. Government institutions often define procurement as the processes intended to promote fair and open competition for their businesses while minimizing exposure to fraud and collusion. The main objective of this study was to explore challenges facing the procurement process in parastatals in Kenya. The specific objectives of the study identified by researcher include: staff competence, the lead time, availability of funds and the effect of price set by suppliers. The significance of the study is to help parastatals, the Government, management and other stakeholders to know problems facing the procurement process in Kenya and how to avoid and solve them. The researcher targeted a population of 100 employees in the Tanathi Water Services Board. Since the target population was drawn from different departments, stratified random sampling was used in arriving at the required sample population; therefore a sample of 50 employees of the board was reached. The researcher used questionnaire, such as open ended and closed questionnaires. Data was collected by use of primary and secondary sources. Data analysis involved qualitative and quantitative data in order to obtain statistical approach that will favorably generalize the purposes. Data representation involved tables, pie charts and figures. This study revealed that staff competence in the organization affected the whole process of procuring materials. It also revealed that the lead time in the organization affected the procuring process in the board due to lack of time. Lack of funds also affected the procurement process in the organization in that things like advertisement of projects without sufficient funds stalls the implementation of the projects. Prices set by suppliers also become a challenge to the procuring process. High prices set by suppliers delayed the procuring process. The study concluded that the above challenges faced the procurement process of Tanathi Water Services Board (TAWSB). The researcher recommended that all parastatals should train all its procurement personnel to avoid inefficiencies, and the management should make sure that no procuring process should be started without funds. The study also recommended that urgent demand of materials should be avoided by ensuring that requisition are done within the lead time and finally the management should look for suppliers within the financial year and agree on prices to avoid change of prices within that financial year.
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<td>TAWSB</td>
<td>Tanathi Water Services Board</td>
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<td>PPOA</td>
<td>Public Procurement Oversight Authority</td>
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<td>PPDA</td>
<td>Public Procurement and Disposal act</td>
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<td>WSPs</td>
<td>Water Services Providers</td>
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<td>PO</td>
<td>Procurement Officer</td>
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<td>Ministry of Water and Irrigation</td>
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DEFINITION OF KEY WORDS/ TERMS

Procurement
Procurement is the acquisition of goods or service.

Organization
Organization is a social unit of people, systematically structured and managed to meet a need or to pursue collective goals on a continuing basis.

Quality
Quality means something of high value.

Qualified
Qualified means meeting all the requirements for a given job.

Policy
Policy means the guidelines or procedure to be followed when carrying out a certain task.

Price
Price is the quantity of payment or compensation given by party in return for goods or services.
CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter covers the study background, statement of the problem, research objectives, research questions, significance of the study, study limitations and scope of the study. It is the part that lays down the foundation of the study.

1.1 Background of the study
In all organizations procurement is the process that involves the activities employed in acquisition of goods or services (Weele 2005). In the public sector, public procurement plays an important role facilitating operations of public organisations and it is guided by an act of parliament and public procurement regulations framework that lay down rules and regulations that guides the procurement functions. Procurement is a major activity undertaken in both the public and private sectors. Procurement is also an activity or function that entails the purchasing of goods, works and services to meet an identified organisation need.

Public procurement is a business process within a political system. It has become an integral part of corporate performance. In the past decades, the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006 has introduced new standards for public procurement in Kenya. The purpose of this act was to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public to promote competition and ensure that competitors are treated fairly, to maximize economy and efficiency, to promote the integrity and fairness, to increase transparency and accountability in the producers to increase public confidence in the procedures and to facilitate the promotion of local industry and economic development.

Procurement of materials in public sector remains a big part of the economy of developing countries accounting for an estimated 9.13% of gross domestic product. Governing administrations in Kenya reaps benefits from improved management of their public procurement
systems. With a more focused approach on the control of resources within this large market, greater value can be achieved in national budgets when developing local industry (Weele 2005).

According to Trade local funding partners (2005) traditional avenues for corrupt practices have become less lucrative. The avenue left is the procurement process. Council officers need training in professional procurement practices. The law needs to be amended that it attracts stiffer penalties for breaches to make it unattractive. The law should also provide some attractive incentives and concessions for business persons to participate in procurement process in the “remote” parts of the country. Intensive dissemination of the new Procurement procedures and regular monitoring of the procurement activities should be intensified by the Procurement Oversight Authority and Local Government field officers with emphasis on value for money. Trade local funding partners (2005).

According to the public procurement directorate (2001) Kenya as a nation needs to correct weaknesses in public procurement systems through; comprehensive legal framework, effective monitoring and auditing procedures and organizations to ensure compliance with the regulations standard terms and conditions of contract, improved transparency and public availability of rules governing the process and improve capacity for developing and retaining people with professional skills in procurement. Before any purchase of items, an organization makes sure that the whole process of Procurement is in line with the public procurement and Disposal Act 2005. Together with the act, any procuring entity must have a procurement procedures manual which its aim is to assist in obtaining maximum value for money in contracting for the goods and services that enables deliver business objectives and enhance the competitiveness of the supply base.

According to the procurement directorate (2001) obtaining value for money from goods and services is the primary aim of every procurement exercise. Value for money can be obtained by reducing the time cost and administrative effort of the procurement process or by negotiating better prices and quality from suppliers. Procurement procedures manual promote the achievement of value for money by providing practical information in managing procurement process that leads to organization entering into a purchasing agreement with supplier. This guide meets basic principle that defines best practices in procurement.
All good procurements start with a known set of procedures to be followed. However, no two procurements are ever identical; some procurement are complicated and require additional steps, while simplified acquisitions can be carried out with fewer steps. The type of commodity and the price of the commodity will determine what steps must be followed in the procurement process. Some of the steps are rising of quotations, advertising the tenders, evaluation of the tenders, award of the tenders and also expediting to see that the materials arrive in time, Beth E. Bertok (2007).

According to Public procurement and Disposal Act guideline (2005) the main reason for the enactment of the act was to have a legal regime that weeds out inefficiencies in the procurement process, removes patterns of abuse, and the failure of the public purchaser to obtain adequate value in return for the expenditure of public funds. However, these objectives have never been fully achieved in practice. Key provisions of the Act and the regulations are replete with textual weaknesses that have often been abused by procuring entities. Moreover, the Act does not envisage contemporary market realities hence the need to continuously revise it to keep pace with these developments. Public procurement and disposal act guideline (2005).

1.1.1 Tanathi Water Services Board
Tanathi Water Services Board was created by legal notice No. 69 dated 4th June 2008. By Legal Notice No. 68 dated 4th June, Kenya Gazette Supplement No. 25, TAWSB was hived from Tana and Athi Water Services Boards to be the eighth Water Services Board, responsible for the efficient and economical provision of water in the then fourteen districts. Tanathi Water Services Board has a clear mandate with a core function including but not limited to: development and management of assets, contract water service providers and ensure efficient and economical provision of services, plan development of service and facilities to increase access to water and sanitation and ensure compliance with licensing requirements by WSPS. Tanathi Water Services Board is also committed to continuous learning to all staff, committed to honesty and accountability in all departments in achieving their goals in provision of services within the Board area and also is committed to ensure support to WSPs.

Mission of TAWSB
To develop accessible, robust water and sewerage infrastructure for Kajiado, Kitui, Machakos and Makueni counties in line with Kenya’s Vision 2030.
Vision of TAWSB

A model water and sewerage infrastructure development Board

1.2 Statement of the problem

This study drew emphasis on challenges facing the procurement process in the parastatals of Kenya, a case study of Tanathi Water Services Board (TAWSB). It has been identified that, staff competence in the procurement department is key challenge facing procurement process. Regular Training and development of procurement personnel need to be done all the time so that the recruited staff can have more skills and knowledge needed to undertake the tasks in the procurement department. According to Gary (2005).

Availability of funds is another challenge that the procurement process in the parastatals in Kenya is facing. Without funds the procurement process is unable to go on smoothly. A procurement process has a procedure to follow and those are the guidelines in procurement regulations. When the set regulations are not adhered to due to lack of funds then it becomes a challenge to the organization. Things like advertising for tender needs money and without money it becomes difficulty for the organization to operate smoothly and fairly. Inadequate funds for operation affects the procurement process in the government institutions because most projects in the government institutions are funded by donors and the rest come from the government which in most case the money is not enough. Price of materials is a challenge facing procurement process in the parastatals. Prices quoted by suppliers vary a lot and this becomes a challenge to the procuring department to choose the best supplier who will deliver the right goods at the right time. Low price is also a challenge because not all cheap products are of bad or good quality. Lead time is a challenge in that some materials need to be procured urgently than others, and this affects the procurement process because the whole process of procurement may not be followed. This sometimes leads to corruption in the procurement department which is not recommended as sometimes suppliers collude with the procurement department personnel, Terry Hudson (2007). The researcher therefore sought to investigate the above problems facing the procurement process in parastatals in Kenya.
1.3 Objectives of the study

1.3.1 General objectives

The main objective of the study was to establish the challenges facing the procurement process in the Parastatals in Kenya.

1.3.2 Specific objectives

i. To establish the extent to which staff competence affect the procurement process of the TAWSB

ii. Find out how availability of funds affect the procurement process of the TAWSB

iii. To find out how prices of materials set by suppliers affect the procurement process of the TAWSB

iv. To determine the effect of lead time to the procurement process of the TAWSB

1.4 Research questions

These research questions formed a basis of questionnaire which will enable the researcher to get material facts about the research project.

i. How does staff competence affect the procurement process in the TAWSB?

ii. How does funds availability affect the procurement process in the TAWSB?

iii. How does price of materials set by suppliers affect the procurement process in the TAWSB?

iv. How does lead time affect the procurement process in the TAWSB?

1.5 Significance of the study

This study covers comprehensively challenges facing the procurement process in the Board and the findings of this study could assist the following:-

1.5.1 Management

The findings of this study could help the management on decision making process and to adopt new ways of procuring materials. The Board will know the weaknesses and the challenges the procurement department is undergoing and try to rectify where necessary. The findings will also be used for future reference.

1.5.2 Scholars and other researchers and students

Scholars will use the findings of this study to research more on what has not been researched and act as a reference for further studies. Students and other researchers can benefit from this information as it will form a basis for their study and even be used as part of their literature review.
1.5.3 Government
The government will be able to ensure that the Board has followed the procurement guidelines and procedures, when procuring materials. The study will also help the government to ensure that the Board maintains the required standards.

1.5.4 The procurement department
The procurement department will benefit from this information as the findings will enable the department know the challenges it is facing in the procuring process and find solutions to them.

1.5.5 Other stakeholders
These are donors who fund the projects within the board area. The information will help them to know whether the right procedures are followed in accounting for funds of projects within the Board.

1.6 Limitations of the study

The researcher encountered challenges while undertaking the study as follows:-

Time
Time for the research work was not adequate given that the researcher is also working and getting time to do the work was not easy. Issuing and collection of the questionnaires also needed time.

Finances
Money was also a constraining factor given the work involved typesetting and printing this document. The researcher used his own money to cater for the expenses.

Respondents free participation
Most of the respondents were reluctant in answering the questions for fear of victimization in the working place.
1.7 Scope of the study

This research work concentrated on Tanathi Water Services Board in Kitui. Focus was the challenges the procurement process in parastatals was facing in Kenya. The study targeted the feedback from: Senior Managers, managers, administration staff, and support staff of the Board concerning challenges facing the procurement process in the parastatals in Kenya.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter reviews relevant literature on challenges facing procurement process in parastatals in Kenya. Literature review discusses past research findings published in previous research studies, reports and observed issues and suggested opinions from previous scholars related to the planned study (Mugenda and Mugenda, 2003). Literature review helps in acknowledging and gaining in-depth understanding of previous studies in relation to the current study problem. This chapter therefore focuses on discussing literature from previous studies and making the researcher gain more understanding on the study topic and identify the contribution of other researchers to the study topic. The chapter covers the empirical literature in empirical review, explains theoretical review, outlines the conceptual framework adopted by the study and finally highlights the research gaps.

2.1 Empirical Literature
2.1.1 Procurement Process in the Parastatals in Kenya
Procurement process in public sector entails procurement by procurement entities on behalf of the government ministries, government department, local government entities and state corporations. Procurement process in the parastatals is also referred to as public procurement and its main objectives includes to achieve, economy, efficiency, fairness (in terms of lack of suppliers discrimination), accountability, transparency and compliance with international procurement legal framework and ethical practices where procurement process involves two or more countries.

In the early 1960s, and the mid-1990s, Kenya public procurement was directed by the guidance from treasury circulars that provided procurement instructions to the procurement officers and supplies officers in respective government organizations. The procurement instructions as identified in the procurement circular Ref.No.CFN/2/57/02 of January 1960 meant to provide procurement administrative directives to government bodies and therefore they did not provide regulations to guide procurement process. Even though the procurement circulars played a major role towards development of public procurement practices by then in the supplies management
field, they lacked any legal backing and this contributed to increased level of procurement malpractices and loss of huge amounts of public development funds.

Procurement circulars were issued in an irregular manner and there lacked monitoring and evaluation of how they were implemented hence leading to increased challenges in public procurement system. The government in this time is noted to have lost huge amounts of funds meant for public development and the country experienced a declining rate of public infrastructure development, there lacked proper and functioning public services like health care services. It is not until 1997, when the government under the pressure of changing political system and international organizations began undertaking public procurement reforms. However, due to lack of procurement legal framework, the undertaken procurement reforms concentrated on evaluating and reviewing the existing public procurement system which comprised of the employed procurement procedures and the institutional procurement activities that were embraced in the public procurement system.

This set a long road to prepare a comprehensive public procurement legal framework (Public Procurement and Disposal act (2005) for guiding procurement process in all public procurement entities. Public Procurement as defined in the Public Procurement and Disposal act (2005) is an instrument for attainment of the broader national socio-economic objectives like supporting employment to citizens and creation of income through preference for the local suppliers; the public procurement also focuses on promoting the minority rights in the field of public procurement like indigenous micro, small and medium enterprises and promotes the improvement of the regional economic integration through improvement of cross-border trade.

As result, the Kenya public procurement process is monitored by various regulations which include laws, statutes and ministerial decrees which main objective is to protect public interest. The procurement process is also under scrutiny by the office of the auditor general of the government and takes actions for all procurement responsibilities undertaken by the procurement entities (Terry and Hudson, 2007).
A study by Terry and Hudson (2007), private sector procurement, unlike the public sector procurement seeks to improve efficiency and achieve higher and improve overall organization economic growth. It has however been noted that setting the best price for goods and services is important, but in contrast private sector procurement fails to follow any form of a guiding framework in many private firms. Accordingly, these and other public and private procurement differences, procurement in the public sector is more advanced in terms of formalities and procedures and takes a long time to execute but still fails to be efficient as private sector procurement processes.

As a measure to improve on efficiency on public procurement process in Kenya, the government of Kenya undertook a study on the year 2008 to identify the challenges in the public procurement operations in Kenya, the study also assessed the public entity procurement processes at central provincial, district and local authority levels. The study also involved all other state entities engaged in public procurement. The study also looked on the different levels of the value and volume of procurement on annual basis. The study identified various setbacks in public procurement in all entities in the central government and the volume of the procured good did not match with the allocated and spent procurement budget indicating malpractices and lack of proper compliance with the procurement legal framework.

Public procurement is broad and entails most goods, works and services in many public corporations in Kenya. The products that are mostly procured under public procurement by procuring entities includes food, water pipes, motor vehicles, motor vehicles parts, electrical equipment’s, pharmaceuticals, chemicals, uniforms, ICT equipment’s, stationary, tools, fuel and various services ranging from security, catering, vehicles maintenance and cleaning services. Work is also mostly procured by procurement entities and involves building and construction of houses and roads and maintenance of the same (Terry and Hudson, 2007).

According to Public Procurement and Disposal Act (2005), procurement process in the public sector is divided into two categories notably; project specific procurement and general consumable procurement.
**Project specific procurement**

Project specific procurement deals with the procurement of goods, works or services that are sought for a specific activity like public infrastructure development eg road construction, plant development and procurement of equipment’s.

**General consumable procurement**

General consumable procurement refers to the procurement of items that are required for the ministry or any other public organization to undertake its functions and comprises of goods like fuel, stationery, motor vehicles spare parts and services like road maintenance services and security among many others.

The main difference between the general and consumable procurement is that in most cases the project general procurement does not follow a regular procedure and is mostly undertaken by an open tendering procedure. In contrast, the consumable procurement comprises of the short listed suppliers or prequalified suppliers who are identified annually in an annual open tender procurement process (Terry and Hudson, 2007).

This study focused on general consumable procurement since this is the procurement field under which most micro, small and medium sized enterprises are engaged in the procurement activities. Some of these small and medium sized enterprises are also engaged in the project specific procurement but on a low scale since it requires great expertise and huge financial resources to execute project specific procurement activities which many small and medium sized enterprises lacks capacity. This hence makes project specific procurement to be mostly suitable for large enterprises. However, the general consumable procurement process employed by all state procurement entities is the same.

Terry and Hudson (2007) notes that under general consumable procurement, the procurement officer in the relevant public procurement entity annually advertises for the suppliers of goods, services and various works. Suppliers’ advertisement is advised on national policy papers and other media outlets. Before the advertisements are made to the public, public entities and departments provides specifications of goods, services and works needed to be supplied. As result the specific tender documents are offered for all the potential suppliers who purchase
them and bids. The procurement officers in the respective public procurement entities evaluates the bids by verifying all the bids documents and makes recommendations to the tender committees which arrives to conclusions of the tender award. In some occasions, the tender may be divided amongst several suppliers depending on their area of competitiveness; this follows suppliers’ notification of the tender award and as the ideal supplier for the specific goods and services under the terms of contract. The public procuring entity then compiles and keeps a register of all the suppliers who have been awarded tenders and those who have not won the tenders. Finally, the actual procurement is made through a request for a quotation from the registered suppliers or direct procurement where there is only one shortlisted and qualified supplier.

The ministry user department makes an order and obtains quotations from the prequalified suppliers and presents it to the procurement officer. Checking of the suppliers prequalification is then made by the procurement officer who also verifies if the price quoted by the supplier is within the quoted range as per the initial tender submission. The procurement officer then gives recommendations to the tender committee that determines the final tender award. The user department in the respective public organization is made aware of the tender award and responds by issuing an LPO or LSO in case of provision of works and services, these are also accompanied by an immediate letter of communication to the supplier for the order processing to commence.

In case the goods and services required falls outside the threshold of the annual tenders, the ministry or any other procuring entity in government places an open tender in the media like daily newspapers. The procurement officer then evaluates the tenders and submits them to the tendering committee for tender award determination and in case of low purchases, cash requisitions re provided and the suppliers are paid at the user department level (Terry and Hudson, 2007).

In Kenya, the procurement regulations require the payment of goods, works and services to be made within 30 days of invoices receipts. It is upon the accounting officer to ensure that procurement is not undertaken unless there is availability of funds since penalty interests are
made in banks on all overdue payments and payments is mostly made by the respective government ministry or the department.

Study by Prof. Peter M. Lewa (2007) notes that in many cases general consumable procurement is undertaken by small and medium business enterprises. It has also been noted that the public sector engaged many and medium business enterprises in procurement for goods, works and services. Procurement process in the public sector is hence an important activity of any economy since it consumes funds exceeding 50% of the total revenue. It has been noted that the government sector is one of the biggest market in developing countries and in Kenya over 60% of the total government revenue is used as procurement expenditure. Effective public procurement process contributes greatly towards promotion of the developing countries through infrastructure development, agriculture development, health sector development, education development, and other sector development.

According to Public procurement oversight authority (2005), some of the key provisions in the new law and regulations aimed to provide a solution to the weakness in the public procurement process and ensuring that procurement process was free from any political interference and other procurement malpractices have not yet been achieved. The procurement law also aimed to reduce the finance ministry powers in public procurement process and making public procurement free of participation by any individual or organization has also not achieved much success. The enactment of the new public procurement law was as result of increased pressure from the international development organizations and the Kenya general public amidst of changing political systems. Many concerns were raised on abuse of procurement process by corrupt procurement officials and the main goals of the new procurement law were to provide confidence on public procurement process; ensure value for money, increase transparency, ensure fair competition and improve on country’s economic development.

**Challenges facing procurement in Kenya Parastatals**

In Kenya Parastatals like Tanathi Water Services Board, the challenges facing the procurement process were found to include include:-
2.1.2 **Staff competence**
Training is the process of acquiring knowledge and skills by the Team who participate in the procurement process for efficient and effective service delivery. Through training participants acquire new sets of values and attitudes. For any project to be implemented successfully people must be trained. The training offered must be of quality to ensure effective implementation of projects. Procurement personnel who are not trained will have difficulties during the procurement process because they lack the knowledge on the procedures which has to be followed and adhered to. If regular training to the procurement personnel is lacking then the procurement process will be affected.

2.1.3 **Availability of funds**
Availability of funds in the organization is very vital to the organization as it affects the procurement process. All the steps which are involved in the procurement process require adequate funds and when the funds are not available the process becomes too difficult. Lack of funds affects the procurement process in that all the steps involved may not be properly followed leading to poor quality of goods and services.

2.1.4 **Lead time**
Lead time affects the procurement process in that in most cases the time to procure the materials is not enough leading to late delivery of materials. Some departments fails to prepare technical specification, scope of work or terms of reference in time and others failure to start procurement process in time. This affects the procurement process by the departments which require urgent materials has to be availed without following all the steps involved.

2.1.5 **Price set by Suppliers**
Price set by suppliers sometimes is too high or too low hence affecting the procurement process in the board because the board follows the public procurement oversight authority price list which is recommended for the public and parastatals in Kenya. For instant Suppliers may come up with their own prices of goods and services which does not tally with the price list used by procurement personnel, and this has to be negotiated between the supplier and the procurement personnel which takes a lot of time. This is adversely affecting the procurement process because of delay in price negotiations.
2.2 Theoretical Review

This section documents the relevant theories and literature from similar past studies with regard to the objectives of the proposed study. Also it presents the conceptual framework that underlies the study. The major theories discussed herein are the professionalism theory and the lead time theory.

2.2.1 Professionalism Theory
According to Millerson (1964) the essential characteristics of any occupational profession is based on theoretical knowledge, any skills that call for training and learning, high level of competence demonstration by professional through passing a certain test or examination, observation of integrity by complying to ethical codes of conduct and services offered for the public good implies organised profession. All professionals should be seen as spear headers of efficiency, effectiveness, transparency, accountability and should always accept the challenges they face in various forms and their origin. Sauber et al. (2008) emphasized on requirement of training various professional in order to equip them with competitive skills since a skill gives them more ability to execute their key individual specific tasks that leads effectiveness and efficiency in the execution of their core job task functions and equip them with new and high level skills.

2.2.2 Lead time Theory
Woeppel (2001) advocates that lead time is key significant factor in customers view of business performance. For the business enterprises engaged in make to order, lead time has a direct effect to the business performance and to the customer perception towards the business. The total lead time is the impact of the total work process i.e manufacturing lead time which is a factor driven by increased queue time work process, packaging of product and product distribution time. Horne and Wachowicz (2005) stated that there is a need to know when to order and quantity to follow in order to reorder economically. During ordering they emphasized that time the time spent in between order placement, purchasing, product delivery to the customer and or the time spent in product manufacturing process is very important to be considered. This time is called lead time. If the demand of the inventory is known with certainty, the lead time is zero.
They further explain that under normal circumstances the requisition or inventory usage is mostly not known with great certainty in many organizations as it normally keeps fluctuating over time. Therefore, under this situation of safety stock is required to cover for the uncertainty in stock out costs due to uncertainty in inventory demand and supply. In many organizations, the volume of inventory to be maintained at all-time takes into consideration of various factors such as demand forecasting uncertainty for stock levels and the higher the inventory a firm is willing to stock.

2.3 Summary and research gaps

Procurement process is very crucial in an organization and it needs to be followed keenly by the procurement personnel in order to reduce cost to the organization and time for procuring materials.

According to the past review of the challenges facing the procurement process in parastatals and the ones the researcher has come up with it indicates that there are gaps which need to be filled and the researcher will look at the following challenges: staff competence, availability of funds, lead time and the price set by suppliers.

2.4 Conceptual frame work

Conceptual framework is a structure of concepts which are put together to show the relationship of research variables. Conceptualization entails illustration of the key research variables by the researcher notably independent and dependent variables as shown diagrammatically in figure 2.4 (Mugenda and Mugenda, 2003).

**Figure 2.4 Conceptual Framework**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff competence</td>
<td>Public Procurement process in parastatals</td>
</tr>
<tr>
<td>Funds Availability</td>
<td></td>
</tr>
<tr>
<td>Lead time</td>
<td></td>
</tr>
<tr>
<td>Price set by suppliers</td>
<td></td>
</tr>
</tbody>
</table>
2.4.1 Staff competence
Training of procurement personnel is a training offered by the Board for the competent procurement personnel who provide services in the procurement department. Lack of training to the procurement personnel affects the whole process of procurement in that the personnel may lack knowledge and skills on how to perform his duties.

2.4.2 Availability of funds
Funds are amounts of money or other financial resources for purchasing a product or financing a certain project. When funds are available in an organization the procurement process becomes smooth and easier. Lack of funds in the organization affects the procurement process in that all the steps involved are not followed in the right way.

2.4.3 Lead time
Lead time is the time spent between ordering of certain goods and services up to the delivery to the customer. It also encompasses all the time spent in undertaking the processes associated with initiating acquisition of goods, works and services up to delivery time to the customer. It is time between ordering and delivery time. Long lead time is key challenge in procurement process in that in most cases the time to procure the materials and the funds available is not enough.

2.4.4 Price set by suppliers
This is a method of pricing supplier’s products and services. Price is also the value of the quantity of goods and services offered by the seller of goods in monetary terms. Price set by suppliers may be too high or too low hence challenging the procurement process in the parastatals.

2.5 Operationalization of the Study Variables
The study’s main objective aimed to assess challenges facing the procurement process in the parastatals in Kenya. In order to achieve the objective the study operationalized research variables as follows;
<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff competence</td>
<td>Training needs assessment</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>Availability of funds</td>
<td>Budget</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>Lead time</td>
<td>Delivery notes, goods receipt note</td>
<td>Questionnaire</td>
</tr>
<tr>
<td>Price set by suppliers</td>
<td>Market survey</td>
<td>Questionnaire</td>
</tr>
</tbody>
</table>

The dependent variable will be: challenges facing the procurement process in the parastatals in Kenya whereas the independent variables will be: staff competence, availability of funds, lead time and prices set by the supplier. Data will be collected using questionnaire and the interviews guided by research questions.

### 2.6 Summary of Literature Review

In view of the above literature review, it is evident that Procurement processes have been in practice for a long time in the world, most especially the developed world. Procurement process dates back to the early civilizations of Mesopotamia and Greece. It has been noted that even though public procurement is significant tool to country’s economic growth not many studies have managed to address the challenges facing procurement process in parastatals. Nevertheless, public procurement remains as a key issue that determines how public policy and development goals are achieved in the country. As noted by Pitzer and Thai (2009) that OECD indicated that the procurement expenditure of 24 most industrialized country’s globally range between 29.8% to around 55.9% of GDP. However, their study failed to explain the procurement challenges in developed nations like Kenya as it only focused on developed nations.

In Africa, procurement practices had been in existence even though there are no documentary proves of how the procurement practices were; this is because chiefs and kingdoms used to purchase goods from others. Thai, (2001), outlined two broad challenges that are faced by procurement practitioners in Africa: external factors and internal factors. Since the advent of the procurement practices in Kenya especially public procurement, there has been a number of issues outlined as the main areas of challenges bedeviling institutions in their practice of procurement.
The literature review outlines these challenges ranging from staff competence of the employees who are into the area of procurement, availability of funds, lead time and the prices set by the suppliers.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction
This chapter outlines research methods and approaches used in gathering data on challenges facing the procurement process in the parastatals in Kenya, with a specific study on Tanathi Water Services Board. The researcher used the following methods: the applied research design, target population, sampling technique and sample size, instruments used during data collection and the employed data collection procedures and data analysis methods.

3.1 Research Design
Research design is the overall plan that lays down approaches to be used in executing the research process from data collection to the data analysis. The researcher used closed and open ended questionnaires. According to Mugenda and Mugenda (1999) indicated that two broad types of questionnaires can be used i.e. structured and unstructured questionnaires. In closed structured questions are accompanied with a list of all possible alternatives for the respondent to select the best answer that describes the situation, while open ended questionnaires are questions that give the respondent a complete freedom of response, it allows the respondents to respond in their own words in the space provided by the researcher.

3.2 Target population
The study focused on challenges facing the procurement process in the Kenya parastatals. Target population for the study was 100 staff working at Tanathi offices and the population obtained from the four organizations departments as presented in table 3.1

<table>
<thead>
<tr>
<th>Table 3.1 Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Senior managers</td>
</tr>
<tr>
<td>Managers</td>
</tr>
<tr>
<td>Administration staff</td>
</tr>
<tr>
<td>Support staff</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
3.3 Sampling and sampling technique
Stratified sampling was employed by the study to determine the sample size for the study. The main aim of stratified sampling is to achieve unbiased representation of all subgroups of the population (Mugenda and Mugenda, 2003). Stratified random sampling techniques was used because of the fact that the target population who were involved in the study was drawn from the four different departments specified under target population. The design was assumed applicable because the purpose was to evaluate and describe the challenges facing the procurement process in the parastatas in Kenya. This method was to select the required numbers of employees from every department as illustrated in the table below. The required sample size from every department was calculated by using this formula: Total sample size divided by total target population multiplied by a number of target population from every department. Because of the large number of the target population, the researcher researched a target population of 50 respondents as drawn from four departments for the study. 50% of the target population was used as a sample.

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Population subgroup/category</th>
<th>No of employees in the department</th>
<th>Sample</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers</td>
<td>10</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Managers</td>
<td>20</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Administration staff</td>
<td>50</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Support staff</td>
<td>20</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.4 Data collection instruments
Data collection instruments were the questionnaires which contained open ended and close ended questions. This is because they are easy to administer and gives quick, accurate statistics where a large number of respondents is used. The researcher opted to use self-administered questionnaire because the method gave the respondents adequate time to give well thought answers. The questionnaires are also quicker to use, less expensive, and researches a large sample which allows greater coverage within short period.
The information was obtained using the questionnaires. Questionnaires had structured and unstructured questions. It is a commonly used method of collecting information since it is more advantageous compared to other ways of collecting primary data. Questionnaires were administered to the respondents by the researcher. The reliability of the questionnaires was determined by discussion of the items in the questionnaires with the supervisor and research experts and making improvements upon their recommendations.

3.5 **Pilot study**

Piloting refers to pretesting of questionnaires to selected sample which has similar characteristics as the study population. Questionnaires’ was tried out in the field. This was to ensure that the data collected will be clear, understandable and also avoids ambiguity on whose findings, reliable study conclusion and recommendations will be made.

3.6 **Data Collection Procedure**

First a research authorization letter was obtained by the researcher from the Chief Executive Officer, Tanathi Water Services Board in order to be allowed to collect data. A copy of the permit was submitted to the Procurement Manager Tanathi Water Services Board. The questionnaires were administered to employees of the Water Services Board. The filled in questionnaires was collected immediately after they are filled in.

3.7 **Data Analysis and Presentation**

The study employed the quantitative and qualitative data analysis techniques to analyze the gathered data using the questionnaires. The data collected from the organization was analyzed and presented using qualitative and quantitative methods. A descriptive method was employed and data collected from each questionnaire was analyzed in terms of frequency and percentages and presented using tables and charts for interpretation. This helped the research to present, report, analyze and interpret the result for the purpose of making conclusions and recommendations on the procurement challenges facing Kenya parastatals.
3.8 Ethical considerations

Participants were given the assurance that their identity will be anonymous in order to uphold their privacy for the sake of any aspersions that may be casted on their jobs. Informed consent of participation was sought before administering the questionnaire. A research authorization permit was obtained from the Chief Executive Officer (CEO) Tanathi Water Services Board in order to be allowed to collect data. A copy of the permit was submitted to the Procurement Manager TAWSB.
CHAPTER FOUR
DATA ANALYSIS PRESENTATION AND INTERPRETATION

4.1 Introduction
This chapter explains the method and procedures employed in analyzing the gathered data from the respondents on challenges facing procurement process in parastatals in Kenya. The gathered data was analyzed using descriptive statistics in terms of data frequency and percentages. The summarized analysis of data collected from various respondents was presented using frequency tables, pie charts and bar graphs.

4.2 Presentation of research findings
4.2.1 Analysis of the Response Rate
Questionnaires were issued to a sample of 50 employees who were drawn from four different departments: senior managers, managers, administration staff and support staff. 50 questionnaires were issued and distributed to respective departments but out of the fifty questionnaires issued, only 30 were returned duly completed. It was found that 2 senior managers, 4 managers, 18 administration staff, and 6 support staff responded.

Table 4.2.1 Response rate

<table>
<thead>
<tr>
<th>Departments</th>
<th>Frequencies</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Managers</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Administration staff</td>
<td>18</td>
<td>60</td>
</tr>
<tr>
<td>Support staff</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 4.2.1 Response rate
The table, pie chart and bar graph above showed that 7% of the senior managers responded, this was because they said that they were ever busy in the office. 13% managers and 20% of support staff responded. 60% administration staff also responded. This showed that they were readily available since they did not attend to field and always available in the office.

### 4.2.2 Respondents gender

#### Table 4.2.2 Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20</td>
<td>67</td>
</tr>
<tr>
<td>Female</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>
The table, bar graph and pie chart indicated that 67% of male and 33% of female respondents responded to the questionnaire. This was because men are more than women in the organization.

Figure 4.2.2 Gender

Figure 4.2.2 Gender
4.2.3 Highest Education

Table 4.2.3 Highest Education

<table>
<thead>
<tr>
<th>Highest education level</th>
<th>Numbers</th>
<th>percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-level</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>College</td>
<td>18</td>
<td>60</td>
</tr>
<tr>
<td>University</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart indicated that 40% of the respondents were university graduates and 60% of the respondents were college graduates. This explains that the organization recruits qualified personnel including procurement department.

Figure 4.2.3 Level of education
4.2.4 Work Experience

Table 4.2.4 Work Experience

<table>
<thead>
<tr>
<th>Work experience in years</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>2-3</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>3-4</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>4 and above</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart showed that 10% of the respondents said that they had worked for Tanathi Water Services Board in the range of 1-2 years, 17% of the respondents also
said that they had worked for 2-3 years, 33% of the respondents also responded that they had worked for 3-4 years and 40% of the respondents said that they had been in the Board for more than 4 years.

**Figure 4.2.4 Work experience**

![Pie chart showing work experience distribution](image)

**Figure 4.2.4 Work experience**

![Bar chart showing work experience](image)
4.2.5 Staff Competence

Table 4.2.5 Consideration during recruitment exercise

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart indicated that 100% of the respondents agreed that the board had put into consideration the qualification of an individual during recruitment exercise.

Figure 4.2.5 Consideration during recruitment exercise
4.2.6 Regular training for procurement staff

Table 4.2.6 Trainings

<table>
<thead>
<tr>
<th>Trainings</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Disagree</td>
<td>18</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart indicated that 40% of the respondents said that board offered trainings to its staff. While 60% of the respondents confirmed that the trainings offered were not enough to the staff. Low training challenges the procurement process.
Figure 4.2.6 Trainings

Figure 4.2.6 Trainings
4.2.7 Lead Time

Table 4.2.7 Delay in the procurement process of materials

<table>
<thead>
<tr>
<th>Response</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>20</td>
<td>67</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart showed that 67% of the respondents said that the organization experienced delay in the procurement of materials. This has been evidenced by the negotiation of prices between the supplier and the procurement officer which in most cases took time. 33% disagreed that the organization experienced late delivery of materials.

Figure 4.2.7 Delay in the procurement process of materials
4.2.8 Time for procuring urgent materials

Table 4.2.8 Time for procuring urgent materials

<table>
<thead>
<tr>
<th>Response</th>
<th>Numbers</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less time</td>
<td>25</td>
<td>83</td>
</tr>
<tr>
<td>Enough time</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart showed that 83% of the respondents said that time given was not enough to procure urgent materials. 17% also said that time given was enough for procuring urgent materials.
Figure 4.2.8 Time for procuring urgent materials

[Pie chart showing percentages]

83% for Less time and 17% for Enough time.

Figure 4.2.8 Time for procuring urgent materials

[Bar chart showing numbers and percentages]

Less time compared to Enough time.
4.2.9 Quality of materials procured

Table 4.2.9 Quality of materials procured

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Good</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Bad</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Very bad</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph, pie chart showed that 40% of the respondents said that the quality of materials procured by the board was very good and 33% of the respondents also said that the quality of materials procured was good. 17% of the respondents also responded that the quality of materials procured by the board was bad and 10% of the respondents said the quality of materials procured by the board was very bad. Bad quality of materials procured is a challenge to the procurement process as the intended results are not achieved.

Figure 4.2.9 Quality of materials procured
The table bar graph and pie chart showed that 67% of the respondents said not all the procurement processes were followed, while 33% said that all the processes were followed, Tendering processes if not properly followed affects the procuring process, hence leading to poor quality of goods and services.
Figure 4.2.10 Tendering process

A pie chart showing the percentages of 'Yes' and 'No'. The chart indicates:
- 67% for 'Yes'
- 33% for 'No'

Figure 4.2.10 Tendering process

A bar chart comparing 'Yes' and 'No' across different categories:
- Numbers category shows a lower percentage of 'Yes' compared to 'No'.
- Percentages category shows a higher percentage of 'Yes' compared to 'No'.
4.2.11 Price set by suppliers to the procurement process

Table 4.2.11 Price set by suppliers to the procurement process

<table>
<thead>
<tr>
<th>Response</th>
<th>Numbers</th>
<th>percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>20</td>
<td>67</td>
</tr>
<tr>
<td>disagree</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart showed that 67% of the respondents said that the prices of products set by suppliers affect the procurement process because the procurement personnel will have to negotiate with suppliers for better terms or look for alternative suppliers. 33% said that the price set by suppliers does not affect the procurement process.

Figure 4.2.11 Price set by suppliers to the procurement process
4.2.11 Price set by suppliers to the procurement process

4.2.12 Availability of funds

Table 4.2.12 How lack of funds affect the procuring process

<table>
<thead>
<tr>
<th>Response</th>
<th>Numbers</th>
<th>percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>20</td>
<td>67</td>
</tr>
<tr>
<td>disagree</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

The table, bar graph and pie chart showed that 67% of the respondents said that lack of funds affected the procuring process in the board while 33% said that lack of funds did not affect the procuring process in the board.
Figure 4.2.12 How lack of funds affect the procuring process
4.3 Chapter Summary

According to Mugenda and Mugenda (2003), qualitative analysis of data refers to non-empirical analysis. Qualitative analysis was employed in analyzing the data gathered using open end questions.

Research study focused on challenges facing procurement process in parastatals in Kenya. Majority of respondents agreed that the procurement department encounter difficulties in the procuring process which comprised of staff competence, lack of funds, prices set by suppliers and Lead time.

Most of the respondents agreed that the board recruited qualified personnel. This was evidenced by the consideration of qualification during recruiting exercise, however majority of respondents agreed that lack of regular trainings to all staff including the procurement personnel challenged tasks in the procurement department.

It was also noted that most of the respondents were to the opinion that lack of funds challenged the procurement process in that, the process was not strictly adhered to.

Further it was noted that most of the respondents expressed opinion that increased delay during the procurement process of materials which were needed urgently. It took time for materials to be purchased due to high prices quoted by suppliers which meant the procurement personnel to do further negotiation with suppliers on the price. Urgent demand of materials challenged the procuring process due to lack of time.

Majority of respondents agreed that prices set by suppliers challenged the procurement process in that the procurement personnel had to negotiate for affordable prices which were proposed by the PPOA master list and this was a critical setback to the procurement process.

In general it can be deduced that most of the respondents indicated that the above challenges face procurement process in Tanathi Water Services Board.
CHAPTER FIVE

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introductions
This chapter discusses summary of findings on challenges facing procurement process in parastatals in Kenya. The chapter discusses the research questions, draws study conclusions and gives study recommendations.

5.2 Summary of findings
Findings of the study showed that challenges facing the procurement process in the parastatals in Kenya were many such as Staff competence, availability of funds, lead time and the effect of price set by suppliers.

Staff competence was a challenge in that lack of enough training to the procurement personnel and the entire board was a challenge to the procurement personnel. The study indicated that 100% of respondents agreed that Tanath Water Services Board recruited qualified personnel; however trainings were not enough to the staffs. 40% of the respondents said that the board offered trainings to its staff while 60% said that the trainings were not enough.

The study revealed out that lack of funds remained a challenge to the procurement process in the organization because urgent materials cannot be readily availed to the departments. Without funds the whole process of procurement was difficult since it involves money. 67% of the respondents said that lack of funds affected the procuring process in the board while 33% said that lack of funds did not affect the procuring process in the board. The study revealed that delay in the procurement process of materials was being contributed by lack of enough funds since the procurement officer had to look for a supplier who could deliver materials according to the Procurement Officer’s decision, and also the PO had to wait for confirmation of availability of funds by the accounts department before starting the whole process of procuring. 67% of the respondent said that there was delay in the procurement process of materials and this was a big challenge to the organization which was as a result of lack of funds. 33% of the respondent said that there was no delay in the procurement process of materials within the board.
The study revealed out that 83% of the respondents said that time given was not enough to procure urgent materials, while 17% also said that time given was enough for procuring urgent materials. The study also showed that 67% of the respondents said that the organization experienced delay in the procurement of urgent materials. This had been evidenced by the negotiation process of prices between the supplier and the procurement officer which in most cases took a lot of time. 33% disagreed that the organization experienced delay of materials.

The study revealed out 67% of the respondents agreed that price set by suppliers affected the procurement process while 33% of the respondent said that the prices set by suppliers did not challenge the procurement process. This was evidenced by the delay in the procurement process of materials.

5.3 Answers to research questions

5.3.1 How does staff competence affect procurement process in the TAWSB?

Procurement is a highly skilled profession that requires well-trained personnel. The parastatals need people who can manage the supply of strategic goods to their companies and administrations. Training is essential to the procurement personnel because it enables them to know the right procedures to be followed in the procurement process. Procurement personnel who are not regularly trained within the government sector experiences many challenges while undertaking procurement process. This was evidenced by board increased delays in the procurement of materials. Even if appropriate policies and procedures are in place, lack of properly trained staff in the procurement department can doom any procurement system to failure.

Lack of enough training to procurement personnel leads to execution of procurement functions by incompetent and unprofessional procurement staff that lacks understanding on how to comply with procurement legal framework and procurement ethical standards. These makes the whole procurement process to be inefficient, ineffective, costly, lack proper goods and services specifications, poor bidding practices, delayed suppliers payment, poor contract management and award of tenders to unqualified suppliers. These leads to misappropriation of huge sums of
public funds leading to increased cost of public procurement and declined rate of country’s economic development due to poor and undeveloped public infrastructure.

5.3.2 How does funds availability affect the procurement process in the TAWSB?
The board relies on money from Donors for projects, Ministry of Water and a small portion from within. Sometimes the funds may not be enough. Lack of funds affects the procurement process in that without enough money to purchase materials delays will always be experienced and this will affect the entire board.
The procurement process is comprised of many stages which require money to operate. Some of the stages in the procurement process will be skipped or prolonged due to lack of money and this will affect the whole procurement process. Payment delays to suppliers will also come up as a result of lack of funds making suppliers to lose faith with the board.

5.3.3 How does price of materials set by suppliers affect the procurement process in TAWSB?
Prices set by suppliers challenge the procurement process in that the suppliers most of the times quote high prices when the terms of payment are on credit terms. This becomes a very big challenge to the organization since they follow the PPOA master list, which is recommended by the government of Kenya. This challenge is seen in the board when there is delay in the procurement of materials. The procurement officer negotiates on the prices of materials with the supplier to make the price affordable and to ensure that the prices are tandem with the master list.

5.3.4 How does lead time affect the procurement process in the TAWSB?
In most cases lead time affects the procuring process in that when money to procure the materials is not available there is a delay in that the time of ordering and time of delivery is usually prolonged. The procurement officer has to liaise with the supplier to deliver the goods and be paid at a later date when the money will be available. This becomes very difficult to the procurement officer to convince the supplier to accept the terms. Some other times procurement process is not followed in the right way when urgent demand of materials comes up and this
becomes a problem during auditing. Quality of materials might not be achieved when the demand of materials is very urgent and this becomes a challenge to the procuring process.

5.4 Conclusion
The study focused on the challenges facing procurement process in Kenyan state corporations with the specific reference to Tanathi water services board. According to findings, it was concluded that the major challenges facing procurement process in parastatals in Kenya includes; staff competence, availability of funds, lead time and price set by suppliers. The study revealed out that lack of properly trained staff in the procurement department can doom any procurement system to failure. Lack of training to procurement personnel leads to many challenges like inefficient, ineffective, costly procurement process, lack proper goods and services specifications, poor bidding practices, delayed suppliers payment, poor contract management and award of tenders to unqualified suppliers. These leads to misappropriation of huge sums of public funds leading to increased cost of public procurement and declined rate of country’s economic development. Lack of funds also affect the procurement process in that without enough money to purchase materials delays will always be experienced and this will affect the entire board. Lead time affect the procurement process in that the right procedure is not followed and quality of materials may not be achieved. Prices set by suppliers affect the procurement process in that the suppliers most of the times quote high prices when the terms of payment are on credit terms.

5.5 Recommendations
As a measure to manage the challenges facing procurement process and improve on procurement process in the public sector the study gave the following recommendations;

All parastatals should train all its procurement personnel on how to effectively execute procurement process and also on how to comply with the public procurement legal framework guiding public procurement. Management of the parastatals should recruit and hire competent and professionally trained professional procurement staff. The procurement staff should be continuously trained on procurement efficiency and effectiveness, specification determination, how to conduct tendering and bidding process, ethical practices in procurement process, how to
prepare and evaluate technical and financial procurement proposals, suppliers monitoring and evaluation, use of ICT based systems in procurement and emerging issues in procurement practices.

All procurement managers should make sure that funds are available before placing orders of materials and that no procuring process should be started without funds. In this way this challenge will be solved. The organization should try to allocate funds for all the projects or get funds from donors.

Urgent demand of materials should be avoided if possible in order to reduce lead time in the Board. Materials should be bought earlier and kept in store to avoid rush in the procurement process of materials which is a challenge to the procurement personnel.

The management should look for suppliers within that year and agree on the prices of materials to avoid wastage of time in negotiation and unexpected change of prices by suppliers.

5.6 Suggestions for further studies

The study drew emphasis on challenges facing procurement process in Kenyan parastatals. The study therefore did not cover all the areas comprehensively. Therefore, further studies were recommended on the same topic especially on availability of funds and lead time.

Also further studies were recommended on the same topic on corrupt practices which is a major challenge in the procurement process in all parastatals in Kenya.
REFERENCES


APPENDICES

Appendix I- Questionnaire

This research is meant for academic purpose, I’m therefore requesting your assistance to fill the attached questionnaires by ticking and recording the appropriate answers. The information given will be handled with confidentiality.

SECTION A:

Background information

Please tick where appropriate:

1. Gender
   Male □ Female □

2. Highest education level
   Secondary □ College □ University □

3. Which position do you hold in TAWSB?
   ____________________________________________________________

4. Which department are you working in?
   Senior manager □ Managers □ Administration staff □ Support staff □

5. For how long have you worked at TAWSB?
   1 to 2 years □ 2 to 3 years □ 3 to 4 years □ 4 years and above □

SECTION B

Staff Competence

6. Does the board put into consideration the qualification of procurement personnel during recruitment exercises?
   Yes □ No □
7. In your own opinion, how can incompetent and inexperienced staff affect procurement process?

……………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………

8. Does the board offer adequate procurement training?
Yes [ ] No [ ]

9. How can good training affect procurement process?
- Give value for money [ ]
- Makes process be in line with required standards [ ]
- Quality delivery of goods and services [ ]
- Other specify…………………………………

SECTION C
AVAILABILITY OF FUNDS

10. How do funds affect the procurement process?
- It speeds the procurement process if available [ ]
- It slows the procurement process if not available [ ]
- It leads to corruption [ ]
- Other specify……………………………………

11. Are suppliers willing to do business again with the board?
- No, because they are not paid in time [ ]
- Yes, because they are paid in time [ ]
- Not sure [ ]

12. How long does it take for suppliers to be paid after delivery of materials?
- 30 days [ ]
- 60 days [ ]
- 90 days [ ]
- above 90 days [ ]
SECTION D

LEAD TIME

13. Are there delays in the procurement of urgent materials?
   Always  □  Sometimes  □  Not sure  □

14. Is time allocated by the board enough to procure urgent materials?
   (a) Yes  □  No  □

15. How is the quality of materials procured by the board?
   Very good  □  Good  □  Bad  □  Very Bad  □

16. How are materials sourced in the organization?
   Single sourcing  □  Quotations  □  Restricted tendering  □
   Other specify ………………………………

17. Is the tendering process followed in the right way?
   Always  □  Sometimes  □  No  □

SECTION E

PRICE SET BY SUPPLIERS

18. Does the price of materials set by suppliers challenge the procurement process?
   Yes  □  No  □

19. How do the supplier and procurement officer settle the price differences between
    themselves?
   Negotiation between supplier and procurement officer  □
   Procurement officer sets prices for the supplier  □
   Suppliers set prices for his materials.  □
   Other specify………………………………
Appendix ii: Budget

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<th>Items description</th>
<th>Quantity</th>
<th>Cost/item In Kshs</th>
<th>Total cost/item In Kshs</th>
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<tr>
<td>i) Stationery</td>
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<tr>
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<td>Duplicating papers(reams)</td>
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<td>2</td>
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<td>ii) Other expenses (During data collection)</td>
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<td>Lunch</td>
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<td>2</td>
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<td>3</td>
<td>Transport 20 days @50</td>
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<td><strong>iii) Grand total</strong></td>
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Appendix iii: Research work plan

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<tr>
<td>Proposal Writing</td>
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<td>Pilot Study</td>
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<tr>
<td>Data Collection</td>
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<tr>
<td>Report Writing</td>
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<tr>
<td>&amp; Defence</td>
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<td>Supervisor’s Corrections of Draft</td>
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<td>Project Report</td>
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<tr>
<td>Corrections &amp; Final Report Writing</td>
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<tr>
<td>Binding and Submission</td>
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</table>