

# **FIGHTING CORRUPTION IN TACTICAL PROCUREMENT**

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# **FIGHTING CORRUPTION IN TACTICAL PROCUREMENT**

## **DISSERTATION**

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by

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Peter Obanda Wanyama

Kampala, September 2010.

## **Executive summary**

Vast amounts of public resources are spent on procurement. Effective public procurement yields additional budget space hence it ought to be conducted with due diligence. However, public procurement in developing countries has been afflicted with corruption. In Uganda, 600 billion shillings is lost annually to corruption. Corruption occurs in many forms and many parts of the procurement process. Here we focus on fighting corruption in tactical procurement. The study specifically undertook to:

- Identify the most vulnerable areas to corruption in tactical procurement in municipalities in Uganda.
- Analyze the suitability of the existing rules and regulations (PPDA legal and regulatory framework) for preventing corruption in tactical procurement practice.
- Establish and examine the strategic interventions that can be undertaken to curb corruption in tactical procurement.
- Design organizational reforms that can be undertaken to curb corruption in supplier selection.

We used a multi-pronged methodology to address our research objectives. Descriptive statistics were analyzed, a new framework was developed on analytical grounds, propositions were developed based on existing literature and 5 separate empirical studies were conducted to evaluate the propositions and validate suggested methods. Each of these provided an additional perspective on the issue and enhanced understanding (and hence management) of the subject of our research. Together, they provide a rather complete picture.

First, we developed a new frame work for analyzing tactical procurement as an adaptation of an existing procurement framework. Confronting this with the PPDA legal and regulatory framework revealed that latter is not only riddled with challenges, mistakes and errors but is inadequate to cater for contemporary supplier selection practice. Further, we analyzed bid protests as an indication of the areas' most prone to corruption.

In the next chapters we established a positive relation between compliance with procurement rules and regulations and anti-corruption implying that, the better the rules are followed, the less corruption seems to be present. Building on that, we turned our attention to rule compliance for which we developed a number of propositions from literature. The propositions were tested using data from a large scale survey. We used PLS path modeling to verify the relationship between the constructs of organizational reforms; training; procurement rule knowledge; rules and regulations and sanctions. These predict compliance which is deemed to curb corruption with a substantial beta coefficient of 0.746. Alternatively, using the systems thinking approach, we attained a substantial prediction of compliance with a beta coefficient of 0.678.

Further analysis of the data provided us with insights on the relative importance of behavioural (human competence) aspects and more instrumental (information) approaches to increase compliance. Contrary to expectation it turns out that the instrumental approaches are more powerful. Hence it pays off to consider possible instrumental approaches among which are effective implementation of the tactical procurement procedures, enactment of new rules and innovative organizational reforms. We found it most important to undertake innovative organizational reforms. These were tested for their impact on transparency and accountability in supplier selection which is the most vulnerable area to corruption.

In conclusion, through the various chapters, we detect the areas prone to corruption and develop a compliance management framework. Thereby we provide an addition to the strategies, policies and practices already undertaken in the quest to curb corruption and promote integrity in public procurement and in tactical procurement in local governments in particular.



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# **Chapter 1 Introduction**

## **1.1 Background**

In 1993 Uganda adopted a decentralized system of governance. The policy of decentralization in Uganda is a response to the nature and form of post colonial politics and the development strategies of the leaders who took power after independence. Besides the intent to ensure good governance and democratic participation in, and control of decision making by the people, decentralization was regarded as a policy aimed at improving accountability, efficiency, intra and inter-district equity, effectiveness and sustainability in the provision of social services countrywide.

The decentralization policies aimed at transferring power, resources and competence to local levels and, in the process strengthen management and technical capacities of local government (Lubanga, 2000). This required radical restructuring of the state. In effect the structure now constitutes the Government i.e. the Government of Uganda (Central Government) and Local Governments. Local governments are either municipalities (the larger cities) or districts. Both the municipalities and the districts are governed by a (municipality or district) council. The district sub-divisions councils are called city council (in case of a sub-division being a city) or a sub-county council (in case of a rural area). Some of the sub-counties also have established town councils (in the small towns)

As part of the Governments drive to reform public procurement to make it transparent, accountable and capable of delivering better value for money, the Public Procurement and Disposal of Public Assets Authority (PPDA) was set up under the Public Procurement and Disposal of Public Assets Act (2003) as the principal regulatory body for public procurement and disposal of assets (National Public Procurement Integrity Survey Report 2007). Further, The Local Governments Amendment Bill (No.2) 2005 scrapping District Tender Boards to be replaced by Contract Committees was passed. This it was argued is intended to remove politicking and eliminating corruption in the tender process, which accounts for about 70% of government expenditure.

However despite these reforms, public procurement especially at the local government level is believed to be one of the principal areas where corruption takes place, although the extent of the problem and areas where it is most prevalent are unknown (Thai, 2008). In addition, the newly introduced Contract Committees and procurement units are being blamed for introducing dilatory processes and creating bureaucracy in other procurement entities.

The New Vision (2005) cites the Executive Director of the PPDA as stating that the Government would save 330 billion Uganda shillings by eliminating losses incurred through corruption in public procurement. That corruption is due to the fact that the law has many loopholes. In addition, the prescribed practices are laxly or impractical to enforce. Nuwagaba (2009) reiterates that one major discounting factor for the failure of all our policies and programmes' including decentralization is corruption. Imagine a country that loses 600 billion shillings in corruption related to procurement in a single financial year. This is half of the budget for the ministry of education.

During the debate to scrap tender boards from local governments, a member of parliament, Dr. Johnson Nkuuhe is reported to have expressed doubt that corruption would be rid from the tender process because Chief Administrative Officers (CAOs) would use other methods to influence tenders (New Vision 2005). Can the Contract Committees put his fears to rest? Are Contract Committees a panacea? This scenario gives the increasing strategic importance of public procurement and tactical procurement in particular in local governments in Uganda.

Tactical procurement manages the tender process and constitutes an important function in the procurement process given its' impact on total costs. It is a decision-making process in procurement that requires being conducted with due diligence.

Hence, this study analyzes the possibilities to curb corruption due to poor procurement practices in local governments in their quest to provide value for money services in the decentralized context. It concentrates on tactical procurement because it is the most visible



to the public as it comes down to selecting the best bid; it entails technical procurement methods and procedures that ought to be conducted with integrity and immense financial savings can be made if it is well managed.

## **1.2 Research question**

The main research question is: How can tactical procurement be managed to fight corruption and promote integrity in the decentralized context in local governments in Uganda?

Given the enactment of the PPDA Act No.1 of 2003, the purpose of this study is to make a contribution to the effective management of tactical procurement in a decentralized context in local governments' in Uganda. The ultimate goal is to develop practical guidelines from which it is hoped:

- At a macro-level, the Government and the PPDA can make policy decisions with regard to tactical procurement management in the local governments to enhance effectiveness in service delivery; enhance strategic policy decision making and investment strategies.
- At a micro-level, procurement officers and other stakeholders may acquire fraud detection and prevention skills to fight corruption and promote integrity; improve management and decision making skills to ensure the procurement rule compliance.

Theoretically, the study may be an addition to tactical procurement literature. We aim at delineating strategic policy interventions to ensure tactical procurement compliance.

## **1.3 Study Outline**

In the subsequent chapters, we address different dimensions in tactical procurement in the overall quest to determine how best we can curb corruption and promote integrity in its

practice. The study is structured in a manner to enable the reading of each chapter in isolation though the preceding chapter is interlinked to the subsequent.

Below we provide a brief overview of the rest of our chapters divided in seven parts

### **Part I. Preliminaries.**

In the preliminaries in chapter 2, we describe the contextual and institutional framework of procurement in local government in Uganda. We also describe the current state of public procurement in Uganda. The purpose is to enable the study contextualize the environment within which tactical procurement is being undertaken in Uganda. These insights provide the basis upon which our literature is reviewed.

Chapter 3 consequently reviews literature on public procurement in a decentralized context. The purpose is to examine theoretical perspectives that can make a contribution to unraveling the challenges faced in tactical procurement management in local government in Uganda. We examine theories in tactical procurement particularly in supplier selection as finally tactical procurement comes down to selection the best bidder. We also focus on corruption that afflicts procurement in Uganda.

Chapter 4 is a theoretical review of decision making strategies. As informed from chapter 3, tactical purchasing finally comes down to choosing the best bidder among alternatives. This is not a straight forward exercise. We hence review literature on decision making models from which we adapt a contemporary tactical procurement decision making model, the 8-step model.

### **Part II. Analysis of the integrity of procurement in Uganda.**

In chapters 5 to 7, we seek to describe the current state of tactical procurement in Uganda with specific reference to local governments. In chapter 5 we examine the analytically derived contemporary model i.e. the 8-step model for tactical procurement within the PPDA legal and regulatory framework. We establish that there are crucial tactical procurement steps missing in the procurement cycle. In chapter 6, using bid protests, we establish that

supplier selection and evaluation are the most vulnerable phase to corruption in tactical procurement.

In chapter 7, we analyze the state of tactical procurement from a non-compliance perspective. Basing on a recent survey; baseline indicators and compliance performance indicators conducted by the PPDA, we were able to establish areas that were non-compliant to the PPDA rules and regulations in Uganda.

### **Part III Theoretical**

Building from chapter 7, in chapter 8 we develop measures that can be undertaken to curb corruption and promote integrity in public procurement. We use different theoretical schools of thought to develop propositions. These propositions provide the basis for the conceptual framework in chapter 9.

### **Part IV Empirical testing of the propositions/model development**

In chapter 9, we lay out the plan for subjecting the propositions to an empirical test. First we develop constructs. The propositions posed in chapter 8 are adapted to develop constructs/variables. We, subsequently establish a relationship between the constructs into a conceptual framework to enable tactical procurement compliance.

In chapter 10, using the PLS path modeling technique we subject our propositions to testing in five municipalities in Uganda. We obtain results confirming the predictability of compliance by our constructs. This is based on the institutional approach. In chapter 11, we analyze the results using the systems thinking approach. This approach gives us new insights from which we make strategic policy interventions that can curb corruption and promote integrity in tactical procurement in local governments in Uganda.

### **Part V. Analysis and empirical testing of supplier selection.**

In chapter 12, based on the insights from using the systems thinking in chapter 11, we design organizational reforms in supplier selection that we test empirically in five districts in Uganda. These are broadly categorized under transparency and accountability. This is an

exploratory study in which we use both focus group discussions with student groups and a questionnaire survey.

In chapter 13, the findings using PLS path modelling confirm our proposition for transparency and accountability as important interventions to curb corruption in supplier selection. In chapter 14, we design more innovative organizational reforms that can be undertaken in supplier selection. These unlike those in chapter 13 are not based on the PPDA legal and regulatory framework. We use focus group discussion to assess their viability in a decentralized context in Ugandan local governments.

#### **Part VI. Concluding remarks.**

Chapter 15 entails our theoretical and practical implications of the study. In the practical recommendations, we develop a compliance management framework given our empirical findings and literature review. This provides the basis for recommendations that the PPDA, government and municipal councils respectively can benefit from. Areas for further research are discerned to enhance the management of procurement in Uganda as well.

## **PART I: PRELIMINARIES**

## **Chapter 2 Procurement by local governments in Uganda.**

In this chapter, we describe the contextual and institutional framework of procurement in local government in Uganda. We also describe the current state of public procurement in Uganda. The purpose is to enable the study contextualize the environment within which tactical procurement is being undertaken in Uganda. These insights provide the basis upon which our literature is reviewed.

### **2.1. The impact of decentralization.**

In 1993, the government of Uganda moved to a decentralized system of public sector management. The National Resistance Movement (NRM) evolved the policy of decentralization as part of its strategy to develop a no party democratic system based on the Resistance Councils (RCs) which helped the NRM to fight and win the guerilla war (Makara 1998; Kisakye 2000). When the NRM came to power in 1986, after five years of bitter civil war, the Uganda civil service was inefficient, demoralized, and unresponsive; its reputation as “the best in Africa south of the Sahara” had been ruined (Langseth 2000).

The government of Uganda consequently embarked on a number of reforms. The Local Government Reform Programme in Uganda is officially known as decentralization (Lubanga 1998). A combination of political and administrative decentralization, with selective devolution of public sector management responsibilities, was adopted as the new structural system for governance. The stated aim for this restructuring was to improve the efficiency and effectiveness of service delivery (Awio and Norhtcott 2001). Decentralization is the transfer of authority or responsibility for decision making, planning, management or resource allocation from any level of government to its’ field units, district administrative units, other levels of government, regional or functional authorities, semi autonomous public authorities, parastatal organizations, private entities and governmental private or voluntary organizations (Rondinelli and Cheema, 1983 in Sarkar 2003; Gross and Rosen 1996).

Shah (2006) equates decentralization to localization i.e. decision making and accountability for local services at the local level. Fundamental elements of home rule he adds, are: local political autonomy with elected officials accountable to local residents; local administrative autonomy – ability for local officials to hire and fire local government employee; and local fiscal autonomy – discretionary ability to raise revenues and authority and flexibility in the use of local resources.

Gross and Rosen (1996) argue that organizations decentralize because they expect that decentralization will grant them more flexibility, improve their efficiency, and make them more adaptable to changing conditions in the field. It is believed that decentralization will put decisions in the hands of those who are most familiar with local problems and needs, and have the greatest access to information. This it is felt will increase the speed and efficiency with which decisions are made, as well as reducing bureaucratic red tape. Indeed this is buttressed by Lubanga (1998), when he explains that the government of Uganda decentralized with the objectives to:

- Transfer real power to districts and thus reduce the load of work on remote and under-resourced central officials.
- Bring political and administrative control over services to the point where they are actually delivered, thereby improving accountability and effectiveness, prompting peoples feeling of ownership of programmes and projects executed in their districts;
- Improve financial accountability and responsibility by establishing a clear link between the payment of taxes and provision of services they finance.

In this regard, the government of Uganda decentralized procurement with the Local Governments Act, 1997 when Tender Boards were provided for in the districts and municipalities. These have since been replaced in the Local Governments Amendment Act 2006 by Contracts Committees, charged with overseeing the supplier evaluation and selection in local governments. This is in conformity with Van Weele (2000), who opines that, a decentralized purchasing structure, though describing that of a business company, is characterized by management of the business unit being responsible for all its purchasing

activities. Telgen et al. (2005), add that, all purchasing tasks are performed at a decentralized level, where the clients are. The clients may even be the ones to place orders for themselves.

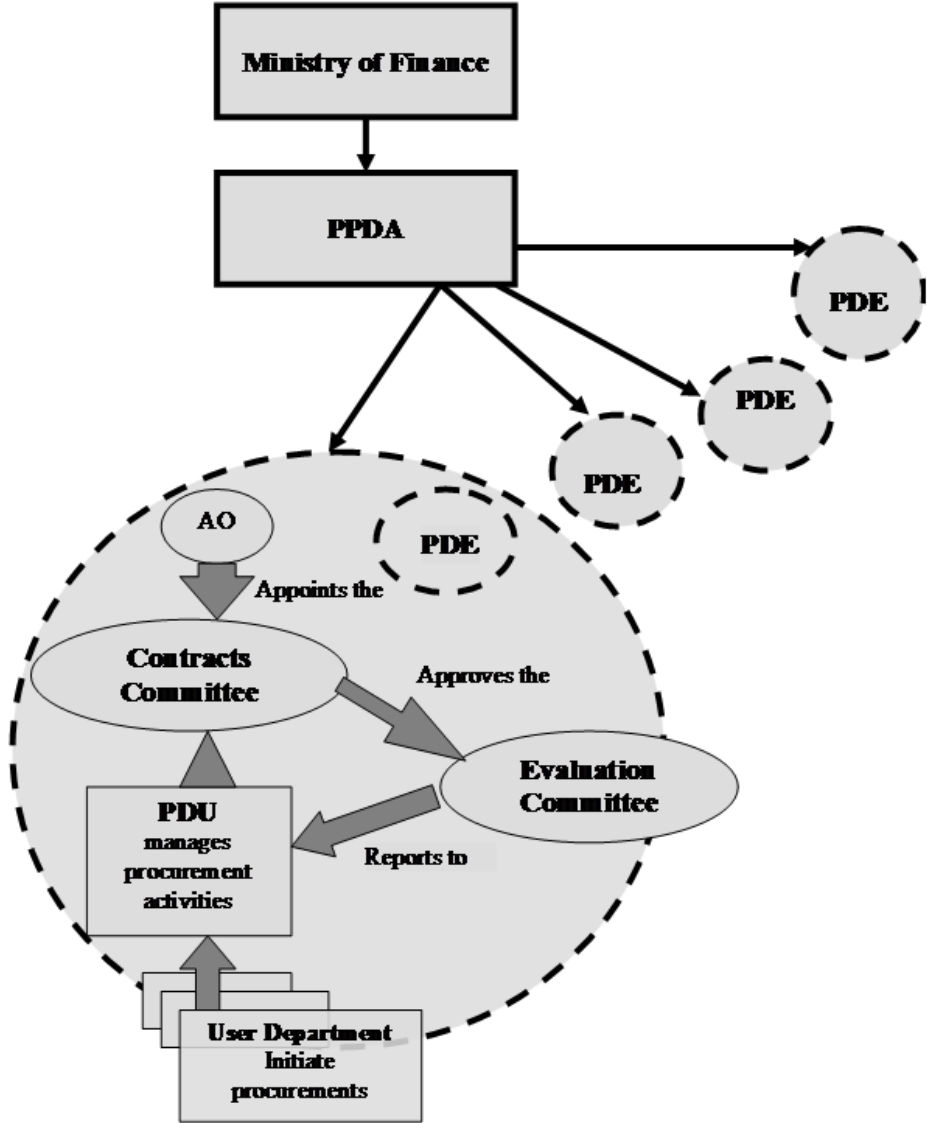
## **2.2. The institutional framework of procurement in Uganda.**

The Public Procurement and Disposal of Public Assets Authority (PPDA) was established by the Public Procurement and Disposal of Public Assets Act 1 Of 2003 as the principle regulatory body for public procurement and disposal. Prior to this, public procurement was governed by the 1997 Public Finance (Tender Board) Regulations under the Public Finance Act of 1964. The system was centralized and had been in operation for over thirty years. The reforms were initiated against a backdrop of lack of accountability and transparency and absence of a culture of value for money procurements and disposals. The development partners had also recommended to Government to put in place appropriate public procurement practices based on international standards which are fair, transparent, competitive and non-discriminatory to all potential providers of goods, services and works (PPDA 2005).

The functions of the Authority are derived from Section 7 of the PPDA Act and can be summarized into five categories as follows: An advisory function; a regulatory function; a data management function; a capacity building function; an audit function (PPDA 2006). The institutional arrangement as provided for is diagrammatically illustrated below:



**Institutional arrangement for procurement as provided in the PPDA**

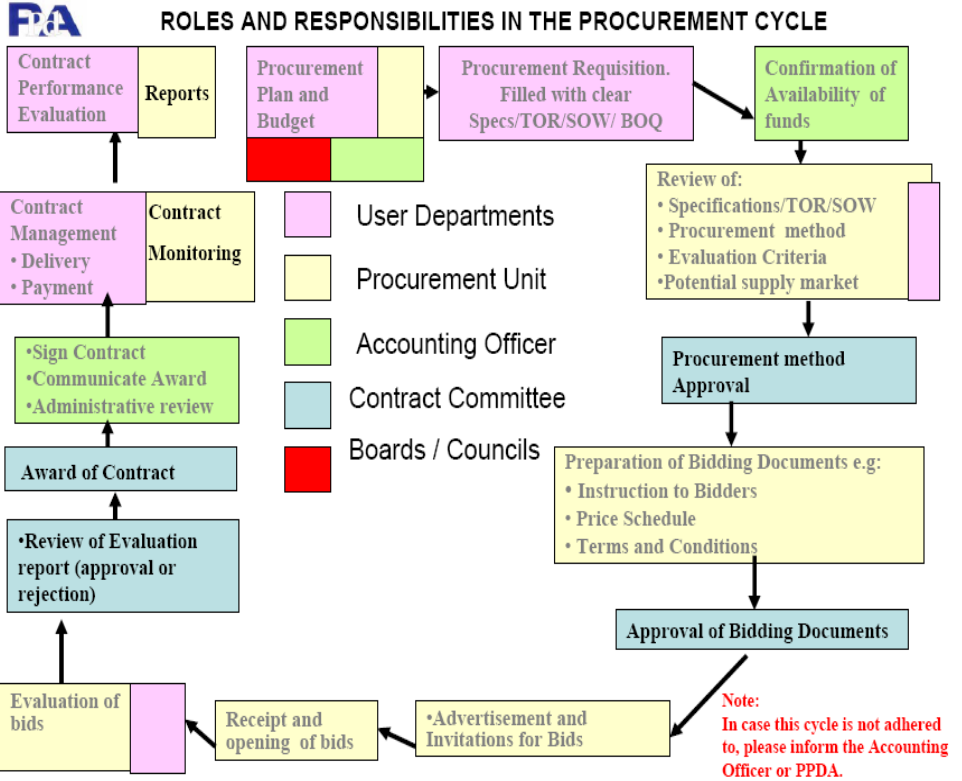


**Figure 1: Institutional arrangements for procurement**

In Uganda, the PPDA hence, regulates the Procuring and Disposal Entities (PDE) which are government ministries, districts and municipal local government authorities and other public bodies engaged in the procurement and disposal activities. Each PDE should include: An

Accounting Officer, a Contracts Committee, a Procurement Disposal Unit, User Departments and Evaluation Committees. The accounting officer in the municipalities is the Town Clerk and Chief Administrative Officer (CAO) in the districts who is appointed by the Public Service Commission not the District Service Commission following the Local Governments Amendment Act 2005. The accounting officer nominates members from public officers employed in the local government, including the Chairman of the Contracts Committee who are approved by the Secretary to the Treasury. The accounting officer should ensure that the local government establishes an appropriately staffed Procurement and Disposal Unit, who are the professional staff charged with managing all the procurement and disposal activities of the local government except adjudication and the award of contracts.

User Departments, who are any branch or division of the local government, initiate a procurement or disposal requirement and are the user of the requirement. The evaluation of the bids is the responsibility of a separate Evaluation Committee whose membership is recommended by the Procurement Disposal Unit and approved by the Contracts Committee. The Act thus provide for the separation of powers at the various stages of supplier selection. The supplier evaluation and selection in Uganda constitute a radical structural change in an attempt to professionalize purchasing. The roles and responsibilities in the procurement cycle chart below illustrate the tactical purchasing in a Procurement and Disposal Entity (PDE) in Uganda.



Produced by Public Procurement and Disposal of Public Assets Authority (PPDA), Plot 1 Pilkington Road, Workers' House 14<sup>th</sup> Floor, P.O Box 3925, Kampala, Email: [info@ppda.go.ug](mailto:info@ppda.go.ug). Tel. 041- 311100

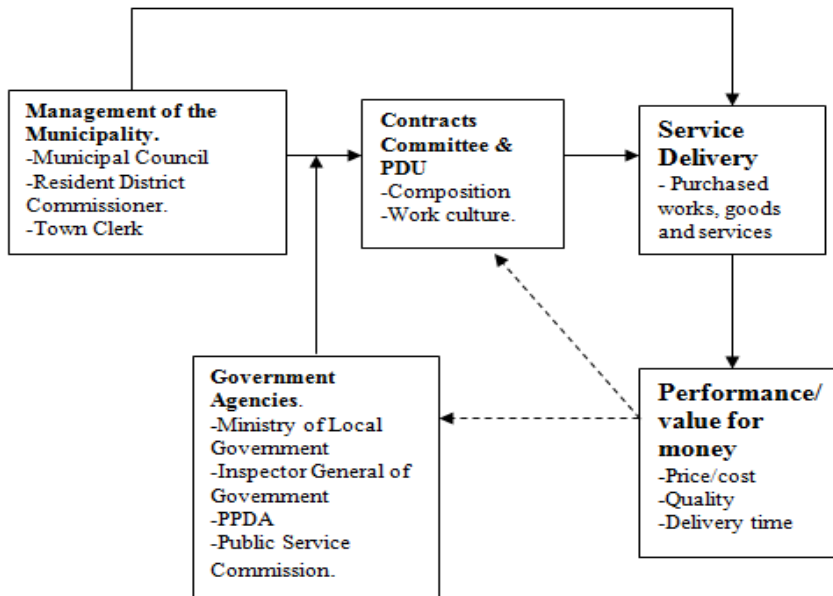
**Figure 2: The procurement cycle in Uganda**

The structure of public procurement in the local governments in Uganda delineates broadly the roles and responsibilities of the different stakeholders. A thorough examination of the specific roles and responsibilities to avoid grey areas which are prone to corruption is thus required. This should be corroborated with the pre-requisite knowledge and skills necessary to competently conduct the designated duties in the cycle.

### 2.3. The context of procurement in local governments.

Public procurement is a complex process of dynamically interacting multiple factors evolving over time. Hence, the context is to address the question: What variables affect tactical procurement management in local governments in Uganda? A schematic diagram of the context of this study is illustrated below. The study context is derived from review of related literature particularly Sekaran (2000).

**A schematic diagram of the study context.**



**Figure 3: The procurement context**

From the schematic diagram above, the local government Council affects the overall delivery of services. On the other hand, the Resident District Commissioner (RDC) shall, according to The Local Governments Act, 1997, 72 (1) (a) represent the President and Government in the District; (b) co-ordinate the administration of Government services in the District. These are among other functions the RDC is mandated to perform but the purpose here is to emphasize the fact that the office of the RDC equally influences service delivery in the local governments in Uganda.

Further, The Local Governments Act, 1997 mandates the accounting officers to be (a) responsible for the expending of the Council's funds and be the Accounting officer of the relevant Council; (d) supervise and co-ordinate the activities of all officers and departments of the council. Of particular importance here is that the accounting officer is the liaison office between the employees, Council, and the Office of the RDC. Given the foregoing, there emerges a need of harmonization of aims and objectives and cooperation. However, to achieve harmony between these stakeholders requires managers of high moral character and proven integrity. Hence, for effective service delivery, alignment is a pre-requisite of the local government management.

The Contracts Committee is the intervening entity in as far as the schematic diagram of tactical procurement management in the local governments in Uganda is concerned. For example, according to the Local Governments Amendment Act, 2006 94A (1), A municipal council shall establish a municipal Contracts Committee to serve the municipality. In addition, as a consequence of an amendment of section 24 of the Public Procurement and Disposal of Public Assets Act, 2003 the Tender Boards are substituted with Contracts Committees. Also a procurement and disposal unit as a new structure is provided for. Hence, whereas the management of the Municipality is mandated to ensure effective delivery of services within its area of jurisdiction, the specific role of supplier selection and award of tenders is the preserve of the Contracts Committee.

The PDU is synonymous with the procurement department. It is mandated to serve both the internal and external customers in the local government. The Local Governments (Public Procurement and Disposal of Public Assets) Regulations (2006) has provisions for how to manage lists of approved tenderers and comparative market prices; pre-qualification of suppliers; contract management as well as an administrative review process that comprehensively deals with the practice of supplier management. However, government procurement in respect to, management of suppliers (external customers), has been described as old fashioned, i.e. based on mistrust, judicial focus and short term relationships. Supply chain management contemporary practices such as portfolio management, lean supply, partnership approaches are rarely used.

Government agencies act as oversight bodies and are the moderating variable. They moderate the relationship between the local government management and the Contracts Committees impacting on service delivery.

With the passing of the Local Government (Amendment) Act (No.2) 2006 and the supporting Local Government (Public Procurement and Disposal of Public Assets) Regulations (No.39) (2006), local governments in Uganda are mandated to comply with the policies, rules, regulations and practices stipulated therein. Compliance is enforced through the audit function of the PPDA. In addition, the PPDA has a statutory objective to build procurement and disposal capacity in Uganda. This is to be achieved through capacity needs assessments in addition to other skill development programmes both at the Central and Local Government levels as well as the promotion of professional development and self-regulation.

Summarily the PPDA was established with the primary interest to ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and disposal standards and practices. It is consequently, the overall seer of the operations, actions and functions of the Contracts Committee & PDUs in local governments in Uganda. Hence it is expected that enhanced supervision of the tactical procurement practices of the Contracts Committee & PDUs in local governments in Uganda by the PPDA will ensure delivery of value for money services.

Further, the Local Government Act, 1997, section 96 mandates the Ministry of Local Government with the coordination of and advocacy for Local governments. The PPDA ACT, 2003, stipulates its objectives under section 6 and functions under section 7 that fundamentally impact on tactical procurement in local governments. In addition, Article 225 of the Constitution sets out the functions of the Inspector General of Government that equally influences the conduct of tactical procurement in the local governments.

Local Governments Amendment Act, 2005 Section 55 1(a) provides for the appointment and disciplinary control of Accounting officers by the Public Service Commission. Hence, tactical procurement in the local governments is moderated by a number of Government agencies for which none could be said to be directly responsible. Through their various constitutional mandates, these various parties constitute the Accountability Sector in Uganda. According to the PPDA (2007), these include the Inspectorate General of Government (IGG), the Auditor general (AG) and the Directorate of Ethics and Integrity who in conjunction with the PPDA are developing joint programmes in furtherance of the National Strategy to Fight Corruption and Rebuild Ethics and Integrity in Public Office 2004-2007. This though should be a continuous effort to ensure sustainability in accountability of management of public resources. Hence continued investment in joint management accountability programmes by other government agencies will enhance the performance of the Contracts Committee & PDUs in local governments in Uganda.

Service delivery is the dependent variable i.e. the output in the study context. It is dependent on the management of the local government, moderated by government agencies and impacted by the Contracts Committees. The services i.e. the procured works, goods and services are evaluated in terms of quality, price/cost and the delivery time by the various stakeholders who include the end users, public/clients (individually or in groups) who are the intended beneficiaries and suppliers’.

An effective public procurement system will allow suppliers to provide satisfactory quality, service and price within a timely delivery schedule. The basic tenet of public procurement is to acquire the right item at the right time, and at the right price, to support government actions. Although the formula is simple, it involves the questions of accountability, integrity and value effects far beyond the actual buyer/seller transactions at its centre. The information so generated provides feedback to government, Contracts Committees and the local government management, which is then used as a basis to properly manage the public procurement function.

The context above shows the manner in which procurement is conducted in the local governments in Uganda. It provides the logical description of the interrelationships of the entities in the study.

#### **2.4. Corruption in procurement in Uganda.**

As informed in the introduction of the study, public procurement in Uganda especially in the local government is afflicted with corruption. According to the National Integrity Survey (2006), corruption is defined under the acronym BEEFF i.e. Bribery: where payment is made for services that should be freely given; Embezzlement: where public property/money is converted to private use; Extortion: When money, services or other gains are demanded with threats; Fraud: when private gain is obtained through trickery; Favouratism: when benefits are obtained through personal relations with those with power and those seeking favours. It may include nepotism and wealth or gender discrimination.

Public sector corruption is a symptom of failed governance. Here, we define “governance” as the norms, traditions and institutions by which power and authority in a country is exercised – including the institutions of participation and accountability in governance mechanisms of citizens voice and exit and norms and networks of civic engagement; the constitutional-legal framework and the nature of accountability relationships among citizens and governments; the process by which governments are selected, monitored, held accountable and renewed or replaced; and the legitimacy, credibility and efficacy of the institutions that govern political, economic, cultural and social interactions among citizens themselves and their governments (Shah 2006).

According to the third National Integrity Survey (2008) conducted by the Inspectorate of Government, corruption has metamorphosed from being largely caused by “low” salaries in public service and is now caused by “greed”. Society values have degenerated to institutionalizing corruption as a way of life, where the honest are ridiculed as naïve (Nuwagaba 2009).



Broadly, Uganda can be described as a “soft” state. According to Villadsen (2000), soft states are defined as states with low or short-lived popular legitimacy, with little authority and efficiency regarding the distribution of values and services in society and with strong segmentation on geographic or ethnic lines. Soft states lack institutional coherence. They are thus the opposite of Nordic welfare states, which integrate the public and private sphere in efficient general social security systems. On the contrary soft states do not have the capacity to provide any general or specialized welfare benefits to the population. He adds that politics and administration in soft states are not about the delivery of services, but rather about how to secure resources for those nearest to the leadership. Indeed Ssepuya (2006) notes that influence peddling is hindering the effective management of markets and bus parks by local government authorities.

Shah (2006), based on in-depth country studies and equally pertinent (*applicable*) to Uganda identifies key corruption drivers. These are:

- **The legitimacy of the state as the guardian of the “public interest” is contested.**

In highly corrupt countries, there is little public acceptance of the notion that the role of the state is to rise above private interests to protect the broader public interest. “Clientelism”- public office holders focusing on serving particular client groups linked to them by ethnic, geographic or other ties- shapes the public landscape and creates conditions that are ripe for corruption. The line between what is “public” and “private” is blurred so that abuse of office for private gain is a routine occurrence.

- **The rule of law is weakly embedded.**

Public sector corruption thrives where laws apply to some but not to others, where enforcement of the law is often used as a device for furthering private interests rather than protecting the public interest.

- **Institutions of participation and accountability are ineffective**

In societies where the level of public-sector corruption is relatively low, one normally finds strong institutions of participation and accountability that control abuses of power by public

officials...there are glaring weaknesses in institutions of participation and accountability in highly corrupt countries.

- **The commitment of national leaders to combating corruption is weak**

Widespread corruption endures in the public sector when national authorities are either unwilling or unable to address it forcefully. In societies where public sector corruption is endemic, it is reasonable to suspect that it touches the highest levels of government, and that many senior office holders will not be motivated to work against it.

## **2.5. Challenges faced in procurement in local governments in Uganda.**

Public procurement has generated public interest and has been subjected to reforms, restructuring, rules and regulations. These changes have largely been triggered by shrinking budgets, the need to fight corruption as well as the realization that a well organized procurement system contributes to good governance by increasing confidence that public funds are well spent (Walker 2003; Hunja 2003 in Arrowsmith, Trybus Eds. 2003). Hence public procurement ought to be conducted with integrity i.e. in a fair, transparent and credible manner. Indeed, public procurement aims remain an area of high public interest.

Transparency International (2006) expands the definition of integrity. It means that procurement processes are honest and in compliance with the respective laws, that the best available, most suitable technical expertise is employed in a non-discriminatory manner, that fair and open competition leads to quality product at a fair price (value for money) and that the product takes into account the legitimate aspirations and concerns of all stakeholders.

Worall, et al (1998), assert that, local authorities are very complex organizations which exist in a highly turbulent environment. They are expected to anticipate needs, to identify and react to complex social, demographic, economic and environmental problems, to respond to changing customer expectations, to respond to the wishes of citizens and to deploy effectively and efficiently scarce resources under the gaze of increasingly attentive and critical citizenry.

It is against the backdrop above that the decentralization programme in Uganda is one among several public sector reforms whose goal is to consolidate democratic governance and to enhance public service performance. Many practitioners and researchers have contended that purchasing authority, especially in government, must be decentralized in order to provide more responsive support to end users, eliminate bureaucratic obstacles to programme accomplishments, improve inter-departmental coordination, and empower service delivery managers to procure what they need without impediment by a centralized organization (Thai 2001).

Despite the decentralization programme, public procurement and tactical procurement in particular still have hurdles in their wake to deliver value added services to the public in Uganda. An evaluation of available literature reveals immense challenges afflicting public procurement in the local governments in Uganda despite the efforts that have been undertaken by the PPDA, Ministry of Local Government, Universities in Uganda and the Public Service commission among others.

According to the PPDA (2007), some of the threats relevant to this study are:

- External interference in the procurement process in PDEs'
- Inadequate procurement planning by PDEs'
- Limited capacity in the procurement cadre.
- Limited number of institutions offering public procurement.
- Lack of a Ugandan professional procurement body.
- Misunderstanding of the PPDA mandate.
- Limited capacity of external procurement auditors.

Kiberu (2007) makes a comprehensive presentation on the challenges facing procurement in local governments in Uganda. These include:

- The management of change from the Local Government tender board appointed by a political authority to the Contracts Committee of civil servants appointed by a civil authority has generated misgivings among stakeholders who have made

statements like: Aren't civil servants also corrupt? Can't the CAO also influence the Contracts Committee since he/she appoints them?

- Delayed orientation of key stakeholders on the procurement reforms/laws especially the local government councilors that have led to role conflicts between the councilors and contracts committees (interference with the procurement process by some politicians and technical staff). The PPDA (2007) however, states that at the local government level, in collaboration with the Ministry of Local Government 80% of the Accounting Officers and newly appointed Contracts Committee members have been sensitized on the new Local Government Procurement and Disposal Regulations. Despite this, in Mbale, the commission probing the alleged mismanagement of public affairs was informed by the Chairman of the Tender board that the Municipal Council interfered with their work most of times. This was especially with the award of lucrative contracts like taxi park management contracts (Daily Monitor 2007).
- Delays in establishing full time, operational procurement units. This though is being addressed as evidenced by the recent press adverts for the posts of Senior Procurement officer, Procurement Officer and Assistant Procurement Officer for all the districts in Uganda. These were followed with the relevant job descriptions and person specifics (The New Vision 2007). Meantime the usual arrangement is for the secretaries of the former tender boards to act as head of the PDU. Many local governments face serious shortfalls of equipment and other resources which are likely to remain for some time. A shortage of skilled professionals in purchasing and supply and inadequate resources to remunerate them will also hold back the aim of strengthening procurement professionalism in local government (PPDA 2007).
- Local revenue collections have continued to decline among local governments (especially following the abolition of graduated tax) making it difficult to fund procurement reforms (in terms of allowances to contracts committee). This leads to low morale for those handling the procurement process.
- Inadequate capacity in effective procurement planning has led to delays in procurement and led in some instances to demand for emergency procurement.

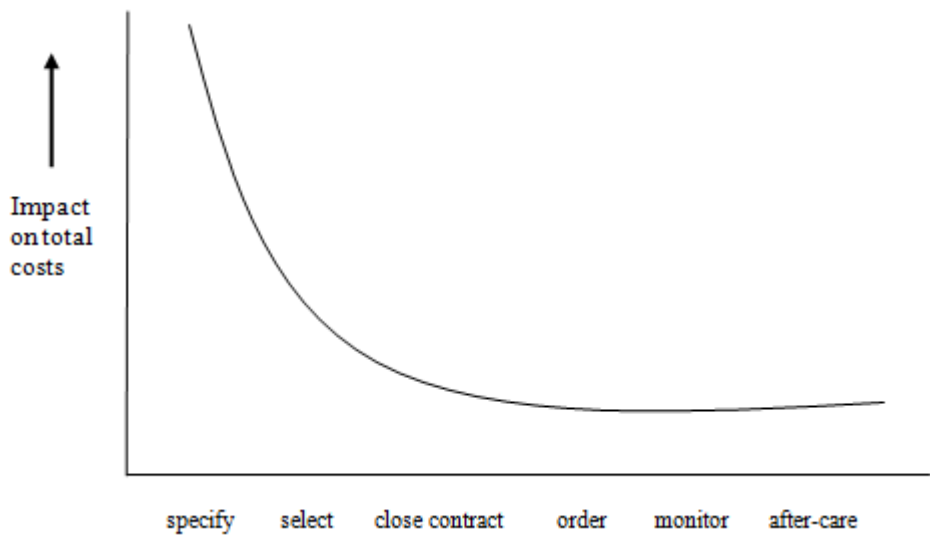
Further, conflicts between users and procurement units upon receipt of goods and services that do not meet the users' specifications.

- Some local governments experience difficulties in using standard bid documents and making proper specifications of the goods and services offered.
- Local governments have a challenge of failing to attract competent service providers. This often leads to higher cost prices. In addition the service providers are even limited. Furthermore, some service providers have lost confidence in the procurement process within local governments. They hold the belief that in order to win a contract, a motivation factor either in form of a bribe, gift or relationship with key people on the contracts committee is mandatory.
- Illiteracy and inadequate contract management skills among service providers. Also, contract management by the contracts committees is still inadequate due to poor facilitation to monitor the management of implementation plans.
- Poor communication of contract, content and specifications. This leads to misunderstanding by stakeholders of services and works executed ensues in the form of counter accusations.
- Accusation of conflict of interest, bribery and corruption in some procurement processes.
- Inadequate and poor records management especially of micro procurement.

Further, the Executive Director of the PPDA, Agaba Edgar, made pertinent observations on the challenges facing procurement in Uganda but relevant to tactical purchasing in municipalities in Uganda as well. He noted that whereas PPDA had scored 80% sensitization of local governments on the new legal framework, several challenges still prevailed like: impunity of high level corruption; lack of powers to arrest and prosecute (by the PPDA); lack of proper records; lack of follow-up of recommendations by authorities among others (Red Pepper 2007).

## 2.6. Focus of the study

In this study we focus on tactical procurement. Tactical procurement constitutes an important function in the procurement process given its' impact on total costs. This can be illustrated through figure 4 below:



**Figure 4: The impact of procurement steps on total costs (Telgen, 1997)**

Hence, tactical procurement is a decision-making process that requires being conducted with due diligence. For instance, as emphasized by Telgen et al. (2005) governmental and institutional organizations are not driven by profit, but the financial aspects as illustrated in figure 4 above are important to them, too, as spending less money leads to the creation of additional budget space instead of additional profit. In this respect, we speak of *initial/tactical* procurement decisions, involving specification, selection and contracting of suppliers and of *operational* purchasing decisions which involves ordering, receipt of goods, inspection of goods etc (Van Weele in De Boer 2000).

An extraction of the challenges mentioned in 2.5. above facing tactical procurement in local governments in Uganda include: inadequate capacity of effective procurement planning; difficulties in using standard bidding documents; failure to attract firms to enable

competitive bidding; poor communication of bid contents and corruption. Summarily, we concentrate on tactical procurement particularly specification and selection because they are the most visible to the public as it comes down to selecting the best bid; it entails technical procurement methods and procedures that ought to be conducted with integrity and immense financial savings can be made if they are well managed. The combination of these factors influenced their choice.

In conclusion, Uganda in its bid to develop has embarked on a number of reforms amongst which are public procurement management reforms. Despite these efforts, tactical procurement in the local governments is bedeviled with a multiplicity of hurdles that ought to be overcome so as to gain value for money. The study hence undertakes to make a contribution to the unraveling of the challenges faced in tactical procurement management in the local governments in their decentralized context in Uganda.

## **Chapter 3 Literature review**

In this chapter we review literature on public procurement in a decentralized context. The purpose is to examine theoretical perspectives that can make a contribution in unraveling the challenges faced in tactical procurement management in local government in Uganda. We examine the complexity of procurement, theories in tactical procurement particularly supplier selection as finally tactical procurement comes down to selection the best bidder. We also focus on decentralization and corruption that afflicts procurement in Uganda.

### **3.1. The growing complexity of procurement**

Public procurement is the purchase of goods and services by governments and state-owned enterprises. It encompasses a sequence of related activities starting with the assessment of needs through award to the contract management and final payment (OECD 2007). Countries generally aim at achieving a number of goals through public procurement. Clearly, a primary goal is to obtain goods and services at the best possible price. Further objectives include *inter alia*, efficiency and probity in the procurement process and fair and equal treatment of providers. Other primary goals may be to support industrial, social and environmental policies, to name a few (Ehlermann-Cache 2005).

Procurement in general and public procurement in particular is faced with fundamental evolution challenges. Telgen et.al. (2005) summarize the evolution of the purchasing function shift from analysis of several models as follows:

First there is the shift from operational to strategic purchasing. Purchasing used to be about placing orders and making sure deliveries were made in time and at the right place. Purchasing nowadays is about maximizing the value that purchasing can add to the organization as a whole.

Further, the shift from a departmental approach to a functional approach started once organizations realized that purchasing is a joint effort for which success largely depends on

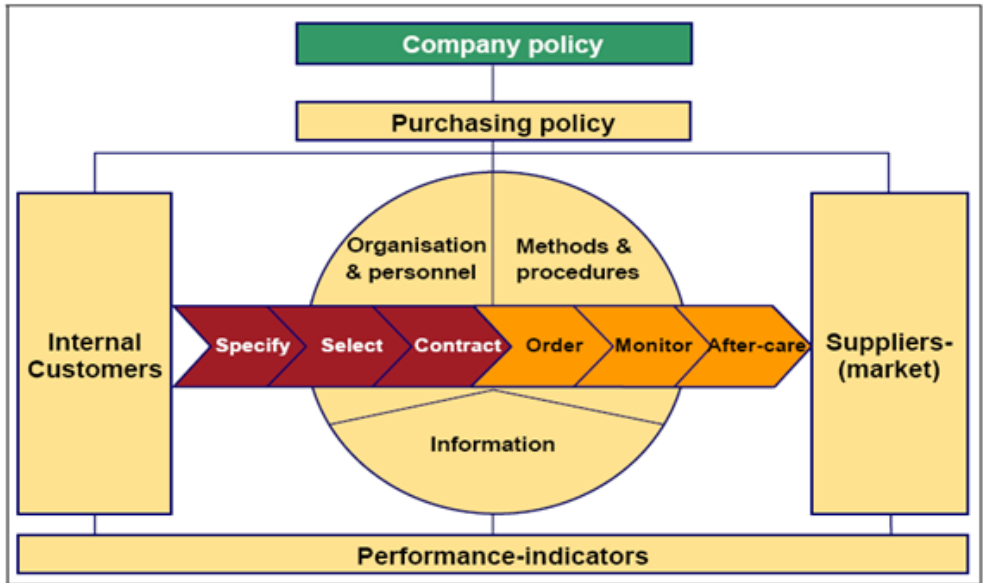


the cooperation of all parties involved. The purchasing department that does all the ordering for the entire organization is disappearing and is being replaced by a less strict-defined purchasing function with purchasing officers that move around in the organization, focusing their attention there where their added value will be greatest.

In addition, the area of purchasing has shifted from purely internal to external as well. The purchasing department used to be an operational unit serving internal clients and is changing to a much more flexible function that looks outside its own organization to find out how it can best serve its internal customers. With developing into a more strategic and externally focused function, purchasing is also changing the kind of relationship that organizations enter into with their suppliers. Suppliers' processes and organization's own internal processes get more integrated to achieve higher levels of efficiency, complete tasks are being contracted and even entire functions are being outsourced, resulting in hardly separable processes.

### **3.2. Tactical procurement**

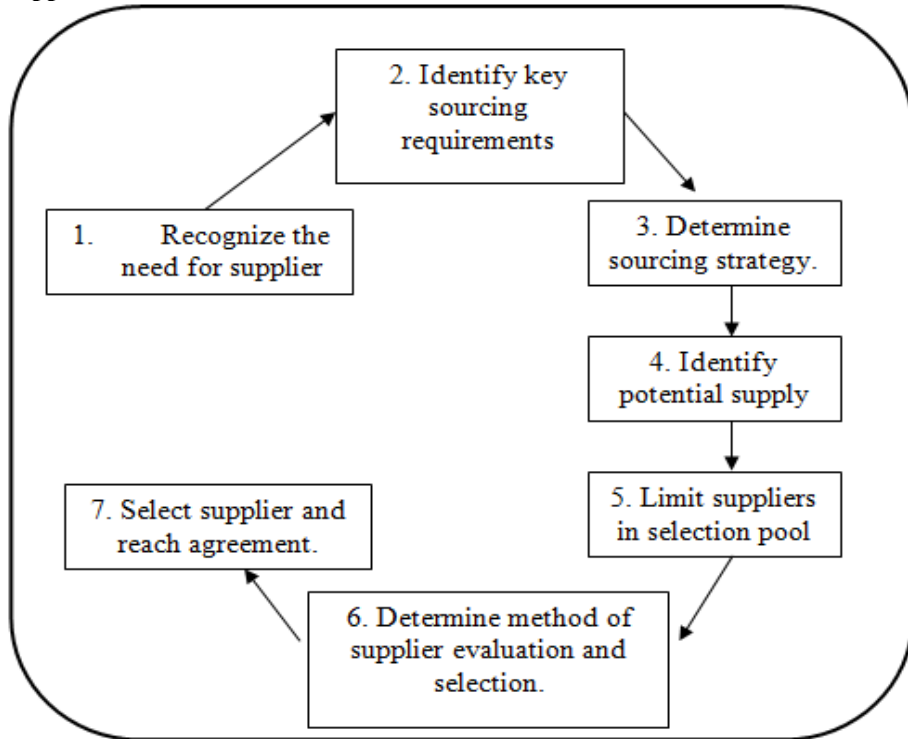
The purchasing function is increasingly seen as a strategic issue in organizations. This applies to industrial as well as service and government organizations, (De Boer et al. 1998). Tactical procurement consists of specification (of goods, works and services); selecting and contracting of suppliers. All steps of the purchasing process and all elements of the purchasing function are covered in the model given below. Because of its shape it is called the racecar model.



**Figure 5: The race car model**  
 source: Veek and Gunning (1996) in Telgen et al. (2005)

We see tactical procurement is only part of the procurement function. We focus on that part here. Tactical procurement has been discussed in a number of theoretical contributions. De Boer et al. (2001); Aissaoui et al. (2007) in a review of methods supporting supplier selection analyze tactical procurement under principally two phases: (1) Pre-selection phase and (2) Selection Phase. Further, they have divided the pre-selection phase into three sub-phases: (1) Problem definition, (2) formulation of criteria and (3) qualification. The steps are interlinked. Monzcka et al. (2005) present a model given below:

## Supplier Evaluation and Selection Process



**Figure 6: Suppliers evaluation and selection process**

These two perspectives on the processes and methods in tactical procurement are broadly combined in our analysis below:

Monczka et al. (2005)	The De Boer et al. (2001); Aissaoui et al. (2007)
1. Recognize the need for supplier selection	Problem definition
2. Identify key sourcing requirements	Criteria formulation
3. Determine sourcing strategy.	
4. Identify potential supply sources	
5. Limit suppliers in selection pool	Qualification

6. Determine method of supplier evaluation and selection.	Final selection
7. Select supplier and reach agreement.	

**3.2.1 Recognize the need for supplier selection/Problem definition**

Monczka et al. (2005) in their model state that the first step usually involves recognizing there is a requirement to evaluate and select a supplier for an item or service. The recognition that a need exists to evaluate suppliers can come about in many different ways however of relevance to this study may be: due to poor internal or external supplier performance; at the end of a contract; when buying new equipment; when internal users submit requisitions for goods or services; during outsourcing analyses; when consolidating volumes; when current suppliers have insufficient capacity and when reducing the size of the supply base.

In a review of the methods, Aissaoui et al. (2007) observe that, decision makers are facing different procurement situations that lead to different decisions. Consequently, in order to make the right choice, the procurement process should start with finding out exactly what we want to achieve by selecting a supplier. In general the majority of decision tools are qualitative methods that assist decision makers in order to carefully identify the need for a decision and the alternatives that seem to be available.

Keeney (1994) similarly asserts that typically we face decision problems by identifying alternatives and only then considering objectives or criteria to evaluate them. He calls this standard problem-solving approach *alternative focused thinking*. It is reactive, not proactive. Furthermore he adds it is backward; it pits the cart of identifying alternatives before the horse of articulating values. He advocates for value focused thinking in problem identification. He explains that value focused thinking is designed to focus the decision maker on the essential activities that occur prior to “solving a decision problem.”

Value focused thinking helps in clarifying and explicitly stating your organizations strategic objectives which has a high benefit-to-effort ratio. Making these more explicit by writing specific objectives down and organizing them should lead to further clarification. Keeney (1994) summarizes the benefits of value focused thinking as being able to: recognize and identify decision opportunities; create better alternatives for decision problems and develop an enduring set of guiding principles for one's organization.

De Boer et al. (2001) summarily explain that decision methods for problem definition are methods that support the decision maker in carefully questioning the need for a decision and the alternatives that seem to be available. In the case of supplier selection, it thus involves determining what the ultimate problem is and why selecting one or more suppliers seems the best way to handle it.

### **3.2.2. Criteria formulation**

This phase constitutes the steps 2, 3 & 4 in the Monczka et al. (2005) model. The second step in the model is to identify key sourcing requirements. These according to Telgen et al. (2005) are the Programme of Requirements. They add that a distinction is made between functional and technical specifications. Functional specifications describe what the good or service actually has to do or provide. Technical specifications describe in a very detailed manner which product or service is looked for. They include Management capability; Employee capabilities; Cost structure; Total quality performance, systems and philosophy; Process and technology capability; Environmental regulation compliance; financial stability; Production scheduling and control systems; E-Commerce capability; Supplier's sourcing strategies, policies and techniques and Longer-term relationship potential (Monczka et al. 2005; Nellore et al. 1999).

Nellore et al. (1999) add that a specification is a document that is used to build a product. To strengthen communication and avoid confusion-related errors, redundant statements need to be minimized. They cite Clark and Wheelwright (1993) who point to four modes of

communication that have great significance in the relation between specifications and the suppliers (1) integrated problem solving; (2) early involvement; (3) early start in the dark; and (4) serial interaction. The table below shows that involving suppliers, classifying them accordingly, and using the appropriate modes of communication can facilitate the understanding of specifications:

**Table 1: Supplier/Communication interface**

Supplier/Communication Mode Interface	
<i>Type of supplier</i>	<i>Communication mode</i>
Partner	Integrated problem solving
Adult	Early involvement
Transition phase from Child to adult	Early start in the dark
Child	Serial interaction
Commodity	Serial interaction

Partners work with concepts and present them to the manufacturer even before the manufacturer decides to start work on a project. There is continuous interaction between the manufacturer and the supplier both before and after the start of the project, which implies a need for integrated problem solving. The Adult supplier needs such rough specifications as product requirements, customer requirements, and functionality descriptions to start work. Hence there is need for early involvement once the rough specs have been determined. The Child and Commodity suppliers need a serial mode of interaction because they do not contribute in any way to the product design but simply manufacture to specifications. However an early start-in-the-dark pattern can be used for long-time Child suppliers in the process of becoming Adults.

Once the specifications have been submitted, either by supplier or the manufacturer, they need to be discussed further to avoid misunderstandings. In most cases, face-to-face communication is best for solving meetings (Nellore et al. 1999). Telgen et al. (2005)

importantly conclude that the last part of specification stage is to draw up selection criteria against which supplier proposals will be evaluated in a later stage.

According to Mandal and Deshmukh (1994), before developing any framework it is necessary to understand the significance of each criterion and the role which it plays in the vendor selection process. It is also necessary to visualize the levels of importance and relationships of criteria among themselves. The multi-criteria nature of decision-making has been the focus of multiple papers since the 1960' (Aissaoui et al. 2007). They particularly distinguish Dicksons study that identified 23 different criteria in vendor selection. These include the price, delivery and quality objectives of the buyer as well as the abilities of the vendors to meet those objectives which still cover much of what is used today. They add that these criteria can either be objective or subjective and complicated further by the fact that they may conflict each other.

Mandal and Deshmukh (1994) opine that, attitude and willingness is one of the most important criteria to be considered. It is very difficult to quantify or measure. It is an effect of so many other variables such as financial position, geographical location, production facilities, capacity utilization, labour relations, etc. A qualitative analysis based on fuzzy set theory may be useful for measuring this attribute. Sarkar and Mohapatra (2006) in fact adopt the fuzzy set theoretical approach to overcome the problem of imprecision that usually occurs when eliciting expert opinion. They also observe that many factors such as reputation and trustworthiness elude quantification and thereby present measurement difficulties. Also, often quantification and measurement of a factor for a supplier are practically impossible due to time or monetary constraints. In such cases, a practical solution to circumvent the measurement problem is to elicit experts' opinions. In our study context, this is akin to seeking the head of departments' opinions as they are the experts and they initiate the procurements as well.

Mandal and Deshmukh (1994) also moot the Interpretive Structural Modeling (ISM) as an interactive learning process. The method is interpretive in that the group's judgment decides whether and how items are related; it is structural in that, on the basis of the relationship, an

overall structure is extracted from the complex set of items; and it is modeling in that the specific relationships and the overall structure are portrayed in a diagraph model. Given the complexity of this model and the competency level of the persons required to select evaluation criteria in local governments in Uganda, we think it as inappropriate in our study context.

In this step, regardless of the method used, supplier selection criteria formulation affects several activities including inventory management, production planning and control, cash flow requirements, product/service quality. Therefore such decision must be under the consensus of a multidisciplinary group of decision makers with various points of view and representing the different services of the company (*local government in our context*) (Aissaoui et al. 2007).

The third step entails determining the sourcing strategy. No single sourcing strategy approach will satisfy the requirements of all purchases (Telgen et al. 2005; Monczka et al. 2005). Because of this, the procurement strategy adopted for a particular item or service will influence the approach taken during the supplier evaluation and selection process...Some of the decisions that a purchaser has to make when developing a sourcing strategy include: Single versus multiple sources; Short-term versus long-term contracts etc (Monczka et al. 2005). It entails a clear understanding of the differentiations in purchasing. The differentiations in purchasing are defined by a number of circumstances: The sector in which the buying organization operates; the supply market; the product market; the product or service that is purchased and the buying situation (Telgen. et al. 2005). The knowledge of the purchasing portfolio approach as advanced by Kraljic (1983) would particularly be useful at this stage as well.

The Monczka et al. (2005) model is generic in its sourcing strategy and consequently inadequate in addressing the competing and often conflicting goals of public procurement. These goals range from regulatory, commercial and socio-economic exacerbating the challenges of selecting the right number of suppliers for a product or service. Whereas the, Monczka et al. (2005) model, acknowledges multiple sourcing, it glosses over the discourse



of using the combination of multiple sourcing with multiple lots as a tool in public purchasing strategy. Linthorst and Telgen (2006) advance that, when used appropriately i.e. content-wise and logically, the combination of multiple sourcing with multiple lots can provide an impetus to both commercial (cost reduction, innovation) and socio-economic goals (SME involvement). They caution though that much as they offer great possibilities, given the advanced formal methods used skepticism from both purchasers and other stakeholders sets in which curtails the successful use of these methods.

The fourth step is to identify potential supply sources. The degree to which a buyer must search for information or the effort put forth toward the search is a function of several variables, including how well the existing suppliers can satisfy cost, quality, or other performance variables. The various sources of information that are helpful when seeking to identify potential supply sources include: current suppliers, sales representatives, information data bases, experience, trade journals, trade directories, trade shows, second party or indirect information, internal sources and internet searches (Monczka., et al. 2005).

### **3.2.3 Pre-qualification**

The concern of this phase (the fifth step) is to limit suppliers in selection pool. By means of a Request for Information (RFI), a purchaser obtains some basic information from a selection of suppliers about their organization and/or their product range (Telgen et al. 2005; Monczka et al. 2005). Due to limited resources and the wide variability in the performance of suppliers, purchasers at this stage often perform a first cut or preliminary evaluation of all potential supply sources (Monczka et al. 2005). Next, a Request for Quotation (RFQ) accompanied by a List of Requirements (LOR) is used to ask a specific set of suppliers to submit an offer, which lays out the conditions under which the supplier will be prepared to fulfill the buyer's requirements. In practice, a quotation is sometimes also referred to as 'bid' or 'tender' (Telgen et al. 2005).

De Boer et al. (2001) have summarized this phase as sorting rather than ranking. They define pre-qualification as the process of reducing the set of 'all' suppliers to a smaller set of

acceptable suppliers. Sarkar and Mohapatra (2006) however suggest that pre-selection/qualification of suppliers has a number of elements in common with supply base reduction. A pre-requisite for developing a strong buyer supplier relationship they argue is to have a small number of suppliers. In most traditional organizations (local governments in Uganda inclusive) the number of registered suppliers is large, but only a small fraction of suppliers actually get the business year after year. They advocate for adopting the strategy of supply base reduction and long-term supplier relationship which is not the subject of this study though.

Sarkar and Mohapatra (2006) proceed to observe that much of the information on unknown suppliers collected through internet, peer feedback and onsite visit will lack quantitative measurement. Even information on known suppliers may not have been stored in a form that lends itself to quantitative conversion. To evaluate these suppliers against the factors, the buying team has to resort to subjective, qualitative assessment using their mental perceptions. That rather than leave out the suppliers with such incomplete qualitative information, they propose experts opinion for a subjective evaluation of suppliers followed by a fuzzy set theoretical analysis to take care of the fuzzy nature of these evaluations.

However, a number of methods were reviewed by De Boer et al. (2001) and summarily they include: Categorical methods- These are qualitative methods. Based on historical data and the buyer's experience current or familiar suppliers are evaluated on a set of criteria. It consists of evaluating and categorizing supplier's performance on each criterion as either 'good' (+), neutral (O) or 'unsatisfactory' (-) and combining them into a total rating. However such a method is very sensitive to changes in ratings and depends heavily on human judgment. It also weights criteria equally, which rarely happens in practice. In view of those limitations such a method is inadequate to the final choice;

DEA (data envelopment analysis) - built around the concept of efficiency of a decision alternative. The alternatives are evaluated on benefit criteria (output) and cost criteria (input). DEA is a mathematical programming technique. For each supplier, the DEA method finds the most favourable set of weights, i.e. the set of weights that maximizes the supplier's

efficiency rating without making its own or any other supplier's rating grates than one. In this way the DEA method aids the buyer in classifying the suppliers into two categories: the efficient and the inefficient suppliers;

Cluster analysis – is a basic method from statistics which uses a classification algorithm. It allows classifying suppliers described by a set of numerical attribute scores in groups of comparable suppliers. In this way, the difference between suppliers' performance within a cluster are minimal whereas it is maximal between different clusters. Sarkar and Mohapatra (2006) critique the cluster analysis method to the effect that one can prefix the number of clusters but cannot control the number of elements in the clusters.

Case-based reasoning (CBR) systems – fall in the category of the so-called artificial intelligence (AI) approach. Basically, a CBR is a software driven data base which provides a decision maker with useful information and experiences from similar, previous decision situations. Sarkar and Mohapatra (2006) add that unfortunately, detailed information may not be available for all potential suppliers, particularly the unlisted ones. Also an organization may not be meticulously maintaining its data base on the suppliers' performance. These two considerations make case-based reasoning difficult to apply to a supply base reduction.

However in the local governments in Uganda, the PPDA Act No.1 sets out the pre-qualification procedures to be used in section 184-187. They are basically categorical. The purpose here has been to highlight the alternative methods with a view of benchmarking their appropriateness to the local government context in Uganda.

### **3.2.4 The final selection**

The phase constitutes the sixth and seventh step in the Monczka et al. (2005) process. This according to Monczka et al. (2005) model is supplier evaluation and selection. Telgen et al. (2005) compliment this with the contention that a general two-stage pattern is discerned from contemporary scholars in procurement with regard to supplier selection. In this pattern

a distinction is made between (first) arriving at a set of acceptable suppliers which is usually added to a list of so called approved suppliers and secondly the ultimate choice from this approved vendor list (AVL) for a particular supplier-product/service combination. Hence, supplier selection comprises more than one decision (Telgen et al. 2005; Monczka et al. 2005).

Supplier selection is a decision-making process and there are a number of decision-making models to use. However, as noted by Guytan et al. (2005) creating a transparent, systematic, robust and credible procedure for supplier selection, that explicitly takes into account relational and other factors- regardless of whether such factors reflect professional practice or not is not straightforward. The difficulty of this effort is well summed up when they cite Verma and Pullman (1998) who report that decision makers recognize the relevance to take into account more than one criteria. But in practice, they often select primarily on the basis of cost due to the difficulty to integrate the relevant criteria in the decision.

Within purchasing management, one of the prime functions is supplier selection. Supplier selection is one of the most important decision making problems since selecting the right suppliers significantly reduces the purchasing costs and improves corporate competitiveness (Çerbi & Bayraktar 2003). Lewis cited in Vokurka et al. (1996, p.1) explicitly states that, it is probable that of all the responsibilities which may be said to belong to the purchasing officers, there is none more important than the selection of a proper source. Indeed in some respects the most important single factor in purchasing. Aissaoui et al. (2007) compliments this view when they assert that; overall, there are two salient viewpoints in literature:

- The most important procurement decision is undoubtedly selecting and maintaining close relationship with a few, albeit reliable and high-quality vendors to reduce product costs while maintaining excellent product quality and customer services
- There is a strong need for a systematic approach to procurement decision making especially in the area of identifying appropriate suppliers and assigning orders among them.

It should be noted right from the onset that the purpose of supplier selection is to determine the optimal supplier who offers the best all round package of product and services for the customer,(Swift and Gruben in Shahadat 2003; Cengiz et al. 2003). The supplier selection function and purchasing as a whole are increasingly facing contextual developments in e-commerce, globalization, decentralization and outsourcing. These factors among others, as correctly argued by Zheng Jurong et al. (2004) shape the purchasing strategy, structure and people skill requirements.

The vast majority of the decision models existing in literature concern the final choice of the buying process (De Boer et al., 2001; Aissaoui et al. 2007). De Boer et al. (2001) observe that supplier choice models can be distinguished in three ways i.e. (1) Compensatory methods, (2) Non-compensatory methods and (3) semi compensatory methods. In a compensatory model a high rating on one criterion can compensate a low rating on another criterion, whereas in non-compensatory models different minimum levels for each criterion are required. The linear weighting method (or weighted factor score method) is an example of a compensatory method. In the linear weighting method weights are given to the criteria, the biggest weight indicating the highest importance. Ratings on the criteria are multiplied by their weights and summed in order to obtain a single figure for each supplier. The supplier with the highest overall rating can then be selected. The linear weighting method is provided for in the PPDA act No.1 2003 section 172-175.

De Boer et al. (2001); Aissaoui et al. (2007) explain that the linear weighting method produces useful and reasonably reliable data, and is relatively easy to implement. Timmerman Ed (1986) observes that any number of evaluation factors can be included, and their relative importance can be expressed in numerical terms (weights) so that a composite performance index can be calculated and supplier comparisons made. There are many adaptations to the linear weighing method.

In addition, the supplier selection process has undergone significant changes during the past few years with the increase of technical capabilities, application of computers and the

development of methodologies. De Boer et al. (2001) argue that, Operation Research (OR) models may improve the efficiency of procurement (management) decision making by:

- Enabling automated and faster computation and analysis of decision making information e.g. data on supplier found on the internet;
- Enabling the more efficient storage of procurement decision making processes and access to this information in future cases, e.g. saving files that contain criteria-structures for supplier evaluation.
- Eliminating redundant criteria and alternatives from the decision or evaluation process
- Facilitating more efficient communication about and justification of the outcome of decision making processes, e.g. when reporting to management or suppliers.

We tested the viability of incorporation of decision making technology in support of supplier selection in chapter in chapter 13 & 14.

A review of supplier selection literature reveals that the vast majority of published works deal with the procurement of materials particularly by industrial firms (Aissaoui et al. 2007; De Boer et al. 2001). From a point of view of reflecting procurement's significance in sectors rather than manufacturing, e.g. service industry, it would be worthwhile to investigate and illustrate the specifics of using decision methods in supplier selection in those areas as well. More specifically, further research on the suitability of decision methods for supplier selection in Government Procurement seems at place given the relatively higher need for justifying public procurement decisions (De Boer et al. 2001).

Also, most literature as Aissaoui et al. (2007) observe, propose decision models for the final phase and only few works treat the previous steps, especially those of problem and criteria formulation. However, the quality of the choice phase is largely dependent on the quality of the steps prior to that phase.

The final step of the evaluation and supplier selection process is to select the supplier and reach a contract agreement (Monczka et al. 2005). More specifically, the selection of the

supplier as such does not yet mean that a formal and binding agreement has been reached between the two parties. Rather, the selection implies which particular supplier will be invited for negotiations. In this process the final deal may or may not be reached (Telgen et al. 2005).

According to Gelderman and Albronda (1998) in Telgen et al. (2005), negotiation consists of five steps. Firstly they emphasize the importance of collecting facts, about the supplier as well as the product or service at hand. Next, the relative power positions must be assessed: who is under pressure to close a deal? Furthermore the buying organization should consider who should represent the firm in the negotiations (usually consists of a team given the multiple issues involved). In addition, the buying organization should try to envisage what the consequences could be if no agreement would be reached with the supplier: Is there a way out? Last but not least the buying team should set explicit goals: what are the ultimate objectives and how far should the team go on each issue?

Traditionally, negotiations between buyers and suppliers have received a lot of attention both in academic and professional literature. Often being a tough negotiator is seen as the desired profile of an industrial/organizational purchaser and his prime task. Such a view is shortsighted and ignores the often more dramatic impact of the other purchasing activities especially specifying and selecting the suppliers (Telgen et al. 2005).

### **3.2.5 Contracting**

Contracting is the stage entered into once the supplier (or in case of multiple sourcing, suppliers) has been selected and a contract is going to be signed. The contract includes the programme of requirements, the terms and conditions and the agreed pricing. The programme of requirements is the result of the specification stage and may be altered during the selection stage. Once a contract has been concluded its contents have to be communicated to the parties in the organization that will be affected by the new contract. These will include the Legal department, Accounts payable, End users and depending on the

product or service purchased: logistic services, technical, maintenance and facility management.

The Organization for Economic Co-operation and Development (2003), summarizes the steps involved in tactical purchasing by stating that, the procedural steps are related to the initial announcement and dissemination of information about a tender; the definition and dissemination of criteria for prospective bidders; the establishment of timelines and guidelines for preparation and submission of bids; information about the type of award procedure being used; the definition and dissemination of criteria used to evaluate the quality and competitiveness of a given bid; and the availability of avenues for challenging given awards. However, the individual steps in tactical purchasing do not get the same amount of attention, in the purchasing process. This according to Telgen et al. (2005), is due to the unfamiliarity with the importance of a step. Organizations do not realize the most important decisions are made during the specification and selection stage and tend to put a lot of effort on negotiating (because it is 'fun') or in discussing operational problems with the supplier that should have been dealt with before the contract was signed which influenced our study focus as stipulated in 2.6.

In this section we have examined the steps undertaken in tactical procurement. However, the primary purpose was to examine how decision-making in tactical procurement is managed. This is to enable analysis of our tactical procurement practice and also to gain insights into how we can incorporate the measures so described to curb corruption and promote integrity in tactical procurement in local governments in Uganda. But what do local governments want to attain by effective tactical procurement?

### **3.3. Aims of tactical procurement in local governments**

Telgen (2006) summarizes the aims of public procurement which are applicable our study context in terms of internal and external demands. The external demands aim at ensuring that there is transparency in contract bidding and awards; that the public sector act with integrity; that accountability of procuring public entities and their officers is ensured in



terms of efficiency, effectiveness, legal and ethical manner in which they conduct procurement; exemplary behaviour is exhibited on oneself and at work.

The internal aims of procurement broadly recognize fact that public organizations (*local governments*) serve many goals at the same time, some of which are political and there are several stakeholders with their own interests which may conflict at times. The Organization for Economic Co-operation and Development (2003) particularly emphasizes transparency due to the perceived benefits as follows:

Clear information on the various steps involved in the procurement process can enable potential suppliers to make informed decisions about whether to bid and how to improve the relevance of their bids by better addressing governments' needs and priorities. Moreover, when governments provide feedback on the outcome of an award, this can help bidders to prepare better bids in the future; transparent procurement procedures can contribute to a more efficient allocation of resources through increased competition and budgetary savings for governments; conversely as companies (domestic and foreign) develop more confidence in participating in procurement practices, the number of bidders expands, yielding stronger competition. Such increase in competition can bring costs down, improve quality and delivery terms, facilitate innovative approaches to production and improve after sales services.

Further, that for governments, such efficiencies can directly translate into acquisition of goods and services of better quality and at lower prices to meet national needs; by lowering risk, transparent procurement procedures can in fact help attract more investment and encourage partnership with local companies; improved transparency in public procurement involve establishing a market-launching base from small and medium enterprises (SMEs), which often lack knowledge on the extent of information on public sector opportunities.

The Organization for Economic Co-operation and Development (2003), makes a pertinent submission when it states that in addition to the above, a further dimension of benefits can be realized through the adoption of a common approach in government procurement. Indeed

it notes that several countries addressing government procurement for the first time have been strongly influenced by the *Model Law on Procurement of Goods and Services* adopted by the United Nations Commission on International Trade Law (UNCITRAL) in 1993 and 1994. In its concluding remarks, the Organization for Economic Co-operation and Development (2003), asserts that transparent procedures can enhance confidence in the procurement system and integrity. Confidence and predictability in the government procurement system can improve tax payers support as they become aware that practices are “above board” and that governments are getting the best deal for their money.

More importantly, transparent procurement systems can provide an important tool to combat corruption in government procurement, which is generally believed as one area where corruption is particularly rampant. While transparent procedures are not sufficient in themselves to eliminate corruption, an effective system of monitoring, procedural checks and proportional penalties can render perpetration of fraud and corruption more difficult. We undertake to examine this assertion in supplier selection in chapter 13 & 14.

In summary the aim of public procurement and tactical in particular is to ensure, an effective, efficient, accountable and transparent procurement system.

### **3.4 Corruption in public procurement**

Corruption .i.e. the misuse of public office for private gain is of grave concern to public procurement. Fair competition and equal treatment of bidders is undermined. Corruption comes in the form of facilitation payments – inducements to get things done; grand corruption – significant amounts offered to politicians or high level officials capable of influencing large contracts. There’s a distinction between bureaucratic corruption and political corruption, between active and passive corruption, between active and passive bribery, and between public and private corruption. Further, that although the risk of corruption is present in many bureaucratic or governmental assignments, public procurement is probably the most exposed activity (Søreide 2005).

Corruption in public procurement markets involves a different process of allocation of contracts' than would have been obtained through a competitive process. Corruption either leads to a situation where the contract is not awarded to the lowest bidder (or who has offered the best solution from qualitative and price standpoints) but rather to the firm who has offered a bribe (or the highest bribe) or to a situation in which there are fewer (true) bidders than would have been the case. In most cases, the end consumer will end up paying more than they would without the bribe and/or will receive lower quality services. In this sense corruption in public procurement implies a distortion of the competitive process (Jenny 2005).

The OECD (2005) observes that, one of the fundamental obstacles in combating fraud and corruption in public procurement is the sheer difficulty in detecting wrongdoings. This difficulty stems from the fact that there's often no clear perpetrator nor victim, rather a group of individuals in collusion, with common interests in maintaining secrecy around their corrupt acts. Corruption in the procurement process is hardly limited to straightforward bribery; many sophisticated means of diverting funds and concealing these diversions exist. In other words, the procurement function is not a cause of corruption; it merely provides an opportunity which the potentially corrupt may seize upon to engage in corrupt practices (Trepte 2005).

Bardhan (2005) notes that, even in democratic countries where many top bureaucrats are political appointees, not career civil servants, corruption is sometimes hierarchically organized, so that political and bureaucratic corruption are interlocked where career civil servants, recruited on the basis of service examinations, are technically independent of political parties, sometimes bureaucrats are beholden to the ruling politicians (because the latter can transfer the former to undesirable postings and locations) and even otherwise are voluntarily complicit in the latter's corrupt deals. Particularly in large government procurement and purchases (often involving various forms of collusion and bid rigging), cases of corruption usually involve the top politicians, hand-in-glove with the bureaucrats.

### **3.4.1. Models of Corruption**

Most economic studies focus on the principal-agent model of corruption. This model focuses on the relationship between the principal, i.e. the top level of government and the agent, i.e., an official who takes the bribes from the private individuals interested in some government produced good (Shleifer; Vishney 1993.).

Bardhan (2005) observes that while most people, including social scientists, emphasize values and ethics, economists usually take a different approach, emphasizing the need for incentives and punishments instead. That cultural anthropologists or sociologists, for example emphasize social norms and moral values, and increasing corruption is seen as moral decay. Economists on the other hand emphasize incentives and organizations.

In addition, the simplest model of corruption is often the case where there are excessive regulations, and in order to interpret and implement these regulations, the bureaucrats are given some powers of discretion and they use that opportunity to indulge in corruption.

Our study has been able to incorporate these models of corruption in a comprehensive approach to develop strategies to ensure compliance to the PPDA procurement rules and regulations and consequently curb corruption in tactical procurement in chapter 8.

### **3.4.2 Consequences of corruption on resource allocation**

In some countries, the person paying the bribe is assured that he gets the government good that he is paying for, and does not need to pay further bribes in the future. In yet other economies, such as many African countries and post-communist Russia, numerous bureaucrats need to be bribed to get a government permit (*contract in our study context*), and bribing one does not guarantee that some other bureaucrat or even the first one does not demand another bribe (Shleifer; Vishney 1993). Bradhan (2005) makes a similar distinction under centralized corruption where you pay one bribe and decentralized corruption where you do not know how many people you have to bribe, and after paying at every point you do not know if the job will get done after all.

Under the no product differentiation according to Rose-Ackerman (1975), a bribe can affect two variables i.e. the identity and the terms on which the sale is made. The impact of corruption on these variables, however, is limited by the care and precision with which the government has delineated its wishes. If the government knows exactly what it wants and finds a large number of sellers willing to supply it, the state will simply purchase the good at the private market price. A deviation can be easily detected, and under a regime of perfect competition sellers have no incentive to bribe the government simply to obtain the contract since they can sell all they wish privately. If no private market exists, bribes can be eliminated by using sealed bids to choose the contractor with the bids made public after the low bidder has been determined.

### **3.4.3 Discretionary aspects of corruption**

For corruption to thrive, the public official should have monopoly power. He/she has the opportunity to restrict the quantity of the good that is sold. We also assume that the official can in fact restrict supply without any risk of detection or punishment from above. Corrupt officials go unpunished because their bosses often share in the proceeds and because public pressure to stop corruption in most countries is weak (Shleifer; Vishney 1993). They make a distinction of corruption with and minus theft.

Rose-Ackerman (1975) affirms that in order to be eligible for a corrupt transaction, the 'bribee' must necessarily be in a position of power, created either by the market imperfections or an institutional position which grants him discretionary authority. She further imputes that for any bribe to be feasible, it is necessary for it to earn excess profits. This means that, unless every firm in the market is corrupt, the potentially corrupt firm must be earning excess profits either because it is more efficient than the marginal firm or because barriers to entry generate monopoly profits for all firms. However, it is still possible that firms will be willing to bribe even when they earn zero excess profits in the absence of bribery, because the higher prices they receive may overcome the additional moral and arrest costs.

The imperative of secrecy entails potentially important cost of corruption, namely its hostility to change and innovation. Keeping corruption secret requires keeping down the number of people involved in giving and receiving bribes. The elite must then include only a small oligarchy of politicians and businessmen and refuse entry to newcomers (Shleifer; Vishney. 1993)

#### **3.4.4 Advantages of corruption.**

Several authors have pointed out that some corruption may be desirable. First, it works as a piece rate for government employees (a bureaucrat might be more helpful when paid directly). Second, it enables entrepreneurs to overcome cumbersome regulations. However, some studies conclude that corruption slows down development (Shleifer; Vishney. 1993).

Bradhan (2005) augments this with the observation that sometimes, some people think that corruption is a way of bypassing mindless regulations. In fact bypassing of regulations takes two different forms that have different implications:

-The bureaucrats are bribed to do what they are supposed to do, effectively they just charge a fee when they do their duty.

-The bureaucrats are bribed to do what they are not supposed to do.

The first is much more common, the case of so-called speed money, where you pay a fee to move your file faster. The problem is that this may generate perverse incentives for the bureaucrat. Instead of speeding up, it may actually end up delaying as the bureaucrats have a vested interest in delays as with more delay they can extract more money. In the case where the bureaucrats are doing what they are not supposed to do can be more insidious. Both the briber and the bribe are in collusion so neither has the incentive to report the case, whereas in the former case after the transaction is done you could report to the higher authorities that you had a legal thing done but you had to pay a fee. So this second kind of corruption can be more persistent.

### **3.4.5 Measures to curb corruption**

The principal-agent model studies examine ways of motivating the agent to be honest, ranging from efficiency wages to indoctrination (Shleifer; Vishney 1993). They propose that to curb corruption without theft, the policy is to produce competition between bureaucrats in the provision of government goods. This would be difficult in our study context as the PPDA law provides for procurement by only the PDU aided by the relevant stakeholders. In the case of corruption with theft, the appropriate policy is to create competition in the provision of government goods while intensively monitoring theft. We handle an aspect of this policy suggestion in chapter 13.

In conclusion, given the foregoing, public procurement entails a complex web of managerial challenges especially corruption that needs multi-dimensional management strategies to control. We however need to examine the impact of decentralization on these strategies.

### **3.5. Dangers of decentralization**

Decentralization though, should not be seen as an end in itself. Awio and Northcott (2001), observe that decentralization does not in itself reduce the potential for corruption, so appropriate control mechanisms are required to minimize its possible effects. Indeed Lubanga (2000) contends that since decentralization not only transfers resources to local government but also transfers the authority to allocate the resources and exercise discretionary power, it has the potential either for reducing corruption or exacerbating it. Gaster (1996) also adds that decentralization is not a panacea, but a promising and adaptable way forward for many authorities, which is true to the Ugandan scenario.

Shah (2006) from a review of literature advances an elaborate number of arguments against decentralization though referred to as localization hereunder:

- Decentralization creates hundreds of new public authorities each having powers to tax, spend and regulate that are liable to being abused in environments where governance is weak decentralization may multiply rather than limit the opportunities for corruption if it is implemented under wrong circumstances.
- Decentralization brings officials in close contact with citizens. This leads to personalism which breeds corruption as officials pay greater attention to individual citizen needs and disregard public interest. Further, higher degree of discretion at the local level and long tenure of local officials making it easier to establish unethical relationships.
- Impediments to corrupt practices also decrease as local politicians and bureaucrats collude to advance narrow self-interests while the effectiveness of auditing agencies and monitoring from the central level wanes. Localization may increase the motivation for corruption among public officials by creating the impression that they are subject to lower monitoring, control and supervision.
- Opportunities for corruption increase as the proportion of informed voters is lower. Lower levels of political awareness at the local levels and less coverage of local elections by the media may also impair local democracy and lead to higher capture by local interest groups (fraction of the richest class).

One of the disadvantages of this structure according to Van Weele (2000) is that different business units may negotiate with the same supplier for the same products, and as a result arrive at different purchase conditions. When the supplier capacity is tight, business units can operate as real competitors to each other. This scenario is played out in local governments in Uganda bidding for limited number of bottleneck items. This is evident in the assertion by Kiberu (2007) that local governments have a challenge of failing to attract competent service providers. Cooperative purchasing could be able to mitigate on these circumstances.

In addition to the observation above, tactical purchasing under a decentralized structure according to Telgen et al. (2005), risks to miss out on opportunities like combining volume, sharing expertise, sharing methods and procedures. Further, the structural circumstances



require multi-skilled personnel given the diversity of the stakeholders with varying and often conflicting interests. Gaster (1996) describes the desirable qualities of the person working under decentralization as one who can comfortably work across traditional boundaries, who can develop networks, who can motivate without directly controlling, who can negotiate and make a case. The essential skills are: communication; decision-making; negotiation; policy implementation; enabling –in the sense of enabling others; self-management.

A centralized/decentralized (Van Weele 2000), or hybrid (Monczka et al. 2005) or coordinated (Telgen et al. 2005) procurement organization structure seems to offer an acceptable solution to the problems encountered in a purely decentralized structure. According to Van Weele (2000), in some major manufacturing companies a corporate purchasing department exists at a corporate level, while individual business units also conduct strategic and tactical purchasing activities. In the Ugandan case, this scenario is akin to the PPDA at the corporate level and the individual municipalities at the business units' level. In this case he explains, a corporate purchasing department usually deals with the design of procedure and guidelines for purchasing. Furthermore, it may conduct audits when requested to do so by the management of the business units. Often, the central department also conducts detailed supply market studies on strategic commodities, the results of which are made available to the purchasing departments of the business units. Furthermore, this corporate purchasing department may serve as a vehicle to facilitate and/or solve coordination issues between divisions or business units. However, no tactical procurement activities are conducted here, a fact equally acknowledged by Telgen et al. (2005). Finally Van Weele (2000) concludes that the corporate purchasing department may be responsible for human resource management in the purchasing and supply.

The hybrid/ coordinated purchasing structure is what in effect, the PPDA Act No.1 2003 has instituted in Uganda with the establishment of the PPDA. Monczka et al. (2005) makes a pertinent observation to the effect that most organizations should benefit from a structure that retains the advantages of a centrally led purchasing group but also is responsive to plant and divisional purchasing requirements. This is not as difficult as it sounds- if executive management is willing to focus on the importance of organizational design (the core of this

study). He opines in his concluding remarks that, just as having the right people, systems and performance measures in place is critical to the purchasing success, so too is having a properly designed organization. Careful attention to assessing and selecting the structure and formal system of communication, division of labour, coordination, control, authority, and responsibility will make the attainment of supply management objectives more likely. We take a cue from this discourse and make novel organizational designs in chapter 14.

In conclusion, whereas decentralization has innate advantages, it should not be taken as an end in itself. Hence a balance should be sought that enables effective tactical procurement in local governments in Uganda to thrive.

### **3.6. The way forward in tactical procurement management.**

Shah (2006) poses a question to the effect that, what can policy makers do to combat corruption? Given the high endemic level of corruption in procurement in Uganda, his model on how to formulate a strategy becomes important for consideration in our study despite its generic nature. His model divides developing countries into three categories – “high”, “medium” and “low”- reflecting the incidence of corruption. The model also assumes that countries with “high” corruption have a low quality of governance, those with “medium” have “fair” governance, and those with “low” corruption have “good” governance as shown in the table below:

#### **One Size Does Not Fit All: Effective anti-corruption policies specify pecking order of reforms based upon recognition of broader institutional environment in each country.**

<b>Incidence of corruption</b>	<b>Quality of governance</b>	<b>Priorities of anticorruption efforts</b>
High	Poor	Establish rule of law, strengthen institutions of participation and accountability; establish citizens’ charter, limit government intervention, implement economic policy reforms.

Medium	Fair	Decentralize and reform economic policies and public management and introduce accountability for results.
Low	Good	Establish anticorruption agencies; strengthen financial accountability; raise public and official awareness; anti-bribery pledges, conduct high profile prosecutions.

**Table 2: Anti-corruption strategy model**

What this model reveals is that because corruption itself is a symptom of fundamental governance failure, the higher the incidence of corruption, the *less* an anti-corruption strategy should include tactics that are narrowly targeted to corrupt behaviours and the *more* it should focus on the broad underlying features of the governance environment. Consequently the Ugandan anti-corruption strategy in procurement would fit under the “high” incidence of corruption and “poor” quality of governance with the corresponding priorities of efforts.

**3.7. Implications**

Due to the changing business environment as well as the decentralized government environment context that has empowered the citizens to participate in the decision-making process in Uganda, there has been an increase in the quest for accountability and quality of the goods, services, and works delivered to them in the respective areas of jurisdiction in local governments. The print and electronic media is awash with stories demanding for investigation of tender awards by Contract Committees. Further, complete tasks are being contracted out which requires a close cooperation and frequent communication and even entire functions are outsourced, resulting in hardly separable processes between suppliers and local governments in Uganda. This requires new management, leadership and conceptual skills.

Despite the reforms however, tactical procurement management is yet to demonstrate any tangible professional approach in terms of coordinated procurement and participating in

cross-functional teams. It has not yet built up the confidence required to gain support from the Councils, suppliers, Accounting Officers and the general public. It is yet to market itself with demonstrated evidence of a professional approach.

Given the scenario pertaining in tactical procurement in local governments in Uganda and reviewed literature, the following interrelated questions are posed for analysis:

Tactical procurement dimension	Observation	Question(s)
Process	<ul style="list-style-type: none"> <li>• There are several tactical procurement processes.</li> <li>• In Uganda, tactical procurement in local governments is conducted following the PPDA procurement cycle.</li> </ul>	<ul style="list-style-type: none"> <li>• Does the PPDA procurement cycle explicitly provide for the practice of professional tactical procurement?</li> </ul>
Methods	<ul style="list-style-type: none"> <li>• There are several methods per step in the procurement process. They may be both qualitative and quantitative.</li> <li>• There are few methods in literature and in practice before the final selection phase in tactical procurement. The quality of the selection phase is largely dependent on the steps prior to it.</li> <li>• The methods to be used in local governments in Uganda are stipulated in the PPDA Act. No.1 2003 and the Local Governments (PPDA) Guidelines, 2008.</li> </ul>	<ul style="list-style-type: none"> <li>• Are the methods stipulated in the PPDA rules and regulatory framework flexible to accommodate the number of stakeholders in the decentralized local governments?</li> <li>• Do the methods stipulated in the PPDA rules and regulatory framework provide for checks and balances (four-eyes principle) to curb corruption?</li> </ul>

The overall purpose is to examine the extent to which the tactical procurement process and methods within the PPDA legal and regulatory framework have been appropriately designed and adapted to curb corruption and promote integrity in tactical procurement in local governments in Uganda.

In light of the above, the study's proposition is that the current management structure in which tactical procurement is conducted under the Contracts Committees and PDUs' in the local governments is inadequate for effective tactical procurement to curb corruption. There is hence a need for analysis to enable restructuring of its decision-making strategies which is undertaken in the subsequent chapters.

**PART II: ANALYSIS OF THE INTEGRITY OF PROCUREMENT IN UGANDA**

## **Chapter 4 Decision-making models in tactical procurement.**

### **4.1. Introduction.**

Public procurement is the government activity most vulnerable to corruption. Lack of transparency and accountability were recognized as a major threat to integrity in public procurement (OECD 2007a). In addition, several developments further complicate purchasing decision-making. Globalization of trade and the Internet enlarge a purchaser's choice set. Changing customer preferences require a broader and faster supplier selection. Public procurement regulations demand more transparency in decision-making. New organizational forms lead to the involvement of more decision makers. These developments strongly urge for a more systematic and transparent approach to purchasing decision-making, especially the area of supplier selection (De Boer et al. 2001).

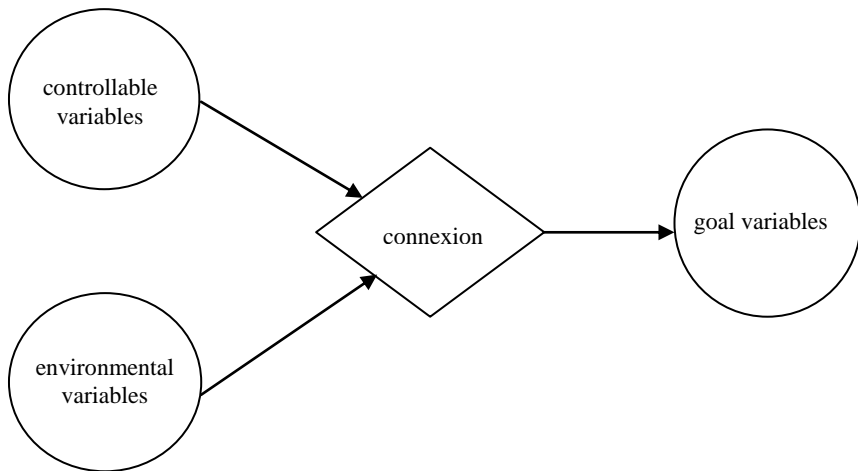
In this chapter we focus on decision making models because ultimately a tactical procurement decision comes down to choosing the best evaluated bidder.

### **4.2. A procurement decision making model**

The basis of making a decision is formed by what is sometimes referred to as a decision making model, or a mental or conceptual of the decision making situation. The elements of such a model typically are (Betrand et al. 1990 in De Boer and Van Stekelenborg 1995):

- Goal variables: as each decision is made in the light of the realization of certain goals, norms on these goals have to be specified. Besides, performance indicators should be determined based upon the goal variables.
- Controllable variables: these are the variables that are at the disposal of the decision; variables that are manipulated directly by the decision taken. Decision alternatives are stated in terms of these controllable variables.
- Environmental variables: the goals aimed at by making the right decisions are also influenced by variables, which are uncontrollable.

The connection between goal, controllable and environmental variables can be interpreted as the decision making model. Essentially, a decision comes down to finding and choosing the alternative that yields the highest value of the goal function ('optimizing') or does not exceed certain norms ('satisficing') given the actual state. Their connection can be illustrated below:



**Figure 7: A general decision making model**

The general decision making model described above is derived from the classic or formal decision theory. This theory considers a decision to be an act of rational choice and assumes all information given (e.g. the controllable and environmental variables). De Boer and Van Stekelenborg (1995) however critique this as follows:

Classic decision theory either ignores uncertainty completely or considers uncertainty only with respect to the happening of certain events (e.g. environmental events). In addition, the classic interpretation of uncertainty may not always be appropriate. Apart from uncertainty in a stochastic sense, imperfect information can also mean that because of their vague character, elements (variables) of a decision themselves cannot be defined as precise as assumed in classic theory. Second, the classic decision model must be extended if interrelated decisions are being considered or if several (conflicting) goals must be taken



into account. Finally the person or group of persons responsible for a decision are not considered in the classic model.

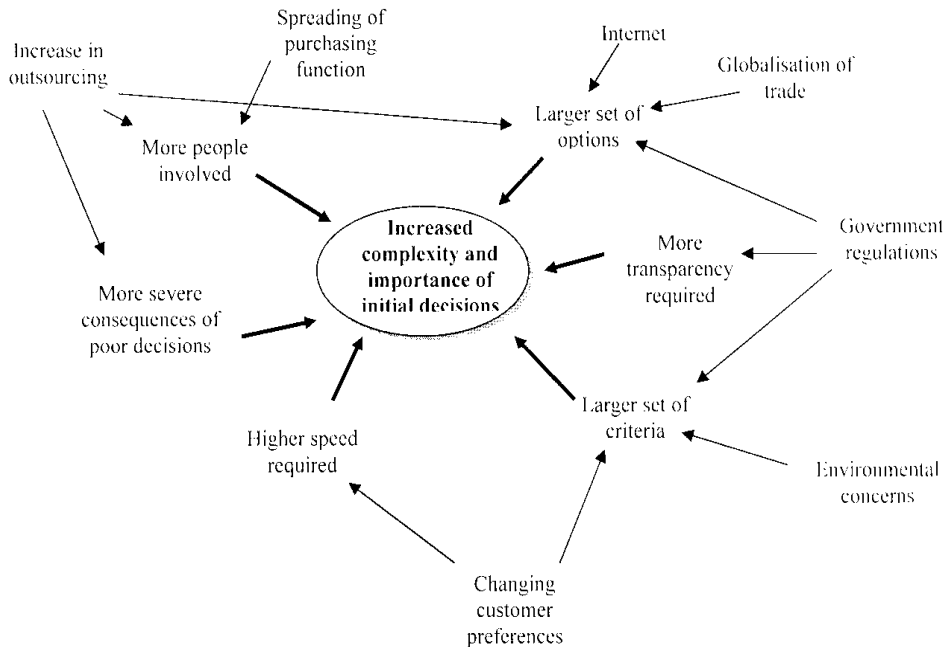
We provide a procurement decision model based upon the general model. This is adapted from De Boer (1998); De Boer and Van Stekelenborg (1995). This is that goal variables are related to the objectives of procurement. The procurement department may set a variety of goals e.g. a certain reduction of purchasing expenditures, improved satisfaction with the purchasing department's service, process innovation, reducing the number of suppliers etc.

The controllable variables are those variables at the disposal of procurement; their decision making alternatives. Controllable variables are therefore closely related to the supply situation defined by the characteristics of the external supply market and the internal market demand. A procurement department may choose from a vast number of actions e.g. all kinds of gradations of 'make' and 'buy', changing specifications, adding or replacing suppliers, apply different types of contracts, intensify supplier relationships or turn towards a more 'arms' length approach etc'. The environmental variables or uncontrollable variables are those factors that cannot directly be influenced by the procurement department such as business policies, legislation, exchange rates etc.

Hence, the goal, controllable and environmental variables are sufficiently available in procurement to constitute a model.

### 4.3. Need for and evaluation decision models in tactical procurement

The initial purchasing decisions (tactical purchasing) which involves specification, selection and contracting of suppliers are faced with changing developments in the business and government environment illustrated below:



**Figure 8: Complexity of tactical purchasing**

*Source: De Boer (2000)*

The depiction of the complexity of tactical purchasing is equally true of the situation affecting local governments in Uganda. This is manifested in government regulations under the PPDA Act N0.1 2003, in which local governments are supposed to ensure the application of fair, competitive transparent, non-discriminatory and value for money procurement and disposal standards and practices. Hence, the requirements are that procurement officers in local governments follow specified procedures in the Local

Government Procurements (Public Procurement and Disposal of Public Assets) Guidelines, 2008.

The increased complexity and importance of tactical procurement necessitates an efficient decision making process in local governments in Uganda. Members of the Evaluation Committee, Contracts Committee and procurement officers in the PDU must decide on how they are going to evaluate the tenders they receive. In addition, the requirement of supplier selection according to objective criteria means that there must be a system for the explicit, systematic and unambiguous approach especially at the formulation of the criteria and the process of arriving at a final ranking of the tenders based on these criteria.

De Boer (1998) from an elaborate literature review makes arguments for explicit decision models. These are that:

There is the argument of the quality of the decision being made. He cites Downs (1967) that in general, and also in purchasing, decision quality is considerably limited by human intellect. Unguided and intuitive decision making is susceptible to many forms of inconsistency and some form of explicit decision analysis is necessary to help decision makers' structure, understand and in some way shape their problem; they should not rely on mental models (French, 1985).

Further, explicit models seem very helpful in facilitating communication between individuals as well as communication within groups. This is becoming more and more important as the procurement function is increasingly spreading through the organization and actively involves an increasing number of people in decision making activities.

Closely related to the issue of communication and explanation is the aspect of justification of purchasing decisions which is becoming increasingly important both within private as well as government organizations. For the latter, it is actually compulsory to explicate the supplier selection decision for any major purchase. For the private firms, not only the growing size of the outsourcing volume but also the increasing attention for ethics in

business are important drivers of the growing need to justify actions and decisions in procurement.

Finally, De Boer (1998) argues that, the design of adequate procurement information systems not only requires an explicit representation of the key-variables in procurement but also (and not in the least) their interconnectedness.

Based on analysis of Operations Research (OR) models, De Boer and Van Stekelenborg (1995) argue that decision models can enhance the effectiveness of tactical procurement for example in cost reduction by:

- Aiding the procurer in solving the 'right problem' (e.g. refrain from dropping a supplier when the delivery problems are actually caused by feeding the supplier with outdated information).
- Aiding the procurer in taking more relevant alternatives criteria into account when making decisions.
- Aiding the procurer to more precisely model the decision situation (e.g. dealing with intangible factors and group decision making).

In addition, OR-models may improve the efficiency of tactical procurement decision making by:

- Enabling automated and faster computation and analysis of decision making information.
- Enabling more efficient storage of procurement decision making processes and access to information for future cases.
- Eliminating redundant criteria and alternatives from the process.
- Facilitating more efficient communication about and justification of the outcome of decision making processes.

Whereas there are other criteria for evaluation of decision models, we adopt the De Boer and Van der Wegen (2003) criteria. They cite Timmermans (1991) and Rohrmann (1986) on methodology for investigating prescriptive decision models. Based on an extensive survey of the literature, Timmermans summarizes the criteria for evaluating decision models into three categories, namely outcome criteria, process criteria and practical criteria. Rohrmann (1986) suggests the following categories of evaluation criteria: decision quality, indirect benefits, practicality, user satisfaction and economy. They combine the contributions of Timmermans and Rohrmann in order to assess the degree to which the models fit the complexity of the situation and seem useful from a cost/benefit perspective in the table below:

Table 3: Criteria for evaluation of the decision models for supplier selection

Dimensions	criteria
Complexity-fit	C1: Does the model aggregate information in a proper way? C2: Does the model sufficiently utilize available information? C3: Is it (to a satisfactory extent) possible to incorporate opinions and beliefs? C4: Is it (to a satisfactory extent) possible to achieve fair participation of individual members in case of a group decision? C5: Is the model sufficiently flexible for changes in the decision situation?
Cost/benefit	C6: Is the outcome of the decision model useful? C7: Is the outcome of the decision model acceptable? C8: Are the required investment justifiable? C9: Is the model sufficiently user friendly? C10: Is the way the decision model works sufficiently clear? C11: Does the decision model increase insight in the decision situation? C12: Does the decision model contribute to the communication about the justification of the decision?

	C13: Does the decision model contribute to your decision making skills?
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The criteria above however, do not particularly take into account the dimension of governance in public procurement. This is especially under the system of failed governance i.e. afflicted by corruption and specifically in the decentralized context in the Ugandan situation. We subsequently propose the following additional governance criteria.

Dimension	criteria
Governance	<p>C14: Does the existing regulatory framework cover the relevant steps in the decision model?</p> <p>C15: Does the decision model explicitly delineate the role of each stakeholder?</p> <p>C16: Does the decision model accord sufficient discretion to the procurement officials?</p> <p>C17: Are there sufficient sanctions/mechanisms in the model to control errant officials?</p>

**4.3. An analytical framework for tactical procurement decision making**

De Boer (1998) examines three streams that dominate the literature on decision making. Authors in the descriptive stream are concerned with the question: “How and why do people make decisions?” This type of research is highly empirical and descriptive decision models are evaluated by their empirical validity. i.e. the extent to which these models explain and predict observed real situations.

The normative stream comprises the contributions from authors who are interested in the question: “How should peoples ideally make decisions?” The research emphasis is thus not strictly empirical but involves a dynamic interaction between the real world, imaginations

about the real world and abstract mathematical systems and axioms. Normative decision models are evaluated by their theoretical soundness, i.e. the extent to which they provide acceptable idealizations or rational choices.

Research within the prescriptive stream captures elements of both the normative and the descriptive. Basically, prescriptive research is concerned with the question: “How can we help people making better decision (not necessarily ideal) decisions while still taking into account human cognitive limitations?”. Decision models that result from prescriptive research are evaluated by their pragmatic value, i.e. the extent to which they help people making better decisions.

In the next section, we analyze a number of decision making processes in procurement so as to adapt one that can help the various stakeholders (procurement officers, councilors and other staff) in local governments in Uganda make better decisions.

#### **4.3.1. The decision making process**

De Boer and Van Stekelenborg (1995) observe that, decision making can be seen as part of management of any organization. That decision making is part of the problem solving task of management. Decision making is related to the solving of problems, i.e., a selection of an act or courses of actions from among alternative acts or courses of actions is made, such that it will produce optimal results under some criteria of optimization. Problem solving, however, also involves recognition that problems exist, interpretation and diagnosis and implementation of whatever solution is thought to be appropriate. Moreover, solving one problem may involve many decisions. Finally, management also involves leadership and authority (coordination), communication, besides problem solving and decision making.

Summarily, they add that numerous process oriented perspectives on problem solving and decision making exist in literature. Summarized, they comprise the following activities:

1. Define the problem (i.e., observe a system, become aware of the problem, formally recognize a problem by measuring a gap between the existing goals and the current

state of affairs, interpretation and diagnosis of the problem and finally define the problem);

2. Set objectives and expected performance (i.e. goals) and their relative importance;
3. Search for alternatives/options;
4. Compare and evaluate alternatives/options against the established objectives and future possible adverse consequences;
5. Choose/select and alternative/option including justification and authorization; and
6. Implement the decision.

In their teaching material on supplier selection, De Boer et al. (2006) use a simple 5-step approach for supplier selection i.e.

#### **The 5-step approach**

1. Choose criteria
2. Relate criteria to each other
3. Choose weights for the criteria
4. Choose scoring methods for the criteria
5. Determine winner.

Using practical examples, they demonstrate mistakes and miracles that can occur in supplier selection, like undesirable outcomes and fraud.

Based on the prescriptive framework for analyzing purchasing decision making developed by De Boer (1998), we analyze the Monczka et al., (2005) explained in 3.2 and the De Boer et al. (2006) approach as follows:



**Table 4: Analysis of decision making approaches**

Dimension	The De Boer et al., (2006) approach	The Monczka et al., (2005) approach.
Criteria	two dimensional (price and quality; price and delivery time), quantitative	multi-dimensional, qualitative and quantitative
Concept of decision	isolated problem, well defined objective in advance, maximization, on best solution	problem interrelated with other problems, emerging objectives at best, satisficing, several solutions acceptable.
Decision maker	one; consensus assumed	several actors; possible conflict
Concept of uncertainty	deterministic: perfect information (everything is given)	uncertainty with respect to happening of events or outcomes and decision elements cannot be defined precisely.
Focus of decision support	Choice phase; efficient search for maximal solution	Intelligence, design and choice phase; defining the problem, ordering and selection of alternatives.

The De Boer et al. (2006) model lies in the normative stream of decision making literature. It is interested in answering the question: How should people ideally make decisions?. The Moncka et al. (2005) approach is embedded in the descriptive view of decision making. It deals with the question: How and why do people make decisions? It gives practical examples of how people in real life situations have undertaken tactical procurement. It explains and predicts observed real decisions. It however, does not explicitly provide for the

relate criteria to each other and choose scoring methods steps. These are critical steps that are usually not acknowledged in practice and consequently given too little attention.

The two approaches separately do not adequately answer the purpose of our study. We seek to help the stakeholders (procurement officers, councilors' and other staff) manage tactical procurement better so as to curb corruption and promote integrity in local governments. We hence, compare and contrast the Monczka et al. (2005) approach with the De Boer et al. (2006) decision making process approach. This is undertaken on the backdrop of the procurement cycle in local governments in Uganda. We subsequently adapt our 8-step model illustrated in the table below:

**Table 5: The 8-step model for supplier selection**

<b>The Monczka et al. (2005) model</b>	<b>The De Boer, et al., (2006) model</b>	<b>Our adapted 8-step model</b>
1. Recognize the need for supplier selection		(1) Recognize the need for supplier selection
2. Identify key sourcing requirements.		(2) Identify key sourcing requirements
3. Determine sourcing strategy	1. Choose evaluation criteria	(3) Choose evaluation criteria
4. Identify potential supply sources		
5. Limit suppliers in selection pool		(4) Prequalification
6. Determine method of supplier evaluation and selection	2. Relate criteria to each other	(5) Relate criteria to each other

	3. Choose weights for the criteria	(6) Choose weights for the criteria
	4. Choose scoring methods for the criteria	(7) Choose scoring methods for the criteria
7. Select supplier and reach agreement	5. Determine winner	(8) Determine winner

**4.3.2. The 8-step model**

The 8-step model is given in the last column of table 5. Given the purpose of our study, it is strongly built on a prescriptive view of decision making. It is concerned with the question: How can we help people make better (not necessarily ideal) decisions while still taking into account human cognitive limitations? It is appropriate as well given the challenges faced in local governments in Uganda (in section 2.5) particularly limited capacity in the procurement cadre. The challenges impair the attainment of substantive rationality hence the pursuit of procedural rationality by the model. It also considers support in all phases of the decision making process. De Boer (1998) aptly puts it that, an important contribution of the prescriptive view is the recognition that there’s far more to decision making than just the choice phase, the phases preceding the choice can be supported as well.

The study is cognizant of a pertinent assertion by De Boer et al. (2001) to the effect that the key point is to consider decision models as instruments for eliciting, communicating and scrutinizing one’s personal and subjective preference structures and uncertainties rather than the rigid format of replacing this all. Also, that the vast majority of the publications found seem to have been written in the context of selecting a supplier for the purchase of a product to be used in a manufacturing environment. More specifically, further research on the

suitability of decision methods for supplier selection in Government Procurement systems seems at place given the relatively higher need for justifying public procurement decisions.

The observation in this chapter is that the contemporary models do not adequately address our concerns in relation to tactical purchasing in a decentralized context in local governments in Uganda hence the justification for the adaptation of our 8-step model.

## **Chapter 5 Analysis of the 8-step model**

### **5.1. Introduction**

In this chapter, we examine the analytically adapted 8-step model for tactical procurement within the Ugandan procurement legal and regulatory framework.

### **5.2. Analysis of the 8-step model.**

The purpose is twofold. First is to assess the adequacy of the legal and regulatory framework in addressing contemporary procurement practices. Secondly, we examine the provisions in the PPDA Act No.1 of 2003 regulatory framework in relation to our contemporary model to suit its conduct. We combine this with the challenges faced or it's likely to face from an analysis of literature. These are mapped onto the 8-step model as shown below:

**Table 6: An analysis of the 8-step model**

Activity	Roles/ responsibility	Provisions in the PPDA regulations	Challenges
1. Recognize the need for supplier selection	<ul style="list-style-type: none"> <li>-User departments</li> <li>-Procurement unit</li> <li>-Accounting officer</li> <li>-Councils</li> </ul>	<p>-Regulation 60: Every user department shall prepare a work plan for procurement based on the approved budget, which shall be submitted to the PDU for implementation and may seek assistance where necessary.</p>	<ul style="list-style-type: none"> <li>-Inadequate procurement planning (PPDA 2007).</li> <li>-Bill of quantities missing in procurement plans (Commission report on Mbale Municipal Council 2008)</li> </ul>
2. Identify key sourcing requirements	<ul style="list-style-type: none"> <li>-User departments</li> <li>-Procurement unit</li> </ul>	<p>-Regulation 104 (1): Procurement requirements shall be documented using PP Form 20 in the Ninth Schedule, and shall include-</p> <ul style="list-style-type: none"> <li>(a) a clear indication of the works, services or supplies required.</li> </ul>	<ul style="list-style-type: none"> <li>-No evidence of specification reviews being undertaken in all bid protests and literature reviewed.</li> <li>-Inadequate capacity to fill forms with clear specifications (Kiberu 2007).</li> </ul>
3. Choose criteria	<ul style="list-style-type: none"> <li>-Procurement Unit</li> <li>-User department.</li> </ul>	<ul style="list-style-type: none"> <li>-Regulation 168 (1): The evaluation shall be conducted in accordance with the methodology and criteria stated in the solicitation document and a written evaluation report shall be produced.</li> <li>-Regulation 168 (2): No other methodology or criteria shall be used except that stipulated in the solicitation document.</li> </ul>	<ul style="list-style-type: none"> <li>-The solicitation documents are prepared by the procurement unit and are approved by the Contracts Committee before invitation for bids and the subsequent evaluation. User departments are hardly involved.</li> </ul>

Activity	Roles/ responsibility	Provisions in the PPDA regulations	Challenges
4. Pre-qualification of potential suppliers.	-Evaluation Committee	<p>-Where necessary, potential suppliers are presumed to have already been pre-qualified as per regulation 125, 126.</p> <p>However:</p> <p>-All evaluations consist of three stages:</p> <p>1. Preliminary Examination; this is a brief assessment of whether each bid is eligible and administratively compliant to the basic instructions and requirements of the solicitation document. Eligibility and compliance shall be determined on a pass or fail basis and a bid, which is not eligible or substantially compliant, shall be rejected. At this stage, unsuitable bidders such as those who are not registered companies or do not avail bid security where necessary are eliminated</p>	<p>-Withholding of information on ineligible bidders (IGG report on Kabale Municipal Council)</p> <p>-Poor records management hence ineligible bidders are pre-qualified (Kiberu 2007).</p>

Activity	Roles/ responsibility	Provisions in the PPDA regulations	Challenges
5. Relate criteria to each other	-Evaluation Committee	-Regulation 175 (1) (a): The evaluation Committee shall jointly discuss the criteria and any sub-criteria to ensure that all members have a common understanding of the criteria and their relative importance.	-Despite the joint discussion there's still the problem of imprecision and indetermination as reflected in Regulation 175 (1) (g) where the evaluation committee agrees that there has not been a consistency of approach or where discussions reveal a misunderstanding of a criterion or a bid, one or more evaluators may be permitted to adjust his or her individual scores;
6. Choose weights for the criteria	-Evaluation Committee	-The relative weighting of technical and cost element are decided in advance and are stated in the bid document. The relative weights to be given to the technical and financial components of the evaluation are chosen taking into account the nature of the assignment, the complexity and the relative importance of the technical aspect of the bid (The Quality and Cost Based Selection (QCBS) method in the Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008).	<p>-This provision is only in the Quality and Cost Based Selection (QCBS) method in the Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008.</p> <p>-All the other methods are lacking this provision.</p> <p>-It does not state explicitly, how and by whom the relative weighting is supposed to be done.</p> <p>-This is a practice rarely done and can be attributed either to inadequate skill to do it or as a measure to manipulate the evaluation process through use of vague procedures.</p>



Activity	Roles/ responsibility	Provisions in the PPDA regulations	Challenges
7. Choose the scoring methods for the criteria	Evaluation Committee	<p>-The scoring methods are provided for in Regulation 173</p> <p>-In the QCBS method, it is provided for that: The bid with the highest technical score shall be given a financial score of 100; other bids shall be given a financial score that is inversely proportional to the lowest evaluated price.</p>	<p>-The procurement policy seems to be based on the idea that once the buyers' subjective values have been expressed in terms of weights, the remainder of the process can be considered as a value free administrative exercise.</p> <p>-Mistakes are bound to occur. De Boer et al. (2006) using practical examples demonstrate that formal supplier selection is far from straightforward. Choice of the scoring method is no easy task. Applying slightly different models to the same case may result in drastic differences in the selection of the winner.</p>

Activity	Roles/ responsibility	Provisions in the PPDA regulations	Challenges
8. Determine the winner	Evaluation Committee & Contracts Committee	-The Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008 in their summary provide that: The final evaluation report shall contain recommendations on: the best evaluated bidder.	<p>-There are still bound to be problems in the Technical Compliance Selection method. It provides that: A technical (detailed) evaluation shall be conducted on only a bid which is determined to be eligible and compliant. The detailed evaluation shall be conducted on a pass or fail basis; a non responsive bid shall be rejected and eliminated from further evaluation. This is akin to using the method in the pre-qualification (first) stage.</p> <p>-This method is categorical. It's an intuitive process relying heavily on memory, personal judgment, and experience and ability of the buyer. It also weights the criteria equally which rarely happens in practice (De Boer 2006)</p> <p>-Consequently it's the least precise of the evaluation techniques.</p> <p>-Stakeholders charged with procurement in the local governments and policy maker seem to disregard or be ignorant of the multitude of model available which may lead to confusion about which models to apply.</p>

**5.3. An overview of the detailed 8-step model for supplier selection.**

**Table 7: An overview of the detailed 8-step model for suppliers selection**

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
1. Recognize the need for supplier selection	Recognize that there's a requirement to evaluate and select a supplier for an item or service	√	<p>-Lack of systematic analysis of the need to make or buy e.g. use of outsourcing analysis (Transaction Cost Economics) would have avoided the contracting of incapable suppliers (Commission report on Mbale MC 2008).</p> <p>-Tendency to overlook internal transaction costs e.g. the works department was understaffed to effectively supervise and monitor the outsourced works (Commission report on Mbale MC 2008).</p> <p>-Technical staff in the Mbale MC such as the Municipal Engineer, the Land Management Supervisor, the Education Officer and the Chief Finance Officer are incompetent, have an incredibly poor performance record and are embroiled in corrupt practices. A number of staff do not have the requisite qualifications and competencies for the jobs/posts held (Commission report on Mbale MC 2008).</p>

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
2. Identify key sourcing requirements (Specification)	<p><b>2.1. Product related specification</b>  2.1.1. Physical characteristics (Functional specifications)  2.1.2. Performance characteristics (Technical specifications)</p> <p><b>2.2. Commodity strategy</b>  2.2.1. Single sourcing  2.2.2. Multiple sourcing</p>	<p>√</p> <p>X</p>	<p>-Contracts awarded without Bill of Quantities resulting into financial loss from inflated works (Commission report on Mbale MC 2008).</p> <p>Most of the work is packaged in single lots whose demands are so high which consequently disadvantage local SME's in that:</p> <p>-The scope of work is so huge that it automatically eliminates small firms e.g. six roads totaling 160kms in different locations are brought into one package of consultancy assignment.</p> <p>-The bid security requirements are so heavy.</p> <p>-Years of experience required is for a long period</p> <p>-No capacity building opportunities offered (Alita 2008)</p>

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
2. Identify key sourcing requirements (Specification)	<p><b>2.3. Programme of requirements</b>            Specifications have to be drawn up before suppliers are selected. These are included in a Programme of Requirements which may include:</p> <ol style="list-style-type: none"> <li>1. Instructions to bidders</li> <li>2. Price schedule</li> <li>3. Terms and conditions</li> </ol> <p><b>2.4. Supplier involvement</b>            -Suppliers may also be involved especially in complex purchases as they may contribute knowledge. However. This should be considered upfront to make sure the desired communication can take place.</p>	<p style="text-align: center;">√</p> <p style="text-align: center;">X</p>	<p>-No evidence of specification reviews being undertaken in all bid protests and literature reviewed.</p> <p>-Inadequate capacity to fill forms with clear specifications (Kiberu 2007).</p> <p>-No problems registered</p>

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
3. Choose evaluation criteria.	<p>3.1. Nature of the process – The last part of the specification stage is to draw up selection criteria against which supplier proposals will be evaluated later.</p> <p>-To make the initial selection it is necessary to define supplier selection criteria. These are derived from the Programme of Requirements (POR).</p> <p>3.2. Steps in the process.</p> <p>-Contact representatives’ from the user departments as well as those in any other roles relevant to acquisitions (purchasing) e.g. finance.</p> <p>-Ask them to individually construct lists of elements they consider important in choosing among suppliers.</p> <p>-It is important to note that no communication takes place at this point.</p>	<p>√</p> <p>X</p> <p>X</p> <p>X</p>	<p>-There’s a lack in the purchasing literature for the formulation of criteria and their qualification (Aissaoui, et at. 2006), however, decision criteria must be made under the consensus of a multidisciplinary group of decision-makers with various points of view and representing different services in the organization (Sarkar and Mohaptra 2006)</p> <p>-No bid protests registered more likely because this step and the subsequent ones are not only missing in the procurement cycle but are also not used.</p>

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
4. Pre-qualification	<p>5.1. Identify all potential suppliers – review of potential supply market – Market research to make a proper initial supplier selection.</p> <p>5.2. Request for Quotations (RFQ) &amp; List of Requirements (LOR) based on POR.</p> <p>5.3. Sifting applications/Limit suppliers in a selection pool/ sorting – The evaluation of proposals is done by judging them against the proposal criteria.</p>	<p>√</p> <p>√</p> <p>√</p>	<p>-Reserve prices not included in bid documents</p> <p>-Withholding of information on ineligible bidders (IGG report on Kabale Municipal Council)</p> <p>-Poor records management hence ineligible bidders are pre-qualified (Kiberu 2007).</p>
5. Relate criteria to each other	<p>-Arrange the identified items/elements into homogenous categories. These can be merged and modified to result in one master list of criteria (Aissaoui 2006).</p> <p>-The importance between selection criteria and proposal criteria is important to note (The use of criteria identified by Dickson 1996 in Weber et al., 1991 may serve as a benchmark. The criteria may also be classified into performance and capability factors (Sarkar and Mohaptra 2006)</p>	<p>X</p> <p>X</p>	<p>-No protests registered more likely because this step and the subsequent one are not only missing in the procurement cycle but are also not used</p>

Step	Procedure	Covered in procurement cycle	Problem identified in the bid protests and literature
6. Choose weights	<p>-The selection criteria list generated during the relate of criteria step should be returned to each contributor for review and weighting of the categories and individual criteria.</p> <p>-Linguistic variables that represent predefined fuzzy numbers may be used (Sarkar and Mohaptra 2006).</p>	X	-No protests registered more likely because this step is not explicitly provided for in the procurement cycle
7. Choose scoring methods for the criteria	- Care should be undertaken in the selection of which scoring methods to use. Examples are provided in chapter 13.	X	- No protests registered more likely because this step is not provided for in the procurement cycle. It has however been provided for in The Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008.
8. Determine winner	-The Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008 in their summary provide that: The final evaluation report shall contain recommendations on: the best evaluated bidder.	√	-Unclear manner in which the winners of tenders are determined. Hence allegations of bribery.

√ = Covered in the procurement cycle  
X = Not covered in the procurement cycle.



## 5.4. Implications

An analysis of the 8-step tactical procurement decision model reveals that the PPDA procurement cycle is riddled with challenges, mistakes and errors. An overview of these items is given below:

An effective and efficient supplier selection is based on well defined criteria. Indeed Rose-Ackerman (1975) argues that under product differentiation, the government should have a well-defined preference function over the goods offered by the different firms so that it will accept a less preferred alternative only if the price is lower. Unfortunately, this is not the case in the municipalities in Uganda. First, there is no evidence of specifications being undertaken. Even where they attempt to take it, there's inadequate capacity to fill forms with clear specifications.

Secondly, Regulation 175 (1) (a): provides that the evaluation Committee shall jointly discuss the criteria and any sub-criteria to ensure that all members have a common understanding of the criteria and their relative importance. Further, that the relative weighting of technical and cost element are decided in advance and are stated in the bid document. The relative weights to be given to the technical and financial components of the evaluation are chosen taking into account the nature of the assignment, the complexity and the relative importance of the technical aspect of the bid (The Quality and Cost Based Selection (QCBS) method in the Local Governments (Public Procurement and Disposal of Public Assets) guidelines, 2008 is rarely done.

The observations above confirm the vulnerability of supplier selection to corrupt opportunities. This is exacerbated by the fact that, the basic procedures to ensure a transparent and accountable evaluation and award of contracts are either lacking or where they exist, they are not prudently undertaken. This is demonstrably exhibited in the supplier evaluation step. Here, the Evaluation Committee establishes the evaluation criteria and proceeds with the evaluation thereafter. This is akin to being

the judge and the jury in a court case. We observe a scenario of too much power and discretion being accorded to the evaluation committee with no checks and balance in as far as contract evaluation and awards in tactical purchasing is concerned in municipalities in Uganda. This is amidst procurement practice being ruled by mistrust.

Succinctly put, the procurement guidelines given to the local government officials are vague, thereby increasing the costs of effective monitoring and reducing the possibility of detection of serious diversions from contemporary tactical procurement and supplier selection practices in particular.

In conclusion, Ware et al. (2007) aptly put it that, the juxtaposition of high volumes of expenditure, excessive and unbridled discretion afforded to public officials, and the presence of dependent private sector contractors often creates a ready market for corruption in public procurement.

## **Chapter 6 Bid protests as a measure of integrity in public procurement: a descriptive study of municipalities in Uganda**

### **6.1. Introduction**

Bid protests act as triggers to show the weaknesses of the system and ineffectiveness of reforms that have been introduced. They however, provide information that is useful to the management of the procurement cycle and pin point specific areas or risks or weaknesses in the implementation process.

The focus of this chapter is to establish the most prone areas to corruption in the procurement process/cycle using bid protests. This is one of the avenues of detecting corruption and whose findings can ensure integrity in the procurement process. Bid protests which emerge from disappointed bidders who may challenge a solicitation issued by a government contracting officer for failing to comply with a myriad of laws, regulations and processes governing government contracts or also challenge the decision to award a contract to another bidder and in limited circumstances may challenge a modification to an existing contract still persist (Drabkin et al., 2004).

### **6.2. Methodology**

In Uganda, administrative reviews are provided for in the PPDA Act No.1. of 2003, section 89-91. In the study, we analyzed procurement investigation reports from the PPDA website ([www.ppda.go.ug](http://www.ppda.go.ug)) as well as the Corporate Plan 2006-2009. To obtain a representative sample in local governments, we focused on the municipalities bid protests as they are urban local governments unlike districts. They hence are more likely to have fully constituted PDUs' and Contracts' Committees'; have a larger number of literate bidders who are knowledgeable of the procurement rules and can institute bid protests.

**Table 8: Bid protests composition**

Category	Number	Percentage
Total number of published bid protests ( as per December 2009)	59	100%
Total number covering local governments	35	62.5%
Total number covering municipalities	11	18.6%

We analyzed all the 11 bid protests from the municipalities. We also requested for and were given two relevant full investigation reports from the Inspector General of Government (IGG-the government ombudsman), Commission of inquiry reports, examined newspaper reports and had informal discussions with key informants (i.e. practitioners, Town Clerks, Procurement and disposal Unit staff, officers in the PPDA, municipal Mayors and councilors-mainly to gain insights into the conduct and management of procurement).

We generated a table below from the information so obtained. The table hence provides a basis for the development of remedial action to curb opportunities for corruption.

**Table 9: Bid Protests in Uganda**

Activity	Roles/ responsibility	Bid/tender protests in Uganda
Procurement plan and budget	-User departments -Procurement unit (PU) -Accounting officer -Councils	-Inadequate procurement planning (PPDA 2007; Mugisa 2008). -Mismanagement of micro-procurement e.g. Splitting of procurement to avoid the threshold required for tendering ( Mugisa 2008; Kiberu 2007)
Procurement requisition. Filled with clear specs/TOR/SOW/BOQ	-User department	-Writing/gearing towards a supplier (IGG report Kabale 2007).
Confirmation of availability of funds	- Accounting officer	-No evidence of protests found in literature

Review of specifications	-Procurement unit -User department	- No evidence of specification reviews being undertaken in all bid protests and literature reviewed.  -No pre-bid meetings conducted (PPDA report on foul play in Jinja municipal council)
Review of procurement method	-Procurement unit -User department	-Not undertaken/ignored (PPDA report on Jinja day street parking).
Review of evaluation criteria	-Procurement unit -User department	-No evidence of reviews being undertaken in all bid protests and literature reviewed. Evaluation criteria are arbitrarily determined by the evaluation committees
Review of potential supply market.	-Procurement unit -User department	-Evidence of review of supply market being undertaken (Kiberu 2007). However, it's abused in instances of few suppliers as a pretext to qualify ineligible firms/suppliers for purposes of competition (IGG report Kabale municipal council 2007). -Poor market research methodology i.e. relying on hearsay. This resulted in loss of revenue/ avenue for embezzlement/collusion as estimated number of vehicles eligible for tax hence revenue collection was less than actual (PPDA report on Jinja day street parking 2007).
Procurement method approval	Contracts committee	-Not undertaken/ignored (PPDA report on Jinja day street parking).

Preparation of bidding documents – Instructions to bidders	-Procurement unit	<p>-Evaluation criteria not included in the bid documents (IGG report on Jinja municipal council 2007; PPDA report on Jinja day street parking 2007; PPDA report on Masaka municipal council.</p> <p>-Evaluation method not included in bidding documents (PPDA report on foul play in Jinja municipality 2007)</p> <p>-Standard bidding documents not used ( PPDA report on Jinja day street parking 2007)</p>
Preparation of bidding documents – Price schedule.	-Procurement unit	<p>-Leaking of reserve prices to preferred firms (IGG report on Jinja municipal council 2007).</p> <p>-Non-inclusion of reserve prices in bidding documents (IGG report on Jinja municipal council 2007; PPDA report on Masaka municipal council 2006).</p> <p>-No objective method as to how the reserve price was arrived at (PPDA report on Masaka municipal council 2006).</p>
Preparation of bidding documents – Terms and conditions.		<p>-General terms and conditions set to favour ineligible firms bid (IGG report on Kabale municipal council 2007). Avenue for collusion.</p> <p>-Bidding document prices set exorbitantly high (IGG report on Jinja municipal council 2007).</p>
Approval of Bidding Documents	Contract committee	-Contracts Committee abdication of duty to authorize/approve the solicitation document before issue (PPDA report on Jinja day street parking 2007).

Advertisement and invitation of bids	Procurement unit	-Advertising towards a firm/Collusion with firms/bidders to place adverts that conflict with the terms and conditions e.g. adverts were placed inviting all potential firms to bid yet the terms and conditions required only prequalified firms to submit bids ( IGG report on Kabale municipal council 2007)
Receipt and opening of bids	Procurement unit	-Poor records management systems (IGG report on Kabale municipal council 2007).  -PDU complacency to allow disqualified/ineligible firms bids to be received. The Secretary to the Contracts Committee was absent and no other personnel from the PDU with information on eligible firms to bid was present (IGG report on Kabale municipal council 2007)

<p>Evaluation of bids</p>	<p>-Evaluation committee</p>	<p>-Detailed evaluation is conducted on criteria akin to that for prequalification.</p> <p>-Criteria used not relevant to the tender in question e.g. scores were awarded for land titles, security in bids and CVs' (PPDA report on Masaka 2006).</p> <p>-Evaluation criteria different from what was stated in the bid document ( PPDA report on Mbarara 2008; PPDA report on foul play in Jinja municipal council 2007; PPDA report on Masaka 2006; PPDA report on Mbale main taxi park 2008)</p> <p>-Disqualification of a potential bidder on false premises e.g. non submission of a bank statement ( PPDA report on Masaka 2006)</p> <p>-Prequalification of ineligible bidders e.g. those suspended ( IGG report on Kabale municipal council 2007); those without required documents (PPDA report on Mbarara 2008).</p> <p>-Allegations of influence peddling from politicians, favouratism, tribalism and corruption in evaluation of tenders ( PPDA report on foul play in Jinja municipal council 2007; Kalibala, 2007; Olupot, 2008; Clarke 2007).</p> <p>-No evidence of the evaluation committee having been approved by the contracts Committee (PPDA report on Jinja day street parking 2007).</p>
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Review of Evaluation report (approval or rejection)	Contract committee	<p>-Disregard of the technical evaluation report ( IGG report on Kabale municipal council 2007</p> <p>-Withholding of vital information by the PDU with the intent to influence the tender award decision e.g. an ineligible/disqualified firm was enabled to bid and be evaluated (IGG report on Kabale municipal council 2007).</p> <p>-The Contracts Committee usurped the powers of the evaluation committee (PPDA report on Mbale main taxi park 2008;Commission of inquiry report 2008).</p> <p>-Inappropriate method of contract award i.e. voting by show of hands to award a tender among members of the Contracts Committee. The basis being having reached a stalemate on no acknowledged objective &amp; transparent method. (IGG report on Kabale municipal council 2007).</p>
Award of contract	Contract committee	-Allegations of influence peddling from politicians, favouratism, tribalism and corruption in tender awards (PPDA report on foul play in Jinja municipal council 2007; Kalibala, 2007; Olupot, 2008; Clarke 2007; Biryabarema Elias 2007; Commission of Inquiry report 2008).
Post- qualification	PU and negotiation committee	No protests found in literature in Uganda.
Sign contract -communicate award	Accounting officer	-No communication to tenderers whose bids had been unsuccessful (PPDA report on foul play in Jinja municipal council 2007; PPDA report on Masaka municipal council 2006).
Administrative review	Accounting officer	No protests found in the literature in Uganda.

Contract Management/ Contract monitoring	Procurement unit User department.	-Tenders being run without a signed contract. Only one party signed the municipal council. This constitutes negligence on the part of the officials (IGG report on Jinja municipal council 2007).  -No records to show the approval of extension, extension period and the contract terms (PPDA report on foul play in Jinja municipal council 2007)
Payments	Accounting officer	-Allegations of bribery and kick backs (IGG report on Jinja municipal council 2007).

In the table above, the integrity of public procurement in the municipal councils is faced with problems/challenges practically across the entire procurement cycle. This is in conformity with the observation in the National Public Procurement Integrity Survey Report (2007) that, in Uganda, public procurement especially at the local government level is believed to be one of the principal areas where corruption takes place, although the extent of the problem and areas where it is most prevalent are unknown. The problems though are not only a result of corruption but also lack of capacity of the procurement officers and inefficiency which become the basis of bid protests. Further analysis of the table is undertaken with the aid of descriptive statistics in the table below:

**Table 10: Descriptive Statistics of Bid Protest - A**

Activity	No. of Stakeholders	No. of Protests	Percentages of Protests
Evaluation of bids	2	7	18.4%
Review of Evaluation report (approval or rejection)	1	4	10.5%
Preparation of bidding documents – Instructions to bidders	1	3	7.9%
Preparation of bidding documents – Price schedule.	1	3	7.9%
Procurement plan and budget	4	2	5.3%
Review of specifications	2	2	5.3%

Review of potential supply market.	2	2	5.3%
Preparation of bidding documents – Terms and conditions.	1	2	5.3%
Receipt and opening of bids	1	2	5.3%
Contract Management/ Contract monitoring	2	2	5.3%
Procurement requisition. Filled with clear specs/TOR/SOW/BOQ	1	1	2.6%
Review of procurement method	2	1	2.6%
Review of evaluation criteria	2	1	2.6%
Procurement method approval	1	1	2.6%
Approval of Bidding Documents	2	1	2.6%
Advertisement and invitation of bids	1	1	2.6%
Award of contract	1	1	2.6%
Sign contract-communicate award	1	1	2.6%
Payments	1	1	2.6%
Confirmation of availability of funds	1	0	0.0%
Post- qualification	1	0	0.0%
Administrative review	1	0	0.0%
		38	100.0%

The evaluation of bids with an absolute number of 7 and a percentage of 18.4% registered the highest in bid protests followed by review of evaluation report with 10.5%. Confirmation and availability of funds, post-qualification and administrative review registered no bid protests. Procurement planning with 4 has the highest number of stakeholders i.e. the PDU, the User Departments, Accounting Officer and the Council involved in the cycle.

- Table 9 has been able to identify risks to integrity in the procurement cycle in Ugandan local governments resulting from a simple mistake in

performing an administrative task to a deliberate transgression of relevant laws and related policies using the risk based approach.

- In table 9 we have been able to establish that the most vulnerable stages to corruption due to lack of integrity in the procurement cycle are supplier evaluation and selection with a combined percentage of 28.9% of registered bid protests.
- Procurement is increasingly being recognized as a strategic function in local governments in Uganda. This is manifested by the high number of designated stakeholders involved in procurement planning and budgeting.

In a further analysis of the bid protests, we map them onto our analytically derived 8-step model for supplier selection. This is shown in the table below:

Table 11: Descriptive Statistics of Bid Protest - B

<b>The 8 step model</b>	<b>Activity</b>	<b>Percentages of Protests</b>	<b>Phase</b>
1. Recognize the need for supplier selection.	Procurement plan and budget	5.3%	Pre-contract award 58%
2. Identify the key sourcing requirements (Specification)	Procurement requisition. Filled with clear specs/TOR/SOW/BOQ	2.6%	
	Confirmation of availability of funds	0.0%	
3. Choose evaluation criteria 4. Relate criteria to each other 5. Pre-qualification	Review of specifications	5.3%	
	Review of procurement method	2.6%	
	Review of evaluation criteria	2.6%	
	Review of potential supply market.	5.3%	
	Procurement method approval	2.6%	
	Preparation of bidding documents – Instructions to bidders	7.9%	
	Preparation of bidding documents – Price schedule.	7.9%	
	Preparation of bidding documents – Terms and conditions.	5.3%	
	Approval of Bidding Documents	2.6%	
	Advertisement and invitation of bids	2.6%	
	Receipt and opening of bids	5.3%	
6. Choose weights for the criteria 7. Choose scoring methods for the criteria	Evaluation of bids	18.4%	Contract award/supplier selection phase 31.5%

8. Determine the winner.	Review of Evaluation report (approval or rejection)	10.5%	Post contract award 10.5%
	Award of contract	2.6%	
	Post- qualification	0.0%	
	Sign contract-communicate award	2.6%	
	Administrative review	0.0%	
	Contract Management/ Contract monitoring	5.3%	
	Payments	2.6%	
		100.0%	

What we establish from the table above is that, the pre-supplier selection phase cumulatively faces most bid protests with 58% followed by the supplier selection phase with 31.5% and lastly with the post-contract award phase with 10.5%.

As observed earlier in 3.2.4, a review of supplier selection literature reveals that of the decision models for the final phase, only few works treat the previous steps, especially those of problem and criteria formulation. However, the quality of the choice phase is largely dependent on the quality of the steps prior to that phase (Aissaoui. et al. 2007; De Boer et al. 2001). This statement is made more important given the demonstrably established cumulative bid protests score of 58% of the pre-contract award phase. Further research is recommended for the post-contract award phase with a registered 10.5% bid protest score.

### 6.3. Implications

By analyzing systems in terms of their vulnerability to corruption, we can make those systems more resistant. Promote competition. Clarify discretion. Improve accountability. And take seriously the positive and negative incentives faced by the potentially corrupt (Klitgaard 1999).

These chapter findings are equally in conformity with Wittig's (2005) assertion that complaints by disappointed bidders of government actions before and after contract award allow the government process to be improved. This is an important self-policing mechanism to assure good governance by allowing people most affected by the system to call attention to its shortcomings. Meritorious grievances of suppliers force a review of questionable or improper actions so that the procurement system is strengthened and the integrity and accountability of government maintained. However, as Kelman in Drabkin et al., (2004) put it, they are time consuming and expensive, damage the careers of civil servants, cause buyers to be risk-averse and have a devastating effect on a spirit of partnership between government and vendors.

Complaints by disappointed bidders of government actions before and after contract award allow the government process to improve. This is an important self-policing mechanism to assure good governance by allowing people most affected by the system to call attention to its shortcomings. Meritorious grievances of suppliers force a review of questionable or improper actions so that the procurement system is strengthened and the integrity and accountability of government maintained (Wittig 2005). Given the foregoing it would particularly be interesting to analyze the impact of the newly introduced administrative review fee on open bidding and selective bidding for works, supplies and services. This is in the Local Governments (PPDA) Guidelines, 2008.

In conclusion, corruption in public procurement manifests itself in a variety of ways. This chapter has explored the vulnerabilities that occur in the procurement cycle in Uganda principally by the use of bid protest analysis technique. By raising awareness of these vulnerabilities across the procurement cycle, new approaches and methodologies for successful control interventions can be developed, implemented and evaluated to find the most effective mechanisms for reducing corruption in Uganda.

## **Chapter 7 Procurement non-compliance in Uganda.**

### **7.1. Introduction**

In this chapter, we focus on non-compliance to the procurement rules and regulations. We conduct a comparative analysis of compliance assessment tools to enable us identify weaknesses and evaluate key areas of tactical procurement management in Uganda. An analysis of an exploratory survey gives us the subsisting situation in Uganda from which we make policy observations. Finally a synthesis of analyses establishes that there are gaps in the PPDA regulatory framework that provides opportunities for corruption and hence new laws ought to be enacted or reforms undertaken to mitigate this precarious state of affairs in tactical procurement. However, we begin by defining compliance.

### **7.2. The concept of compliance.**

In an analysis of literature, Gelderman et al. (2010; 2006) opine that compliance has a negative connotation because it is usually associated with enforced behavior. That compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only minimal effort or average effort. Compliance can be contrasted with identification (the target agrees with the goals associated with the requested behavior) and commitment (the target internally agrees with a decision or an action).

However, according to Young (1979), the concept of compliance involves all behavior by subjects that conforms to requirements of behavioural prescriptions within a specific compliance system. Honneland (1999) regarded compliance as a rule that provides guidelines for certain conduct and actions. Compliance literature refers to compliance as a set of behavioural prescriptions designed to regulate an interdependent group of human activities in a coherent fashion (Mwakibinga 2008).



In the public sector, procurement rule compliance is an important issue. It signifies the pursuit of government objectives that are blended with the established procurement frameworks. This means lack of compliance is an indication of non-pursuit of the intended policy objectives. In the legal perspective, it is a breach of law that attracts litigation. On the other hand, adherence to the procurement rules can also be used as a gauge of governance as well as an influential behavior in setting the tone in other economic sectors in the country. This shows that procurement rule compliance has implications in different perspectives.

In this study, compliance of procurement to the PPDA rules and regulations will enable local governments to attain of the objective to ensuring the application of fair, competitive, transparent, non-discriminatory and value for money procurement and disposal standards and practices. Hence several tools for analyzing, measuring and improving compliance have been put forward.

### **7.3. Procurement (non-) compliance tools.**

In the United States of America (USA), the Government Accountability Office (GAO) continues to identify weaknesses in key areas of acquisition. In fact, the acquisition function at several agencies has been on GAO's high risk list, which identifies areas in the federal government with greater vulnerability to fraud, waste, abuse and mismanagement. Further, far too often, the result of poor acquisition has been an inability to obtain quality goods and services on time at a fair price. They could no longer afford such outcomes (GAO 2005).

Consequently, GAO (2005) developed a framework drawn upon decades of experience in reviewing each of the areas. The framework consists of four interrelated cornerstones that are essential to an efficient, effective, and accountable acquisition process:

- Organizational alignment and leadership,

- Policies and processes,
- Human capital, and
- Knowledge and information management.

The framework supports an integrated evaluation approach, but each of these cornerstones can stand alone. This framework is presented in the table:

Table 12: Framework for accessing the acquisition function

<b>Cornerstones</b>	<b>Elements</b>	<b>Critical success factors</b>
<b>Organizational Alignment and leadership</b>	Aligning acquisition with Agency’s Mission and Needs	<ul style="list-style-type: none"> <li>• Assuring Appropriate Placement of the Acquisition Function</li> <li>• Organizing the Acquisition Function to operate Strategically</li> <li>• Clearly Defining and Integrating the roles and Responsibilities</li> </ul>
	Commitment for Leadership	<ul style="list-style-type: none"> <li>• Clear, Strong, and Ethical Executive Leadership</li> <li>• Effective Communications and Continuous Improvement</li> </ul>
<b>Policies and Processes</b>	Planning Strategically	<ul style="list-style-type: none"> <li>• Partnering with Internal Organizations</li> <li>• Assessing Internal requirements and the Impacts of External Events</li> </ul>
	Effectively Managing the Acquisition Process	<ul style="list-style-type: none"> <li>• Empowering Cross-Functional Teams</li> <li>• Managing and Engaging Suppliers</li> <li>• Monitoring and Providing Oversight to Achieve Desired Outcomes</li> <li>• Enabling Financial Accountability</li> </ul>
	Promoting Successful Outcomes of Major Projects	<ul style="list-style-type: none"> <li>• Using Sound Capital Investment Strategies</li> <li>• Employing Knowledge-Based Acquisition</li> </ul>

		Approaches
<b>Human Capital</b>	Valuing and Investing in the Acquisition Workforce	<ul style="list-style-type: none"> <li>• Commitment to Human Capital Management</li> <li>• Role of the Human Capital Function</li> </ul>
	Strategic Human Capital Planning	<ul style="list-style-type: none"> <li>• Integration and Alignment</li> <li>• Data-Driven Human Capital Decisions</li> </ul>
	Acquiring, Developing and Retaining Talent	<ul style="list-style-type: none"> <li>• Targeted Investment in People</li> <li>• Human Capital Approaches Tailored to Meet Organizational Needs</li> </ul>
	Creating Results-Oriented Organizational Cultures	<ul style="list-style-type: none"> <li>• Empowerment and Inclusiveness</li> <li>• Unit and Individual Performance Linked to Organizational Goals</li> </ul>
<b>Knowledge and Information Management</b>	Identifying Data and Technology the Support Acquisition Management Decisions	<ul style="list-style-type: none"> <li>• Tracking Acquisition Data</li> <li>• Translating Financial Data into Meaningful Formats</li> </ul>
	Safeguarding the Integrity of Operations and Data	<ul style="list-style-type: none"> <li>• Ensuring Effective General and Application Controls</li> <li>• Data Stewardship</li> </ul>

In comparison the OECD framework is to facilitate a consistent approach to the application of the indicators developed by the OECD/DAC-World Bank Round Table on Strengthening Procurement Capacities in Developing Countries. The indicators are intended to provide harmonized tools for use in the assessment of procurement systems. Although the indicators are designed for the use in the assessment of the central government or national procurement systems in a country, they can be adapted for use in the assessment of sub national or agency level assessments (OECD 2006). The Working Group developed two types of indicators:

- Base-Line Indicators (BLIs)

- Compliance/Performance Indicators

The BLIs present a “snapshot” comparison of the actual system against the International standards that the BLI represent. They address four pillars:

- The existing legal framework that regulates the procurement in the country;
- The institutional architecture of the system;
- The operation of the system and competitiveness of the national market and;
- The integrity of the procurement system.

The CPIs deal with how the system actually operates. They are more closely related to the application of the regulations and to the prevailing procurement practices in the country. Thus while the BLIs are more like the snapshot of the system design at a given time, the CPIs indicate what is happening on the ground by examining a sample of procurement transactions and other relevant information that is deemed representative of the performance of the system.

In our study, we use both the GAO and the OECD frameworks to provide useful insights on non-compliance in Uganda. We are however mindful of the observation in OECD (2006) that, the indicators alone cannot give a full picture of a procurement system that is by its nature very complex. The indicators must be seen as a tool used to identify in broad terms the strengths and weaknesses of the system and support for a more thorough analysis to be carried out by the assessors (*researchers in the study context*).

## 7.4. Procurement rule (non-) compliance in Uganda

Uganda is a party to the Round Table Johannesburg Declaration. The Government of Uganda agreed among other things to utilize the approaches and tools prepared under the Round Table processes and to provide feedback about the quality and areas for improvement. This exercise was undertaken by the Public Procurement and Disposal of Public Assets Authority (PPDA), which is the regulatory body for public procurement and disposal in Uganda (2005 but the PPDA report was last modified in September 2008).

### 7.4.1. BLIs survey in Uganda

Consequently, a baseline indicators tool was used indicating whether baseline elements had been fully achieved (FA), substantially achieved (SA) or not achieved (NA). The definition of each level of achievement and the assessment key agreed were:

**Table 13: Baseline indicators survey in Uganda**

Level of achievement	Assessment key
FA (procurement system fully achieves the baseline)	All baseline elements are substantially met
SA (procurement system substantially achieves the baseline)	More than 70% of the baseline elements are substantially met
NA (procurement system does not achieve the baseline)	Less than 70% of baseline elements are substantially met.

Further, the internal assessment is subject to validation by the donor community and other stakeholders. This was done through the Working Group on procurement consisting of the World Bank, the UNDP, the Royal Netherlands Government, DANIDA and USAID.

The assessment was of the national public procurement system. A summary of the relevant elements sampled is as indicated below:

**Table 14: Summary of baseline assessment**

	<b>FA</b>	<b>SA</b>	<b>NA</b>
Total number and % of baseline elements under each grading.	54	20	8
	66%	24%	10%

What we observe is the National Procurement System in Uganda has 66% of its elements fully achieved, 24% substantially achieved and 10% not achieved. On the whole if we can use the assessment criteria as laid out in table 13, we arguably conclude that the national procurement system in Uganda does not substantially achieve the baseline elements since, what is fully achieved is less than 70%. Given that Uganda loses 600billion per year due to corruption in procurement, then this is indeed a grave situation. We particularly highlight those areas not achieved which constitute the 10% as summarized in table 15. These are:

**Table 15: Highlights of areas not achieved**

<b>Pillar and Indicator</b>	<b>Baseline element</b>	<b>Remarks</b>
<b>Indicator 3</b> <b>Mainstreaming procedures into public financial management</b>	Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning	This will be a requirement in the budgetary process for the year 2006-07
	Budgeting system provides for timely release of funds to make payments against contractual obligations	Release of funds do not always meet budgetary allocation
	Systematic completion reports are prepared for	The contract manager is required to submit

	certification of budget execution and for reconciliation of delivery with budget programming	reports on the progress or completion of a contract but does not always achieve this linkage with budget execution programming.
<b>Indicator 5</b> <b>Existence of institutional development capacity</b>	A system exists for collection and dissemination of procurement information, including tender invitations, requests for proposals and contract award information.	While the law provides for the collection and dissemination of information, the facilities are not yet in place
	Systems and procedures exist for collection and monitoring of national procurement statistics	Procurement statistics are not collected at present though there are plans to do so through returns from procuring entities and through surveys. A first survey is expected to take place during the 2005-06 financial year
<b>Indicator 6</b> <b>Efficient procurement operations capacity and practice.</b>	The level of procurement competence among government officials within the entity is consistent with their procurement responsibilities.	There is lack of information about the level of competence among procurement staff and procurement audits have revealed certain shortcomings. However, a programme for training and capacity building is in place and will be developed on the basis of a training needs assessment. Planned measures for professional accreditation have not yet been implemented
<b>Indicator 7</b>	There are effective mechanisms for partnerships	Such partnerships only

<b>Functionality of the public procurement market</b>	between the public and private sector	arise on adhoc basis
<b>Indicator 10</b> <b>Efficiency of appeals mechanism</b>	Administrative review body or authority is separate from the regulatory body, executing agency and the audit/control agency	Administrative reviews are conducted in the first instance by the Accounting Officer of the procuring and disposing entity and, if the complaint is not satisfied, he may request the regulatory authority to conduct its own administrative review. However, decisions may be appealed to court

From the broad spectrum of elements, we establish that: procurement planning is not undertaken; there are no facilities for the collection and dissemination of information despite the provision for their existence by the law and procurement statistics are not collected at present; There is a lack of information about the level of competence among procurement staff and procurement audits have revealed shortcomings; there are ineffective mechanisms for public private partnerships and there in no administrative review body that is separate from the regulatory body (PPDA), executing body (the local governments) and the audit/control agency (Auditor general of Government).

As stated earlier, we observe that the BLIs provide a “snapshot” of the system not of its implementation and practice. Hence, we turn to examine CPIs which provide a clearer picture on how the national procurement system actually operates. They are closely related to the application of the regulations and to the prevailing procurement practices in the country to re-emphasize the OECD (2006).



#### 7.4.2. CPIs survey in Uganda.

Basheka and Sabiiti (2009) conducted an exploratory study of Uganda’s experience on compliance to procurement reforms. They obtained primary data from a compliance check list using a compliance rating tool with 8 areas and secondly from a review of documents for the entire public procurement process at both central and local governments. 120 Procurement and Disposal Entities (PDEs’) were sampled comprising of 72 (60%) from the central government and 48 (40%) for the local governments (*of which the municipalities are inclusive*) within a four month period between May and August 2008. The eight areas covered were: procurement structures; procurement planning; solicitation and bidding procedures; evaluation procedures; contract placement, award and management; procurement reporting; performance of contracts committees and record keeping. A summary of the findings for local government (LG), which is our focal area, is subsequently presented:

**Table 16: Compliance assessment areas**

<b>Compliance areas- Local government</b>	<b>Areas addressed</b>
Record keeping	<ul style="list-style-type: none"> <li>• Records filed contain all requirements of the law</li> <li>• Individual cases have standard procurement reference numbering</li> <li>• Records of supplier appraisal</li> </ul>
Performance of Contracts Committees	<ul style="list-style-type: none"> <li>• Record of acceptance of code of ethical conduct</li> <li>• Record of Contracts Committee decision on submission on PP/DPA form</li> <li>• Record of Contracts Committee meeting</li> <li>• Contract committee has not granted retrospective approvals</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• All monthly or quarterly reports submitted up to date of review and submitted on time</li> </ul>

	<ul style="list-style-type: none"> <li>• Reports use standard formats and Contracts committee minutes attached</li> <li>• Any queries by the PPDA on reports have been satisfactorily resolved</li> </ul>
Contract award and management	<ul style="list-style-type: none"> <li>• Notice of best evaluated bidder</li> <li>• Notice of contract award posted on the PDE notice board and PPDA website for statutory display period</li> <li>• Notification of the award to unsuccessful bidders in writing</li> <li>• Approval of contract award by Contracts Committee/ Solicitor General/ donor whichever is applicable</li> <li>• Copy of signed contract</li> <li>• Evidence of execution/performance of contract within the contractual completion date.</li> </ul>
Procurement structures	<ul style="list-style-type: none"> <li>• Whether the accounting Officer had a clear understanding of his/her role the overall responsibility for the procurement and disposal process</li> <li>• Whether the 5 Contracts Committee members (mandatory for all PDEs') were approved by the Secretary to the Treasury.</li> <li>• Whether the entity had an established Procurement and Disposal Unit staffed with procurement professionals.</li> <li>• Whether the use departments initiate all procurement on standard procurement forms required by the law.</li> <li>• Whether the internal auditors audits the procurement and disposal process, payments and deliveries among other key activities.</li> </ul>
Procurement and	<ul style="list-style-type: none"> <li>• Existence and implementation of an approved pre-</li> </ul>

disposal planning	<p>qualification list for 3 years.</p> <ul style="list-style-type: none"> <li>• Existence and implementation of departmental procurement plans.</li> <li>• Existence and implementation of a consolidated procurement plan</li> <li>• Existence of assets register with provision for asset disposal planning</li> <li>• Use of framework contracts for repetitively procured items.</li> </ul>
Evaluation procedures	<ul style="list-style-type: none"> <li>• Approval of the members of the Evaluation Committee by the Contracts Committee</li> <li>• Use of appropriate evaluation methodology</li> <li>• Record of acceptance of code of ethical conduct for Evaluation Committee members and evaluation minutes</li> <li>• Record of evaluation report</li> <li>• Approval of evaluation report by the Contracts Committee</li> </ul>
Solicitation and bidding procedures	<ul style="list-style-type: none"> <li>• Record of issue of solicitation documents</li> <li>• Solicitation document uses standard format issued by the PPDA</li> <li>• Method used is appropriate to the threshold and circumstances</li> <li>• Minimum bidding period observed</li> <li>• Record of bid submission and opening.</li> </ul>

Below we treat each of the main findings listed per category:

### **Compliance level on procurement structures:**

The findings indicate that 40% of the Local Government (LG) PDEs' did not have full membership of the Contracts committees approved by the Secretary to the Treasury. The reasons being, Local Government (PPDA) Regulations 2006 are just recent. This is coupled with the fact that the strict skills and competency requirements of the members increases the rejection of the nominees.

Further, some of the PDU's are not filled because they do not have a District Service Commission (responsible for staff recruitment). Sometimes they are awaiting technical assistance from the Ministry of Local government to form part of the interview panel. In addition, applicants were not responsive in some of the LG PDEs'.

The consequences are that,

- Contracts Committee meetings become irregular.
- Members of the Contracts Committee are fully employed public servants who have to take on this extra task at minimum pay.
- Lack of effective compliance to procurement regulations may create room for corruption.
- This raises prospects for future legal challenges.

The findings noted delays in the use of standard documents in initiating requirements. The reason was that they had only recently received the Local Government guidelines that contained the standard form. Therefore most of the user department in LG PDEs' initiated the procurement process using internal memos or letters to the Accounting officer.

### **Compliance level on planning:**

While the PPDA Act and regulations stipulate the requirements to be included in a procurement plan, for most of the PDEs' assessed, the procurement plan was

prepared annually but hardly adhered to. Some of the PDEs' were using World Bank formats instead of the standard formats for procurement plans.

Another was the challenge of indentifying user requirements for the user department. This is because under the LGs PDEs the user departments include Town Councils for Districts and Divisions for Municipal Councils. These are geographically distant from the PDUs' hence:

- Use of previous year's procurement plans leading to unplanned and emergency procurement request to the Contracts committees by the user departments when the funds are available.
- Procurements are only initiated when the funding is released to the PDE. This resulted in PDEs' attempting to shorten the procurement process either through repeated requests for deviations to the PPDA or flouting the law by using wrong procurement methods or shorter bidding periods.
- Not taking advantage of framework contracts in place for repetitively procured items to shorten the procurement lead time and thus ensure timely delivery of requirements to user departments.
- Having a fully pre-qualified list of providers annually for LG PDEs' was largely adhered to however, the management of the list was found wanting in respect of lack of rotation of providers. The annual pre-qualification exercise also referred to as registration was being misused by some PDUs' and Contract Committees to award contracts directly to providers.

**Compliance levels on solicitation and bidding procedures:**

The standard formats in the LG PPDA 2008 guidelines had only been recently issued to them. However, a few had improvised by keeping the records of issue of invitation, bid submission and opening in counter books.

**Compliance on evaluation procedures:**

It was found that some Contracts Committees had appointed only one evaluation team for all procurements reviewed. Evaluation reports were not filled. In addition, evaluation methodology was not in accordance with the LG PPDA 2006 Regulations and the LG PPDA guidelines 2008.

Few of the procurement files had a signed record of the acceptance of code of ethical conduct by the Evaluation Committee members.

**Compliance on contract award and management:**

This aspect was found to be with many irregularities. There were no records on contract management. No copies of best evaluated bidder on file hence no evidence of them having been posted on the notice board or on the website of the authority as required by the law. Unsuccessful bidders were even never formally notified as required under existing procurement laws in Uganda.

The legal requirement to seek the Solicitor General's clearance for contracts above Ug.shs. 50 million was hardly adhered to by the LG PDEs' due to:

- Extra costs of transportation of the contracts to the centre and sending officers to follow up on them.

There were no copies of signed contracts on file hence difficulty in monitoring the implementation of the approved contract. Further, few of the contracts were executed within the contractual period and many cases of delays in payment of providers were found.

**Compliance on reporting:**

Infrequent micro-procurement report submission from sub-divisions of larger PDEs which often delayed the submission of the PDE was observed.

Compliance on Performance of Contracts Committees:

These were found to lack or have inconsistent records for the contracts Committee meetings and decisions.

**Compliance on record keeping:**

A number of non-compliance incidents were found. These included no complete procurement or disposal files. In addition, most key documents were found scattered in several files or in different departments within the PDE. Also many transactions lacked procurement or disposal numbers making it difficult to track a process from the beginning to its logical conclusion.

Many LGs’ did not have a filing system. This was coupled with lack of storage facilities to store the bulky bidding documents.

**Summary**

A summary of the performance of LG PDEs’ under all compliance areas

**Table 17: Compliance Performance**

<b>Compliance areas-Local government</b>	<b>%</b>
Record keeping	37.02%
Performance of Contracts Committees	52.54%
Reporting	45.17%
Contract award and management	36.46%
Procurement structures	64.17%
Procurement and disposal planning	61.67%
Evaluation procedures	60.63%
Solicitation and bidding procedures	57.92%

An analysis of the summary indicates two major weaknesses. One being the general record keeping and reporting area: this is a precondition for corruption as unreliable

and incomplete files may prevent corruption from being detected or successfully being prosecuted.

The other weakness is in the general bidding/contract area. Where the important decisions on who wins the contract and what conditions are made. It is here that corruption pays off. This is also the tactical procurement area our study focuses on.

### **7.5. National public procurement integrity survey.**

A National Public Procurement Integrity Survey was undertaken in (2007). Its opening remarks are that public procurement, especially at the local government level, is believed to be one of the principal areas where corruption takes place, although the extent of the problem and the areas where it is most prevalent are unknown. Its main result is the calculation of loss due to corruption in procurement in the financial year 2004-2005. This was from the calculation that between 7.19 – 9.4% of total contract values were identified as being paid by way of corrupt payments in procurements at both CG and LG levels. This translates to losses due to procurement related corruption as follows:

**Table 18: Loss from procurement expenditure FY 2004 – 2005**

	Loss to procurement corruption (in Ushs Billions)	Loss in US\$ million  (Ushs 1,820)	Loss as % of Annual Budget
LG	32.60 – 42.86	17.91 – 23.62	Between 2.24 – 2.96
CG	84.4 – 105.6	46.37 – 61.26	Between 2.50 – 3.13



Total	117.0 – 184.5	64.28 – 84.88	
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The identifiable direct losses due to corruption in procurement at the LG level in FY 2004-2005 is therefore likely to be of the order of Ush 32.60 – 42.86 billion (US\$ 17.91 – 23.62 million). The report adds that this is not the end of the equation as there are other imponderables that need to be considered and for which there is no sufficient data able to analyze. If for instance a corrupt payment meant that a contractor was not able to build to standard and the development investment was lost in shorter time than expected (e.g. the building only had a life of 2 years instead of ten years) as a consequence, then the loss to the corrupt activity was the lost value of 8 years of building life plus the replacement costs. These figures must be regarded as irreducible minimums and not maximum figures.

Overwhelmingly, the respondents in the report identified the following as the critical issues with respect to corruption in procurement and financial management issues:-

1. Effectiveness of the contract control process
2. Effectiveness of management
3. Compliance with the budget laws
4. Compliance with accounting regulations

Interestingly the respondent did not rank compliance with tendering rules and instructions as highly as the overall quality of management.

The respondents overwhelmingly identified the following as causes of corruption in procurement:-

1. Lack of effective reporting system
2. Lack of effective system of punishing the corrupt officials

3. Poor investigation of causes of corruption and poor records management by state organs.
4. Lack of independent and effective judiciary.

However, the problem of talking about corruption is that it is not clear how different people measure or quantify corruption. The National Public Procurement Integrity Survey (2007) was based on the respondents' perception. Perceptions are based on how many corrupt transactions we see around us (Bradhan 2005). The more we see petty transactions involving corruption the more we perceive it to be corrupt. But a single corrupt act involving billions of shillings may not be seen and yet exceeds the petty transactions we see every day. So a survey based on perceptions may not reflect the true picture prevailing in a country.

Further, social norms differ among people. What one person considers as corruption may be a normal transaction to another person. Also, just as corrupt things are not necessarily illegal, they are not necessarily immoral either, particularly for people for whom the end justifies the means. For example the withholding of information from colleagues by a member of the Contracts Committee that a company is not legible to bid may be a corrupt act but not illegal as was done in the award of Kamukira Health Centre IV in Kabale in chapter 5.3. So perception based surveys are fraught with clarity.

## **7.6. Synthesis**

Overall, we synthesize the Basheka and Sabiiti (2009) survey; the baseline indicator tool undertaken by the PPDA and the National Integrity Survey (2006) under the four pillars of the GAO framework mentioned in 7.3. We draw upon examples of non-compliance as established in the previous chapters as well. The purpose here is to obtain some explanatory variables for procurement (non-) compliance

### **7.6.1 Organizational alignment and leadership**

Organizational alignment is the appropriate placement of the acquisition function in the agency, with stakeholders having clearly defined roles and responsibilities. Committed leadership enables officials make strategic decisions that achieve agency wide acquisition outcomes more effectively and efficiently (GAO 2005). In Uganda, the PPDA Act No.1 and the Local Governments (Public Procurement and Disposal of Public Assets) Guidelines, 2008 have placed the Senior procurement Officer at a strategic decision making level in local governments. Their roles have been delineated though with elements of ambiguity as established in section 5.3. Hence unclearly defined roles and responsibilities impede compliance.

Committed leadership would logically begin, with their being there in the first place. But as we establish from the survey in Ugandan local governments, 40% of them (local governments) did not have fully established Contracts Committees hence committee meetings become irregular. This is coupled with the fact that, the fully employed public servants are to take on extra work with poor pay. This creates a recipe for corruption as pointed out.

### **7.6.2 Policies and processes**

Implementing strategic decisions to achieve desired agency wide outcomes requires clear and transparent policies and processes that are implemented consistently. Policies establish expectations about the management of the procurement function. Processes are means by which management functions will be performed and implemented in support of agency missions. Effective policies and processes govern the planning, award, administration, and oversight of procurement efforts, with a focus on assuring that these efforts achieve intended results (GAO 2005).

On the policies side, the Basheka and Sabiiti (2009) survey pointed that most local governments hardly adhere to the procurement plans even if they are established.

The policies upon which to base the procurement plans are not mentioned most likely because, they do not have them (or are incapable of deriving them) as judging from the fact that procurement plans are hardly ever used.

On the process side, the GAO framework does not clearly provide for the evaluation of specific processes in tactical purchasing management. Our analysis in chapter 5, unlike the GAO framework has established explicit and concise weaknesses and areas not covered in the PPDA regulatory framework. The steps that are not covered are subsequently not undertaken by the designated officers hence elicit no bid protests against them. The implication here is that the procurement cycle does not adequately cover all the necessary steps in contemporary tactical procurement. This consequently leaves the transparent conduct of supplier selection at the discretion of the members of the PDU and evaluation committee. This makes it prone to abuse in a corruption afflicted procurement environment in Uganda. Accountability is equally difficult to ensure as no person is directly responsible for the decision taken.

### **7.6.3 Human capital**

The value of an organization and its ability to satisfy customers depends heavily on its people. Successfully procuring goods and services and executing and monitoring contracts to help the agency meet its missions requires valuing and investing in the acquisition workforce. Agencies must think strategically about attracting, developing, and retaining talent, and creating a results oriented culture within the procurement workforce (GAO 2005). In Uganda, there is a lack of information about the level of competence among procurement staff and procurement audits have revealed shortcomings.

The findings indicate that 40% of the Local Government (LG) PDEs' did not have full membership of the Contracts committees approved by the Secretary to the Treasury. The reasons being, Local Government (PPDA) Regulations, 2008 are just recent. This is coupled with the fact that the strict skills and competency

requirements of the members increases the rejection of the nominees. It is critical to note that none of the technical staff qualifies to sit on the Contracts’ Committee. For this reason it is important that the whole staffing structure be overhauled (Report of the commission of inquiry into the running of public affairs in Mbale Municipal Council 2007). Human capital is consequently a critical factor responsible for non-compliance in Ugandan local governments.

#### **7.6.4 Knowledge and information management**

Effective knowledge and information management provides credible, reliable and timely data to make procurement decisions. Each stakeholder in the procurement process- programme needs meaningful data to perform their respective roles and responsibilities (GAO 2005). Compliance on Performance of Contracts Committees was found to lack or have inconsistent records for the contracts Committee meetings and decisions. In addition, a number of non-compliance incidents were found. These included no complete procurement or disposal files. In addition, most key documents were found scattered in several files or in different departments within the PDE. Also many transactions lacked procurement or disposal numbers making it difficult to track a process from the beginning to its logical conclusion. Many LGs’ did not have a filing system. This was coupled with lack of storage facilities to store the bulky bidding documents. This precarious information management system subsisting in Ugandan local government exacerbates procurement non-compliance.

#### **7.6.5 Summary**

Given the analysis, we delineate the following variables explaining procurement non-compliance in Uganda .i.e.

- Unclearly defined roles and responsibilities (organizational alignment)
- Inconsistent implementation and lack of clear and transparent policies and processes in tactical procurement (implementation);

- Lack of and inappropriate rules and regulations governing tactical procurement (rules and regulations);
- Laxly enforced sanctions on procurement officers and other stakeholders responsible for procurement (sanctions);
- Lack of and inadequately trained procurement cadre (training).

### **7.7. Implications**

The transition of management of public procurement from Tender Boards to Contracts Committees and the PDU's has not lived to the expectations as envisaged by the policy makers so far. Lack of or inadequate financial resources as informed by Kiberu Charles (2007), human capital, information management systems and regulatory framework inadequacies have collectively and inextricably hindered the attainment of the objective to ensure the application of fair, competitive transparent, non-discriminatory and value for money procurement and disposal standards and practices. Compliance to the PPDA rules and regulations is insufficient. Non-compliance to the procurement rule, regulations and guidelines has been comprehensively established in the local governments in Uganda making tactical procurement prone to mismanagement and corruption.

Specifically, there are areas that are not adequately covered in the PPDA legal and regulatory framework and are not exactly corruption or can be covered in corrupt practices (*grey zones*). Aspects of these regulations have quickly become outdated and can easily be circumvented. They leave too much discretionary power to the PDU and evaluation Committee.

Further, transparency and accountability particularly in supplier selection is insufficient. The current organizational structure does not provide for checks and balances that would be able to reduce on the prevailing corruption opportunities and improve on the provision of public goods, works and services.

Also, there is insufficient professionalization of procurement staff and filling of the Contracts Committees. Hence not only are professionals lacking in local government PDUs' but even where they are present they are not acting professionally. Clearly, there is lack of a professional approach to the procurement function.

Finally, the absence of legal provisions to cater for some of the steps in our tactical procurement decision model raises the propensity for stakeholder discretion in tactical purchasing. Ware et al. (2007), in an example that summarizes this scenario explain that it is typically a senior civil servant who gets to decide, often under pressure from parliamentarians (politicians at large in our case) which contractor wins the contract. It is individual discretion that exponentially raises the risks of corruption. The corruption risks inherent in discretion tend to be elevated in developing countries, where the legislative, regulatory and institutional frameworks put in place to curtail the discretionary aspects of public procurement tend to be weaker (*non-compliant*) than those in developed countries. In this chapter, we have demonstrably proven their assertion.

**PART III: THEORETICAL**



## **Chapter 8 Schools of thought.**

### **8.1. Introduction**

Compliance literature refers to compliance as a set of behavioural prescriptions designed to regulate an interdependent group of human activities in a coherent fashion (Mwakibinga 2008). In this chapter we explore the strategies that can be undertaken to ensure compliance.

Explanatory variables for non-compliance in Uganda we delineated in 7.6.5 using the GAO (2005) framework for assessing the acquisition function i.e. organizational structure; implementation; rules and regulations; sanctions; training provide the broad themes under which we review various ‘Schools of thought’ for their contribution to this issue. We use both agency theory and the ‘traditional’ institutional approach to provide a basis for the development of a number of propositions and a comprehensive conceptual model.

### **8.2. The Agency theory**

Agency theory is concerned with solving the problems that occur in agency relationships. The first is the agency problem that arises when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is doing. The second is the problem of risk sharing that arises when the principal and agent have different attitudes towards risk (Eisenhardt1989).

In our study context, the public through the elected councilors are the principals on behalf of the citizens, while the municipal council employees (*members on the contracts and evaluation committees & PDU staff*) are the agents.

Classical principal-agent theory is built on the assumption of the agent as a self-seeker. If the agent's goal differ from those of the principal and it is difficult or expensive for the principal to know everything the agent knows, then the agent will take advantage of the situation to maximize his own utility. In conformity Trepte (2005) opines that, the procurement agent is able to exploit his position and discretion given to him because he possesses greater information than his government principal on the products to be procured, the tenderers offering to supply and the markets themselves. His ability to use or to conceal information enables him to act on his own benefit. To realign the interests of the agent with those of the principal, the government needs a method of administrative control, generally in the form of procurement regulation, which provides incentives for compliance. Indeed Clarke (2009) on the Ugandan situation states that the fundamental problem is those who are supposed to be on the side of the government in the various ministries, or procurement departments of the public sector are not necessarily working in the best interests of the government but in the interests of themselves.

Hendry (2002) presented a complimentary view of agency problems, built on the assumption of man as an honest yet not fully competent actor. Both principals and agents are burdened by 'honest incompetence': The principal may not be fully competent to explain his goal to the agent, and the agent may not be fully competent to understand those goals and know how to behave in order to maximize the principal's welfare. Maverick buying could occur as a result of self-interested opportunism or as a result of honest incompetence (Karjalainen and Van Raaij 2009). It is with hindsight that Transparency International (2006), advise that, a very important aspect to consider when analyzing corruption risks is to differentiate problems related to inefficiency or to basic lack of capacity (error) from pure corruption.

The focus of the principal-agent literature is on determining the optimal contract, behavior versus outcome, between the principal and agent. The model assumes goal

conflict between principal and agent, an easily measured outcome, and an agent who is more risk averse than the principal. In a case of complete information, when the principal knows what the agent has done, then a contract based on behaviour is most efficient. This is because the principal is buying the agents behavior.

A second case is when the principal does not know exactly what the agent has done. Given the self-interest of the agent, the agent may or may not have behaved as agreed. The agency problem arises because (a) the principal and agent have different goals and (b) the principal cannot determine if the agent has behaved appropriately. In formal literature Eisenhardt(1989) cites two aspects of the agency problem:

- Moral hazard refers to lack of effort on the part of the agent. The argument here is that the agent may simply not put forth the agreed-upon effort. That is the agent is shirking.
- Adverse selection refers to misrepresentation of ability by the agent. The argument here is that the agent may claim to have certain skills or abilities when he or she is hired. Adverse selection arises because the principal cannot completely verify these skills or abilities either at the time of hiring or while the agent is working.

In the case of unobservable behaviour (due to moral hazard or adverse selection), the principal has two options (Eisenhardt1989). She submits that, one is to discover the agent's behavior by investing in information systems. In our study context, this would entail systems like reporting systems, supplier selection procedures and techniques. Such investments reveal the agent's behavior to the system and the situation reverts to the complete information case.

The other option is to contract on outcomes of the agent's behavior. Such an outcome-based contract motivates behavior by coalignment of the agent's preferences with those of the principal, but at the price of transferring the risk to the

agent. The issue of risk arises because outcomes are only part of the function of behaviours. Government policies, economic climate, competitor actions, technological change and so on, may cause uncontrollable variations in outcomes. The resulting outcome uncertainty introduces not only the inability to preplan, but also risk that must be borne by someone. When outcome uncertainty is low, the costs of shifting the risk to the agent are low and outcome-based contracts are attractive. However as uncertainty increase, it becomes increasingly expensive to shift risk despite the motivational benefits of outcome based contracts. This option is not applicable in our study context as procurement officers and other municipal council employees are employed on relatively permanent and pensionable terms or contracts with fixed salaries determined by the councils.

Agency theory has its limitations in comprehensively addressing the principal-agent relationship in management. The problems arising from self-seeking behavior have dominated both agency theory and its application to management; but they are not the only problems that arise. Hendry (2002) articulates two problems associated with limited competence of human beings and the specification of interests or objectives, and the implication of these have not yet been explored.

The problem associated with the specification of objectives relates to what is known as ‘multitasking’ and it arises when a principal’s objectives are complex or multifaceted and, thus, difficult to capture in an outcome based contract. The problem of limited competence is not recognized in agency theory at all, for a simple reason that the effects of incompetence cannot easily be modeled as they could act unpredictably in any direction unlike those of self-interest. It is hence assumed in agency theory that people are fully competent to achieve their desired outcomes. In particular, principals are assumed to be fully competent to define their objectives.

Hendry (2002: 2005) observes that, the assumptions of agency theory are well suited to the development of mathematical models of simple principal-agent

relationships in which the interests of the parties and the tasks involved can be well defined and the threat of opportunism is the principal's main concern. But they seem less well suited to the types of agency relationships that arise in management (as in our case). Whereas he carries over the assumptions of information asymmetry between the principal and agent as well as people being risk averse from the standard agency theory, he asserts that people suffer from bounded rationality. That is, from limited human knowledge and foresight and from the limitations of rational understanding and communication arising from language, culture, and cognition. They also suffer from human fallibility in making judgments and interpretations that bounded rationality imposes on them. He uses "incompetence" to refer to the combination of bounded rationality and judgmental fallibility.

The significant departure from the standard agency theory besides being honest (the assumption is that both the principal and agent are honest and that having entered into obligations to achieve, as best as they can, their principal's objectives, agents seek dutifully to do that) is with regard to the specificity of the principal's objectives. Given the assumption of bounded rationality, principals may not even know ahead of events what their precise interests will be (informed from the bid protests with regard to lack of procurement plans in municipalities in Uganda). And even if they can specify it themselves, principals may not be able to accurately and unambiguously communicate it to their agents. One way of expressing this might be to say that the ends are clear but the means are not.

The cost to principals of agents misunderstanding, misinterpretation, or misjudgment can be mitigated by principals' providing more detailed and precise specifications of objectives, but only at the cost of removing discretion where it would ideally be desirable. Under the assumptions of standard agency theory, discretion is used to further the agent's interests and so, tends to act against the interests of the principal. In general, in management situations people are employed not simply to do as they are told but to create value for their employers by exercising their initiative and judgment. An overprecise specification of objectives may prevent them from doing this (Hendry 2002).

The costs to principals of agents limited competence can also be reduced by the principals' investing resources in guidance or mentoring. He distinguishes two types of mentoring i.e. first, principals may invest resources in improving their agents technical competence. Second, principals' may also invest resources in improving their agents understanding of their objectives and of the circumstances, values, and broader priorities underlying these.

Hendry's (2002) approach is akin to the Neo-Institutional Economics (NIE) perspective on the causes and cures of corruption. In the NIE approach, Shah (2006) argues that corruption results from the opportunistic behavior of public officials as citizens are either not empowered or face high transaction costs to hold public officials accountable for their corrupt acts. The NIE treats citizens as principals and public officials as agents. The principals have bounded rationality – they act rationally based upon the incomplete information they have. In order to have an informed perspective on public sector operations, they face high transaction costs in acquiring and processing information. On the other hand, agents (public officials) are better informed. This asymmetry of information allows agents to indulge in opportunistic behavior which goes unchecked due to high transaction costs faced by the principals and a lack of or inadequacy of countervailing institutions to enforce accountable governance.

Further that, the problem is further compounded by path dependency (i.e. a major break with the past is difficult to achieve as any major reforms are likely to be blocked by influential interest groups), cultural and historical factors and mental modes where those who are victimized by corruption feel that attempts to deal with corruption will lead to further victimization, with little hope of corrupt actors being brought to justice. These considerations lead principals to the conclusion that any attempt on their part to constrain corrupt behaviours will invite strong retaliation from powerful interests. Therefore citizen empowerment assumes critical importance in combating corruption because it may have a significant impact on incentives faced by public officials to be responsive to public interest.

In conclusion, the agency theory provides the background relationship in the principal-agent context. It does not explicitly delineate policy interventions to curb corruption that warrants the development of propositions. We however, distinguish the following strategic interventions that are deemed to promote compliance and curb corruption:

- Investing in information systems. Such systems reveal the agents behavior to the system and reverts to the complete information case.
- Providing more detailed and precise specifications of objectives which should be well nuanced so as not to remove discretion from the agents.
- Investing in the agent's technical competence and provision of guidance and counseling by the principals.

These strategic interventions are discussed in detail under implementation, organizational reforms and training respectively next in the institutional approach.

### **8.3. The institutional approach**

The institutional approach views the public procurement intervention strategies in terms of individual policies. It is the traditional approach that is used to examine elements of public procurement. In our study, the institutional approach is systematically used to examine individual strategic policy interventions that can be employed to ensure compliance and subsequently curb corruption in tactical purchasing in a decentralized context in local governments in Uganda. They are examined under the following themes largely adopted and adapted from the explanatory variables for non-compliance in chapter 7.6.5. This is to ensure that the observed variables are logically and systematically addressed.

### **8.3.1. Implementation:**

Public procurement regulations have proliferated at both international and national levels, fostering the transparency of procurement procedures and creating a level playing field between suppliers. There is a shared policy of ensuring sound implementation and compliance with regulations through accountability and control mechanisms (Beth 2005). The underlying principle in implementation entails the fact that the public officials should be held responsible for the proper implementation of processes and procedures governing public procurement and thus for the procurement decisions they make.

Also, Roberts, McNulty and Stiles in Hendry (2005), though focusing on governance processes of boards, argue that real board work is about combining elements of control and collaboration in such a way that each enhances the other, building processes of accountability through ‘non-executive engagement’, challenging supportiveness and involved independence. Their assertion captures the concept of implementation where the board is equivalent to the local government council in our study context.

All these authors emphasize that, compliance is built on a foundation of strong internal control. The municipal management is responsible for establishing and maintaining effective tactical procurement internal control, which includes the plans, methods and procedures. Internal control serves as the first line of defense in safeguarding assets and preventing and detecting errors and corruption. Hence:

***Proposition 1: Effective implementation of tactical procurement plans, methods and procedures has positive and significant impact on compliance.***



### **8.3.2. Rule knowledge:**

The essential incompetence of administrative man was described roughly half a century ago by Herbert Simon in terms of bounded rationality and the satisfying behavior that results (Simon 1957). Since Simon's time, writers on management have generally recognized that managers have to operate in complex situations with limited knowledge and foresight, and within irreducible limitations of rational understanding and communication imposed by culture, language and cognition. Because these considerations cannot be modeled, however, agency theory effectively ignores them (Hendry 2005).

Knowing that strict rules are being enforced by the government can help dissuade any request for favouritism. Effective knowledge provides credible, reliable and timely information to make procurement decisions.

***Proposition 2: There's a positive relationship between rule knowledge and tactical procurement compliance in local governments.***

### **8.3.3. Rules and regulations:**

One of the key principles of a sound procurement system is that it must be based on rules. Countries should have a clear and adequate legal and regulatory framework in place to guide public procurement. The laws, regulations, policies, and implementing rules must promote fairness (and be seen as fair by all potential bidders) and thus discourage discrimination (primarily between national and international companies) and favouritism. Equal treatment of bidders in the public procurement process promotes greater certainty and predictability in the awarding of contracts, which are essential to fostering healthy competition (Ware et al. 2007)

Procurement regulations provide for the standard procedures that ought to be used in the procurement process. Procurement procedures will often make it difficult for

a private firm to offer a bribe and obtain the promise of a big contract. A more common motivation behind bribery is therefore to obtain just a higher probability of gaining the contract, for instance through secret information about the tender, the other bids or evaluation criteria (Søreide 2005). Regulations might define the consequences for public officials of breaking public procurement rules, ranging from disciplinary measures to withdrawal from the participation in award decisions (Beth 2005).

Procurement regulations provide a frame work for ensuring transparency in public procurement. But regulations may become outdated and may be circumvented. Therefore it is crucial to proactively identify the grey zones in the public procurement process, thus anticipating opportunities for improperly influencing public decision-making in public procurement (Beth 2005). Some of these are addressed below.

Grey zones are areas that are not adequately covered in the legal and regulatory framework and are not exactly corruption or can be covered in corrupt practices.

The rules of contact and communication are a grey area vulnerable to violations in public procurement. Secret information about the other firms' bids or about evaluation criteria is one of the most common reasons to offer bribes. Technical consultations are another area. This is especially where due to their technical expertise, private firms are often asked to advise clients/public institutions on technical parts of tender specifications, even if those firms are among the competitors for the contract. This consultative service will in some cases represent an opportunity to influence the specifications in a direction that benefits the firm itself, or a firm that cooperates with it (Søreide 2005).

Gifts pose a threat with regard to their value in influencing decisions. Søreide (2005) cites a study by PricewaterhouseCoopers (1995) in which it was found that

gifts of rather small value create bond between business partners and may influence the outcome of tender procedures.

*Quid pro quo* is a different form of political pressure, still connected to international tenders, but now instigated by local political authorities. It refers to a reciprocal exchange in which the chosen firm provides benefits for local governments and their constituents, a practice that is not uncommon when the tenderer are large firms. The firms might promise to build a school or infrastructure, or to use local human resources, to demonstrate that they will operate responsibly in the local society. Are these forms of social responsibility and the inclusion of local contents a form of bribery?

Governments remain the main actors for developing a regulatory framework and in as far as a supporting organizational structure for public procurement is concerned. In Uganda, the PPDA regulatory framework provides for the procurement cycle in which the relevant organizational structure for public procurement is outlined, roles and responsibilities mandated. Like Beth (2005) rightly observes, the choice of organizational structure for a procurement system depends on countries' circumstances and market conditions, and therefore no approach or model can be recommended.

Much as procurement rules and regulations may reduce the number of opportunities for corruption, they cannot eliminate them. Additional regulations may not necessarily prevent corruption. Further or stricter regulation does not lead to the commensurately increased elimination of corruption; it merely adds to a further layer of bureaucracy and/or control which unnecessarily hinders the efficiency of the procurement (Trepte2005). Kovacic (1992) augments this when he observes that, it is conceivable that public procurement increasingly will become the province of firms whose distinguishing trait is not superior capability in production or service but skill in comprehending and responding to the government's regulatory command.

In conclusion, to combat corruption, a clear and adequate legal and regulatory framework must be established. But that is hardly sufficient. Laws and regulations need to be enforced, and constant and consistent vigilance needs to be exercised in all corners of society for example provision of procurement officials with appropriate skills and professional capacity to enable them identify and manage risks in procurement addressed next.

***Proposition 3: A clear and adequate legal and regulatory framework significantly enforces compliance of tactical procurement.***

#### **8.3.4 Training:**

One of our primary concerns in the study is to have competent stakeholders charged with the management of public procurement in the local government. This is necessary to ensure compliance to the PPDA rules and regulations. Hendry (2005) contends though in corporate governance that, if the primary concern is one of competence, which is a matter of business judgment, rather than self-seeking, then a mechanism that focuses upon the non-executives' experience, expertise and knowledge and understanding of business rather than their separation from management and their own accountability to shareholders begins to make sense...Traditional agency theory, with its focus on self-interest, casts the board in a monitoring role. Where the agency problem is one of honest incompetence, however, the remedy is not merely to be found in monitoring, though this plays its part, but also in guidance and training.

Transparency International (2006) makes a case for regular sensitization/training/ refresher training for all staff, against written acknowledgement and commitment which needs to be assured while Wittig (2005) advocates for professionalism. This advocacy challenges the assertions of Transparency International (2006) that administrative processes and decisions should be characterized by compliance with rules, not by broad discretion of officials; wherever officials have discretion,

corruption is invited. He advances that professionalism can be defined as the status, methods, or standards within a career area. Improving the professionalism of the procurement workforce is a means to link individual practitioners' into a network to help control corruption. While being a professional does not eliminate the possibility of individual members being corrupt, it helps control improper behaviour by allowing actions to be judged against standards accepted by the profession.

Trepte (2005) compliments the professionalism view when he explains that, given the skill needed to carry out efficient and economic procurement, purchasers need the flexibility to exercise their professional judgment. There is nothing inherently wrong with such discretion; it is only the misuse of that discretion which must be avoided. Eliminating professionalism from the procurement function reduces procurement to a mechanical function which deprives the public purchaser of the ability to measure value for money. A balance need to be struck between the desire to impose regulations aimed at reducing corruption and the benefit to be gained from promoting professional and ethical procurement.

*P4: Training of stakeholders leads to increased skill to apply knowledge of the procurement rules, procedures and practices consequently boosting their compliance in the management of tactical procurement.*

#### **8.3.5. Ethical leadership:**

Contemporary government procurement is concerned with ethics. Research has suggested that traits such as credibility, integrity, honesty and fair-mindedness are associated with perceptions of effective leadership...Bass and Steidlmeier (1999) differentiated conceptually between 'authentic' and 'pseudo' transformational leadership. They argued that authentic transformational leadership rests on the leader's moral character. and the legitimacy of the leader's (and his or her followers') values, and the morality of the leaders choices and actions. Pseudo

transformational leaders seek power at the expense of others, are unreliable, deceptive, manipulative, and self-interested (Trevino et al. 2003).

Basing their categories on perceptions from interviews with ethics officers or executive interviews they discern the following categories as constituting executive ethical leadership:

***People-orientation:*** That, ethical leaders are perceived first and foremost as people-focused. They care about people, respect people, develop their people, and treat people right and the opposite is true of ethical neutral leaders.

***Visible ethical actions and traits:*** Ethical leaders are role models of ethical conduct who lead by example and *walk the ethical talk*. Ethical leaders are also seen as simply doing the right thing. They are also honest, trustworthy, people with integrity. Part of trustworthiness and integrity is consistency, credibility and predictability.

Executive ethical leaders create the ground rules for ethical behaviour in the organization and hold people accountable. They set standards and expectations regarding the appropriate and inappropriate conduct. Ethical leaders also use *rewards* and *punishments* to hold people accountable to standards-creating a system that reinforces ethical behavior and punishes ethical violations. In this way they convey to employees 'how individual win and lose in the organization'. Similarly, ethical leaders do not tolerate ethical lapses. They make sure that unethical conduct is followed by discipline.

Ethical leaders have broad ethical awareness and concerns that include, but extend beyond bottom line interests to include the good of the organization and the community, and concern about serving the greater good...Ethical leaders are concerned about the interests of multiple stakeholders, including the community and society. Ethical leaders use decision-making processes, such as the golden rule, the flashlight/newspaper test (also referred to as the disclosure rule) that asks

whether you would be comfortable with your action being disclosed to the public, and the use of fairness criteria in making decisions.

Transparency International (2006) under clear behavioural rules states that, government departments and government-owned corporations as well as private companies need codes of conduct which are prepared involving the entire staff, promoted and “lived” by top level staff, and explained to and accepted by staff at large. The code should be based on a commitment to integrity and ethical behavior. Corruption should be a clear theme. There should be a clear prohibition of giving and accepting bribes and facilitation payments. Indeed a more detailed description of the standards of conduct are expected for procurement officials, in particular specific restrictions and prohibitions, helps ensure that officials private interests do not improperly influence the performance of their duties and responsibilities.

Ethical leadership is of particular interest and its applicability to the top political and administrative leadership in the local governments. Given the level of external interference in the tactical procurement decisions, the principles of ethical executive leadership are consequently a good pointer. As Wittig (2005) asserts, procurement officials must be continually aware of the influence of their actions and the responsibility they shoulder to uphold the good of their country and its citizens. However, if the institutional surroundings do not support honest and fair procurement actions, the virtuous civil servant can believe that he or she is a unique island of integrity in a sea of bureaucratic indifference to their personal and professional ethics.

Further that, strong institutional support at top levels of government is needed for procurement personnel to promote integrity and the proper application of procurement law through independent administration and monitoring of the public procurement process. This leads to increased efficiency and professional performance in procurement operations. Strong rules that set out what is acceptable and what is not acceptable for procurement and other government officials can help

safeguard this independence and control political influence and its distortions of economic efficiency and fairness

In consonance with the above, James Kahooza, the PPDA Chairman is cited by Maseruka (2009) as having stated that unless we (*in Uganda*) clean the top institution that governs the country, we are wasting our time. The laws on procurement and corruption are there but these are very small issues. You must first clean the executive. Uganda has become a society of thieves because of the lack of political will to fight corruption.

In conclusion, where there is no sustaining system of support for ethics (correct actions), the dedicated procurement official becomes an island of integrity in an ocean of apathy. Firm leadership and communication can help link these islands with an effective institutional infrastructure.

*P5: Exhibition of strong ethical leadership by the councilors and management of local governments increases the compliance of tactical procurement in an accountable, less corrupt manner.*

### **8.3.6. Job rotation**

Policies that seek to reduce or preempt corruption can be directed at influencing the behaviour through penalties, public relations campaigns, or organizational structures and procedures. A policy in the latter category is the rotation of staff (Abbink 2004). Job rotation is justified in cases of inappropriate use of informal networks or collusion because early contact is needed to establish a trustful relationship so as to secure an unbiased outcome e.g. influencing specifications or selection criteria that discourage companies from participating and disqualify them on formal grounds. Contacts and informal networks can also facilitate payments to ensure that certain interests are favoured during the tender (Beth 2005).



Abbink (2004) also notes that since corruption is based on trust and reciprocity between public officials and the users of their services, we can expect that long term relationships between potential bribers and public officials are an especially advantageous environment for bribery. In more detail, a preventive effect of rotation mechanisms on corruption can be conjectured for the following reasons:

- Public officials may be less tempted to be influenced by gifts, since they cannot expect to be rewarded for cooperation by receiving bribes again in later encounters.
- Bribers may be less trustful in the reciprocation of public officials, since they expect that cooperative behavior by the public official is less likely.
- Users of public services (i.e. potential bribers) have had no experience with the public officials with whom they are dealing, and so will find the behavior of the public officials more difficult to predict, which increases uncertainty attached to corrupt offers.

In his study though in a laboratory setting, Abbink (2004) finds that the level of corruption is significantly reduced by staff rotation. The amount of bribes that are paid decreases by almost one half and the frequency of inefficient decisions due to bribery falls by two thirds.

Transparency International (2006) is in harmony with the discourse above when it recommends on the things to do during the bid evaluation and award phase that staff rotation be undertaken i.e. no officer or staff should remain in a position long enough to develop improper connections with, or dependencies on, potential bribers. It further emphasizes that the “four eyes” principle i.e. a requirement that a process will be effectively conducted by at least two individuals (OECD 2007a) and regular rotation of officials in sensitive jobs are just two of many proven preventive administrative measures.

However, staff rotation is also costly. Long-term relationships between public officials and their clients have the cost advantage that officials do not frequently

need to become acquainted with new routines, new cases, and new clients. Rotation, requires adaptation costs in every new round. Outcomes may be inefficient if a new official is in charge of a case that he or she is not familiar with. Because of the costs, it seems important to consider the extent to which or if at all staff rotation reduces bribery (Arnold 2009; Abbink 2004).

In conclusion, this study is in agreement with Abbink (2004), who recommends for future research to analyze the effects of staff rotation in more and richer environment and states that staff rotation might be more or less effective when officials know that they are living in a corrupt society.

*P6: Job rotation lessens the time duration and opportunity to develop improper connections which in turn implies reliance to rules and regulations instead of reliance on one's judgment that increases compliance.*

### **8.3.7. Information and communication technology (ICT)**

During the presidential investors' roundtable though talking about business but akin to procurement in Uganda, investors urged the government to reduce the bottlenecks in doing business by embracing new information and communication technologies. Investors rapped what they called persistent bureaucratic tendencies of government officials who refer to 'powers from above'. In this process, the officials buy time to solicit for bribes from investors who are desperate to start work. Such officials they predicted are likely to resist the new information technologies. Tackling the horrendous paper passing is critical in spurring investment (Musoke and Mugabe 2009).

Rubafunya (2009) is more explicit when he suggests that, one easy way to reduce bureaucracy (corruption) is by using computer and communication technology to make government processes faster. If for example, the companies register was

computerized and available on the internet, it would be easy to tell who owns which company, when it was opened and how long it has been doing business. Similarly, brief case companies formed to simply win tenders would be exposed by a simple click. If the winners of government tenders were all published online, it would be easy for the Auditor General to make on-spot audits

Beth (2005) articulates the view that, information and communication technologies are a major toll to standardize processes, increase their transparency and promote integrity and prevent corruption in public procurement. E-procurement systems have in the recent years demonstrated their benefits in terms of transparency, accountability and access by bringing information together through processes, simplifying access (e.g. payment through purchase cards) and reducing barriers to entry (e.g. one-time registration). Further, potential suppliers are provided with standardized and real-time information which reduces the need for informal contacts between public officials and contractors.

In addition, ICT improves efficiency in mass processing of public administration operations by reducing the cost of data collection and transmission, provision of information and communication. Furthermore, it allows public administrations to develop better understanding of the public procurement process, its products, prices and main competitors, for instance through the development of an on-line catalogue. More generally, ICT may help verify that procurement takes place according to “the rules of the game” and tracks deviations from normal practice (e.g. through an on-line evaluation by the general public).

***P7: ICT solutions in procurement can increase competition, enhance transparency, reduce administrative costs, improve local government efficiency, and in the process increase compliance in tactical procurement.***

### 8.3.8. Sanctions

Prescribing compliance policy and institutional design requires a sound understanding of behaviour (Sutinen & Kuperan 1999). They cite Becker (1968) who argues that criminals behave basically like other individuals in that they attempt to maximize utility subject to a budget constraint. In Becker's model, an individual commits a crime if the expected utility from committing the crime exceeds the utility from engaging in a legitimate activity. The basic deterrence framework used in these studies assumes that the threat of sanctions is the only policy mechanism available to improve compliance with regulations.

We add to that that, it is not only the sanctions itself, but actually the multiplication of sanctions and the possibilities of being caught that form a deterrent. Basically both of these should be high to form an effective deterrent against fraud and corruption. The probability of being caught can be increased by the foregoing arguments on ICT and effective control mechanisms, so we will not repeat those arguments. Additional possibilities to increase the probability of being caught are covered under oversight mechanisms in section 8.3.10.

Prevention and sanction are closely linked. One such preventive mechanism is whitelisting, an incentive approach where companies eligible to participate in tendering are pre-selected based on specific anti-corruption criteria (e.g. compliance with anti-bribery laws, no past involvement in corruption cases, implementation of codes of good conduct (Dervieux 2005). Another such mechanism is an <sup>1</sup>integrity pact. An agreement between a government or government department and all bidders for a public sector contract that neither side will pay, offer, demand or accept bribes, or collude with competitors to obtain the contract or while carrying it out. It also stipulates that bidders will disclose commissions and similar expenses paid by them to anybody in connection with the contract and that sanctions will

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<sup>1</sup> This has been adopted by the PPDA in Uganda (Maseruka 2009)

apply when violations occur. Sanctions range from loss or denial of contract, forfeiture of the bid or performance bond and liability for damages, to blacklisting for future contracts on the side of the bidders, and criminal or disciplinary action against employees of the government (OECD 2005; Transparency International 2006).

Enforcement of regulations by tenderers will only be effective, however, where the system in place is credible and where it provides tenderers with the confidence that the regulations are enforced objectively and independently of any government influence. Regulations which are not effectively enforced will not be applied and the savings to the public purse will be lost. This is equally true where the results are undermined by politically motivated immunities and amnesties in respect of convictions for corruption which benefit political parties (Trepte2005).

In conclusion, Transparency International (2006) rightly states that, there should be clear rules and processes for sanctions in case of violations; prompt investigation upon suspicion and sanctioning is essential.

***P8: Effectively enforced sanctions will enhance compliance in tactical procurement***

### **8.3.9. Organizational reforms**

Given the fact that public procurement in Uganda is riddled with corruption as well as a plethora of management challenges, organizational reforms particularly organizational control become a pre-requisite in the promotion of integrity. Like Eisenhardt (1985) observes, control is an important, if sometimes neglected facet of organizational design.

In Ouchi (1979), organizational control is defined as a cybernetic process of testing, measuring and providing feedback. Bureaucracy .i.e. the fundamental mechanism of

control involves close personal surveillance and direction of subordinates by superiors unlike the market mechanism which uses price he discerns. The bureaucratic mode of control can withstand high rates of turnover, a high degree of heterogeneity, and it does not have very demanding information needs which typifies public procurement in local governments in Uganda.

Public procurement requires that stakeholders are consulted in the identification and definition of needs, supplier selection criteria generation and weighting. This is in conformity with the Transparency International (2006) prevention measures to the effect that important decisions should be made by more than one official and functions should be separated so as to assure that decisions about investment needs, preparation, contracting, implementation and final accounting are handled by different officials. Whenever people perform double or multiple functions, natural checks are foreclosed.

In conclusion, Ouchi (1979) makes pertinent closing observations with the argument that, the design of organizational control mechanisms must focus on the problems of achieving cooperation among individuals who hold partially divergent objectives. In the immediate sense, the problem of organizational design is to discover that balance between socialization and measurement which most efficiently permits a particular organization to achieve cooperation among its' members. In the longer run, the problem is to understand how society that is increasingly pluralistic and thus goal incongruent, in which interest groups become more distinct and in which a sense of community seems remote, the control of organizations can be achieved without recourse to an unthinking bureaucratization which is at odds with the increasing interdependence and ambiguity which characterize economic (*as well as public*) organizations.

***P9: Organizational reforms that take into account the complexity of public procurement while ensuring cooperation among the stakeholders***

*as well as monitoring, evaluating and correcting in an explicit manner increase compliance.*

### **8.3.10. Oversight mechanisms**

Increasingly is the use of oversight mechanisms to ensure that those responsible for procurement indeed perform their duties effectively. These are external control mechanisms to ensure that the procurement processes followed are consistent with government regulations and good practice principles in terms of fairness, transparency and openness.

With regard to government agencies, these are in chapter 2.4., i.e. the IGG, Ministry of Local Government, PPDA and Public Service Commission. In Uganda the IGG is government ombudsman or the watchdog agency. However like Shah (2006) empirically observes, watchdog agencies i.e. ethics offices and ombudsmen, have achieved success only in countries where governance is good. In weak governance environments, Uganda inclusive, anti-corruption agencies have been ineffective. In addition, these agencies do not have the clout or resources to follow through the complaints especially if the complaints are against well connected officials. Also such committees usually consider only individual cases and are not authorized to launch large scale investigations on the general problem of which the individual case may only be the tip of the iceberg (Bardhan 2005). This statement is a true reflection of the Ugandan scenario with regard to the IGG.

It is now widely recognized that Civil Society can have a crucial role in contributing to the transparency and integrity of public procurement agencies. There are a number of roles Civil Society can play in bringing transparency to procurement processes. Civil Society can play a key role in monitoring procurement processes, being a source of expertise and an independent voice to raise issues and difficult questions, to manage conflict and balance powers and bringing groups of people together (Transparency International 2006). It is important however, not to merely

unearth and publicize egregious cases of political or bureaucratic corruption, but also in some cases to dispel information, to highlight credible cases where the automatic and cynical presumption of the local people that officials are corrupt turns out to be gross exaggeration, thus cutting down the feedback effects of rumours and designs of middlepersons. Nothing perpetuates corruption like exaggerated perceptions of corruption all round ( Bardhan 2005).

The importance of the civil society has equally attracted the attention of Ugandan government. Dr. Buturo, the Uganda Minister of Ethics and Integrity was quoted as stating that, we (in Uganda) have a population that is docile and fearful of people in authority. They are satisfied with the little they have and as a result leaders take advantage of them. That because people do not hold those in power accountable, many are getting away with it. This was at a launch of the campaign called “Accountability sector” which will increase citizens participation in monitoring local government expenditure and service delivery, enhance local government accountability for service delivery and increase citizens voice in providing feedback to the central government about service delivery (Lirri 2009).

An additional oversight mechanism is whistleblowing<sup>2</sup>. One of the main characteristics of corruption is that it operates in secrecy. Both giver and taker of bribes are criminals and have no interest to share information with others. The people most likely to observe or to know about corruption are office colleagues of the corrupt official or competing bidders. Most of them are reluctant for reason to approach the authorities inside or outside to lodge charges. Considering that whistleblowers are that most important source of information about corruption crimes, governments and companies should establish clear whistleblower encouragement and whistleblower protection rules.

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<sup>2</sup> The Whistleblowing Act 2009 was enacted in Uganda



In conclusion, whereas oversight mechanisms are deemed to be crucial, their applicability and costs in developing countries where governance is poor seem to render them weak. In addition, given their external nature in mediating the procurement relationships as explained in section 2.4 we particularly did not take them into empirical consideration i.e. beyond acknowledging their theoretical impact at this stage. This can be a subject for further study (*We examine in chapter 14, the viability of using civil society organizations*)

The institutional approach has enabled us outline individual policy interventions that ought to be taken to curb corruption and promote integrity in tactical procurement in local governments in Uganda. In effect, it answers the question: what are the critical elements/mechanisms in ensuring compliance and subsequently controlling corruption in public procurement? This enabled the derivation of the structural model.

### 8.3.11. Construct/variable development

Based on the variables we delineated in section 7.6.5 for explaining non-compliance and the subsequent policy interventions, we developed the following constructs/variables which we contend adequately addressed emergent corresponding propositions thus:

**Table 19: Construct/variable formulation**

Construct/Variable	Proposition(s)
Implementation	<p><i><b>Proposition 1: Effective implementation of tactical purchasing plans, methods and procedures has positive and significant impact on compliance.</b></i></p> <p><u><b>ICT</b></u></p> <p><i><b>Proposition 7: ICT solutions in procurement can increase competition, enhance transparency, reduce administrative costs, improve local</b></i></p>

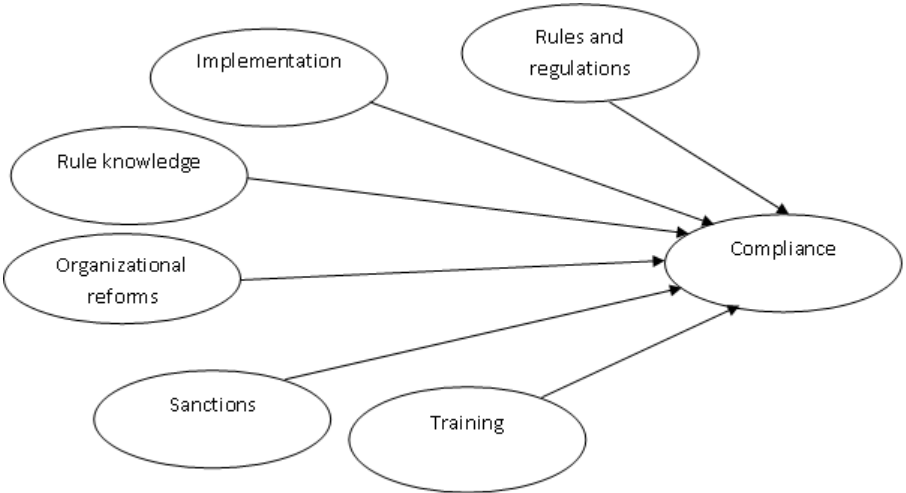
	<i>government efficiency, and in the process increase compliance in tactical procurement.</i>
Rules and regulations	<i>Proposition 3. A clear and adequate legal and regulatory framework significantly enforces compliance of tactical procurement.</i>
Sanctions	<i>Proposition 8: Effectively enforced sanctions will enhance compliance in tactical procurement</i>
Training	<i>Proposition 4: Training of stakeholders leads to increased skill to apply knowledge of the procurement rules, procedures and practices consequently boosting their compliance in the management of tactical procurement.</i>
Rule knowledge	<i>Proposition 2: There's a positive relationship between rule knowledge and tactical procurement compliance in local governments.</i>  <u><i>Ethical leadership</i></u> <i>P5: Exhibition of strong ethical leadership by the councilors and management of local governments increases the compliance of tactical procurement in an accountable, less corrupt manner.</i>
Organizational reforms	<i>Proposition 9: Organizational reforms that take into account the complexity of public procurement while ensuring cooperation among the stakeholders as well as monitoring, evaluating and correcting in an explicit manner increase compliance.</i>  <u><i>Job rotation</i></u> <i>Proposition 6: Job rotation lessens the time duration and opportunity to develop improper connections which in turn implies reliance to rules</i>

	<i>and regulations instead of reliance on one's judgment that increases compliance.</i>
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The underlined propositions, though derived from themes reviewed independently in the institutional approach, were theoretically deemed inextricably intertwined or significantly correlated to the non-underlined propositions and were adapted under the same construct/variable. This was to ensure construct validity.

**8.3.12. The structural model.**

As explained by Diamantopoulos et al. (2008), a structural model specifies the relationship between different constructs. In this respect, the structural model of the study is formative i.e. the direction of the relationship between the construct (compliance) and the measures (indicators) is such that it flows from the measures to the construct.



**Figure 9: Structural model for compliance**

Besides the institutional approach, we explored the alternative systems approach.

#### **8.4. The systems approach.**

Traditionally, a system is defined as “an assembly of related elements”. But systems particularly the public procurement systems are so dynamic that they cannot be understood just in terms of their elements. The systems view has become a popular way of thinking, a practical philosophy, and a methodology of change not only for the public but the business sector as well (Thai 2001).

Whereas the institutional approach delineates individual strategic interventions that can be undertaken, it does not tell us how they relate to each other. The institutional approach is what Maani and Cavanna (2000) refer to as linear thinking. Implicit in linear thinking is that:

1. The factors are independent;
2. That causality is one way (from cause to effect);
3. The factors are equally important.

By contrast, closed-loop or systems thinking maintains that factors are not independent. We comprehensively address this aspect of systems thinking in chapter 11.

#### **8.5. Literature gap and questions:**

An analysis of the literature from the previous chapters and especially in this chapter reveals that, several strategies have been diagnosed to address challenges faced in procurement compliance management. Our underlying theory is that there’s an agency relationship among the stakeholders charged with managing procurement in the local government in a decentralized context. However, there is a need to ascertain the extent to which the available literature has been able to address the underlying theory among others.

We discern two conceptual paradigms that can be used to mitigate non-compliance to the procurement rules and regulations i.e.

1. The institutional approach: this views strategies in terms of individual policies. A policy basically contains the answers to a question like: How can the purchasing function contribute to the achievement of the organizational goal?
2. The systems approach: this approach solves problems by creating operational maps and simulation models which externalize mental models and capture interrelationships of physical and behavioural processes, organizational boundaries, policies information feedback and time delays; by using these architectures to test holistic outcomes of alternative plans within a frame work which respects and fosters the needs and values of awareness, openness, responsibility and equality of individuals and teams.

We therefore analyze the reviewed literature in the following dimensions relevant to our study in the table below:

<b>Author (s)</b>	<b>Agency theory</b>	<b>Institutional approach</b>	<b>Systems approach</b>	<b>Public procurement</b>	<b>Decentralized context</b>
Eisenhardt(1989)	√	√			
Hendry, (2002; 2005)	√	√			
Anwar Shah, (2006)	√	√		√	√
De Boer & Telgen (1998); Telgen et.al. (1997)		√		√	
Thai, K. (2001)	√	√	√	√	
Ware, et al. (2007)		√		√	

Mwakibinga, F. (2008)	√	√		√	
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From our analysis of literature, we identify gaps in procurement compliance management using the systems approach in a decentralized context. This is further compounded in the developing countries context as only Shah (2006) and Mwakibinga (2008) studies address it. Thai (2001) broadly analyzes public procurement from an institutional and systems perspective but his work is devoid of an empirical study. Our study hence, attempts to fill these gaps in the subsequent chapters by answering some of the following questions that logically emerge:

1. What is the degree on compliance measured by the institutional approach?
2. What is the degree of compliance measured by the systems approach?
3. Which approach is a better predictor of compliance?
4. Which approach provides better insights in as far as compliance management is concerned?

**PART IV: EMPIRICAL TEST OF PROPOSITIONS / MODEL  
DEVELOPMENT**

## **Chapter 9 Design of the empirical test of the propositions.**

### **9.1. Introduction.**

This chapter constitutes what Durrheim (1999) describes as the plans that guide the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. We planned the research in such a way that the relevant data could be gathered and analyzed so as to draw coherent and plausible conclusions to enhance compliance management of tactical procurement in local governments in Uganda. Hence, the strategic framework for action is sequenced under: research philosophy; research strategy; measurement tool/questionnaire design; scope of the study; sample selection; theoretical considerations; limitations of the study subsequently discussed.

### **9.2. Research philosophy**

The empirical test of the propositions is largely positivist as compliance management of tactical procurement management in decentralized municipalities in Uganda is faced with multiple conflicting criteria and interests from stakeholders in addition to corruption. The study assumed the role of an objective analyst, coolly making detached interpretations about those data that have been collected in an apparently value-free manner. There was an emphasis on a highly structured methodology to facilitate replication (Gill and Johnson, 1997 in Saunders et al. 2003) and on quantifiable observations that lend themselves to statistical analysis (Saunders et al. 2003).

### **9.3. Research strategy**

A case study research design strategy was adopted because, in consonance with Yin (2003), a how? question is posed in the study which can adequately be undertaken



by this strategy due to the fact that, there is very little control over events and the focus is on a contemporary phenomenon within real life context. This is complimented by the observation of Robson (2002) in Saunders et al. (2003), that case study research design is particularly useful in an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. A multiple case study in particular was used as with more case studies, the context may differ to some extent. Hence, arrival at a common conclusion enhanced the external generalizability of the study (Yin 2003). Further, case study research was adopted as argued by Morris and Wood (1991) in Saunders et al. (2003), as a way of gaining a rich understanding of the context and processes of tactical procurement management in our study.

#### **9.4. Measurement tool/questionnaire design**

A questionnaire was designed in such a way as to address the theoretical problems of representation, objectivity and correspondence as follows:

##### **9.4.1. Representation/content validity**

To ensure content validity, questions were developed to tap into the propositions that formed a corresponding construct as depicted in 8.3.11 in table 19. The operationalization of the factors greatly enabled this process. This ensured that the measure includes an adequate and representative set of items that tap the concept of compliance management of tactical procurement (Sekaran 2003). The table below illustrates this thus:

**Table 20: Questionnaire design**

<b>Construct/variable</b>	<b>Question(s)</b>
Implementation	A1-A10
Training	B1-B8

Rule knowledge	C1-C3
Rules & regulations	D1-D6
Sanctions	E1
Organizational reforms	F1-F4
Compliance	G1

The independent/manifest variables were Implementation, Training, Rule knowledge, Rules and regulation, Sanctions and organizational reforms which were formatively measured. The latent unobserved/dependent variable was compliance which was reflectively measured.

Face validity was also ensured by categorization of the questionnaire in sections corresponding to the constructs predicting compliance. This enabled the development of the measures that included the best (most representative) items from each phase (Blanche & Durrheim 1999).

#### **9.4.2 Objectivity/reliability**

The questionnaire was piloted in two municipalities of Entebbe and Soroti. It was also given to colleagues to assess its ability to obtain relevant data. One particularly expressed concern on the educational level of the targeted respondents since in his view, the type of information required needed one with a relatively high educational level. His fears were put to rest when told that the target groups were senior officers in the municipalities. This was aimed at enhancing reliability and validity.

#### **9.4.3 Correspondence**

The questionnaire was designed with ordinal measures. This enabled respondents rank their opinions on the attribute each question was trying to measure in the prescriptive framework of the conceptual model. The problem where relations between numbers in a mathematical system often do not correspond with the relations between attributes being quantitatively represented by numbers (Blanche

& Durrheim 1999), was avoided henceforth. A 5 point Likert scale (very important/not important) was used.

#### **9.4.4 Internal consistency**

Diamantopoulos et al. (2008); Henseler et al. (2009); Bollen (1984; 1989) and Bagozzi (1994) explicitly submit that as the correlations between formative indicators may be positive, negative or zero, reliability in an internal consistency sense is not meaningful for formative indicators. They emphasize that traditional validity assessments and classical test theory do not apply to manifest variables that are used in formative measurement models and that the concept of reliability (i.e. internal consistency) and construct validity (i.e. convergent and discriminant validity) are not meaningful when formative mode is employed. It is the assumption of error free measures that renders the question of indicator reliability irrelevant.

A first examination of the validity of formative indicators should use the theoretical rationale and expert opinion Rossiter, (2002) in (Henseler et al. 2009). These were undertaken as elaborated in 9.4.1. at the representation/content validity stage of the questionnaire design. A second assessment of the validity of the formative constructs should consist of statistical analyses on two levels: the construct level and the indicator level.

At the construct level, the question arises as to whether the formative index indeed carries the intended meaning. A first check would be the nomological validity however, due to unavailable similar studies this was not possible to conduct .i.e. the relationships between the formative index and other constructs in the path model, which are sufficiently well known through prior research, should be strong and significant.

At the indicator level, Bollen (1989) in Henseler et al. (2008) argues that the  $\gamma$ -parameters, which reflect the impact of the formative indicators on the latent

construct, indicate indicator validity. The  $\gamma$ - parameters capture the contribution of the individual indicator to the construct, therefore items with non-significant  $\gamma$ -parameters should be considered for elimination as they cannot represent valid indicators of the construct

### **9.5. Sample selection**

Per municipality we included 14 respondents. The study focused on five (5) municipalities out of 13 in Uganda. These were Kabale, Arua, Gulu, Fort Portal and Tororo. The purpose was obtaining a thorough description, prediction and explanation of how compliance management can be undertaken in tactical purchasing in decentralized municipalities in Uganda.

The study focused on procurement in local government. It required contact with and ultimate experience of the local government procurement. Hence the respondents' were required to have a personal experience of local government procurement in the municipalities to avoid any opinions and perceptions based on hearsay, rumours or conjecture. Consequently the sample size is not of the whole community in the municipality but a subset of it.

Ideally, the people who initiate, manage and oversee tenders and are likely to be affected directly by the prescriptive framework were targeted directly. They were considered to be more knowledgeable and their considered opinions would enhance the validity of the compliance management framework. These were consequently rather senior persons in local governments.

The target sample per municipality was hence selected as illustrated in the table below:

**Table 21: Sample selection**

<b>Category</b>	<b>No.</b>	<b>Role</b>
Mayor	1	Political head of the municipality, hence presides over the strategic procurement process.
Town Clerk	1	Accounting Officer
Head of Departments	9	Initiate procurement requisitions and serve on the contract committees'
Procurement Officers in the PDU	3	Manage the procurement process.
<b>Total number (Per municipality)</b>	<b>14</b>	

The sampling technique used was consequently purposive or judgmental which according to Neuman (2000) in Saunders et al. (2003), enables one to use his judgment to select cases that will best enable one to answer one's question(s) and to meet one's objectives. This form of sample is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative.

We obtained a high responses rate of 78.6% largely because we used research assistants who hand delivered the questionnaires to the respective respondents and collected the questionnaires after they had been filled. We equipped them with the ethical issues in the conduct of research which enabled easy access to the respondents as well.

### **9.6. Data analysis technique**

The study used Partial Least Squares (PLS) modeling. The main focus of our study is to predict or explain the procurement rule compliance given the fact that no similar study has been undertaken in Uganda.

Consequently, PLS path modeling was adopted. PLS is primarily intended for causal predictive analysis in situations of high complexity but low theoretical information. Thereby the method assists researchers who focus on the explanation of endogenous constructs (Henseler et al. 2009). They add that the characteristics that are relevant for PLS path modeling can be summarized as follows:

- PLS delivers latent variable scores, i.e. proxies of constructs, which are measured by one or several indicators.
- PLS path modeling avoids small sample size problems and can therefore be applied in some situations when other methods cannot.
- PLS path modeling can estimate very complex models with many latent and manifest variables.
- PLS path modeling has less stringent assumptions about the distribution of variables and error terms.
- PLS can handle both reflective and formative measurement models.

## **9.7. Framework for the study model**

### **9.7.1. Theoretical considerations.**

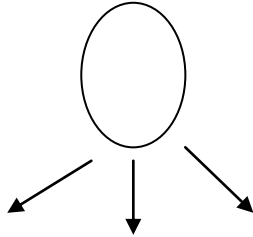
Theoretical considerations were observed under the following broad categories largely drawn from Coltman et al. (2008) and Diamantopoulos et al. (2008):

#### **Nature of the construct:**

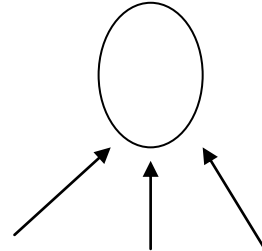
In a reflective model, the latent construct exists (in absolute sense) independent of the measures used. In contrast, in a formative model the latent construct is dependent upon a constructivist, operationalist or instrumentalist interpretation by the scholar (Borsboom et al. 2004 in Coltman et al. 2008). Our study can consequently be stated to be a formative model as the latent construct was operationalized by the authors.

### **Direction of causality:**

Effect model (Reflective)



Causal model (Formative)



In this respect, the measurement model of our study is formative as the direction of causality flows from the indicators to the construct unlike the reverse in the reflective model.

### **Characteristics of the indicators:**

In Coltman et al. (2008); Diamantopoulos et al. (2008) there are significant differences in the characteristics of the indicators used to measure the latent constructs. In a reflective model change in the latent variable must precede variation in the indicator(s). Thus, the indicators all share a common theme and can be interchanged with other indicators that are likely to be elicited by the same construct.

However, the situation is different in the case of formative models. Since the indicators define the construct, the domain represented by the construct is sensitive to the number and types of indicators selected to represent the construct. Hence adding or removing a construct can change the conceptual domain of the construct. However, this does not mean that we need a census of the indicators. As long as the indicators selected conceptually represent the domain of interest, they may be considered adequate from the standpoint of empirical prediction.

### **Indicator intercorrelation:**

In a reflective model the indicators are evoked by the underlying construct and have positive and, desirably, high intercorrelations. This is unlike the formative model, where the indicators do not necessarily share the same theme and hence have no preconceived pattern of intercorrelation. Indicators can theoretically possess no intercorrelation or high or low intercorrelation (Coltman et al. 2008). Indeed Diamantopoulos et al. (2008), opine that there are no specific expectations about patterns or magnitude of intercorrelations between the indicators; formative indicators might correlate positively or negatively or lack of any correlation.

Summarily, Coltman et al. (2008) observe that, since reflective indicators are expected to have positive intercorrelations, their individual and composite reliabilities can also be assessed empirically with the help of measures such as factor loading and communality, Cronbach alpha, average extracted and internal consistency. However, as these measures of reliability are based on the assumption of internal consistency – i.e. high intercorrelations among the indicators in question – they are inappropriate for formative indicators, where there is no theoretical assumption made about inter-item correlation. This is one of the key operational issues in the use of formative indicators: *there are no simple, easy and universally acceptable criteria for assessing the reliability of formative indicators.*

### **9.7.2. Empirical considerations**

A major concern of formative models is how to establish statistical identification. In isolation, formatively measured constructs cannot be estimated (Diamantopoulos et al. 2008; Coltman et al. 2008). A number of suggestions have been advanced as aptly described by Diamantopoulos et al. (2008). This is to establish statistical identification to enable their estimation. They include three approaches for applying the 2+ emitted path rule, which are (a) adding two reflective indicators to the



formally- measured construct, (b) adding two reflectively measured constructs as outcome variables, and (c) a mixture of these two approaches, that is adding a single reflective indicator and a reflectively-measured construct as an outcome variable but it should be stressed that despite the different possible interpretations at a conceptual level, there are no differences at the empirical level (the models yield the same result).

Models which violate the 2+ emitted paths like in our study and emit only one path can be identified by fixing the variance of disturbance term to zero. MacCallum and Browne (1993) in Diamantopoulos et al. (2008) alert to applying this approach with caution as it implies to the theoretical assumption that the formative indicators completely capture the construct. In other words, this approach assumes a census of the indicators of the latent variable is undertaken at generation stage, and hence, no unexplained variance exists in most cases this assumption is not reasonable (Bollen and Davis 1994) and therefore setting the error term to zero is not justifiable.

However, Henseler et al. (2009), advance that one can assess the external validity by means of regressing the formative index on a reflective measure of the same construct. The external validity can finally be calculated as  $1 - Var(v)$ . They add that the current literature does not provide recommendations for the thresholds of external validity. They suggest a value of 0.8 as minimum for external validity, which would mean that the formative index carries about 80% of the intended meaning.

Indeed in our study, the dependent variable (compliance) was measured reflectively with one question G1 which was posed to the effect that: How would you rank the implementation of the measures suggested above to ensure compliance to contemporary procurement practices, rules and regulations. The underlying theoretical assumption is that the formative measures would either explain/predict compliance to the procurement rule in the municipalities or not. We obtained a

value of 1.00 which meant that the formative index carries 100% of the intended meaning of compliance to the procurement rule, hence setting the error term at zero.

### **9.7.3. Measurement error and collinearity.**

In the case of reflective models, measurement error for each indicator can be identified and eliminated using the common factor analysis because the factor score contains only that part of the indicator that it shares with other indicators and excludes the error items used to compute the scale score (Spearman 1904 in Coltman et al. 2008). However in the formative models, the only way to overcome measurement error is to design it out of the study before data is collected. The two possible ways are (1) capture all possible causes on the construct, and (2) specify the focal construct in such a way as to ensure that the full set of indicators is captured. In both cases, the error term has been legitimately excluded.

Multicollinearity is an undesirable property in formative models as it causes estimation difficulties. These estimation difficulties arise because a multiple regression links the formative indicators to the construct (Diamantopoulos et al. 2008). Substantial correlations among the formative indicators result in unstable estimates for the indicator coefficients  $y_i$  and it becomes difficult to separate the distinct influence of individual indicators on the latent variable  $n$ . Diamantopoulos and Winklhofer (2001) in Diamantopoulos et al. (2008) further note that multicollinearity leads to difficulties in assessing indicator validity on the basis of the magnitude of the parameters  $y_i$ .

Based on the multicollinearity problem, several authors suggest indicator elimination based on the variance inflation factor (VIF), which assesses the degree of multicollinearity by applying the commonly accepted cut-off value of  $VIF > 10$ . However, considering that this multicollinearity check leads to indicator elimination on purely statistical grounds and given the danger of altering the meaning of the construct by excluding indicators, indicator elimination- by whatever means should

not be divorced from conceptual considerations when a formative measurement model is involved (Diamantopoulos and Winklhofer 2001).

In summary it is clear that unlike the reflective model, there is no simple way to empirically assess the impact of measurement error in a formative model.

# Chapter 10 Presentation and interpretation of the empirical test of the propositions.

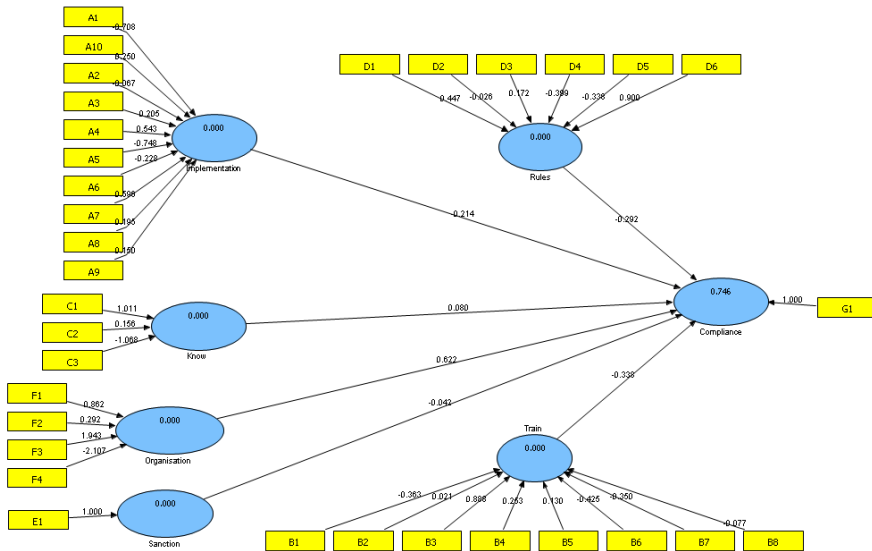
## 10.1. Introduction

In this chapter we present our findings. We particularly seek to examine the extent to which our constructs/variables/competency strategies measure tactical procurement compliance to the procurement rule in local governments in Uganda; test our propositions empirically.

## 10.2. Measurement

Using SmartPLS 2.0M3 software, we tested our propositions. This is illustrated and measured below:

*Structural model for the procurement rule compliance of municipalities in Uganda.*



**Figure 10: Structural model for the procurement rule compliance**

### **10.2.1 Assessing the structural model:**

This is a Multiple Indicators Multiple Causes (MIMIC) model where the construct is measured through both formative and reflective indicators. Diamantopoulos and Winklhofer (2001) in Diamantopoulos et al. (2008); Coltman et al. (2008) recommend this model due to simultaneously allowing for the estimation of  $\gamma$ -parameters and for the provision of the overall fit (which is indicative of the validity of the formative indicators as a set).

The essential criterion for the assessment of the structural model is the coefficient of determination ( $R^2$ ) of the endogenous latent variables. Chin (1998) describes the ( $R^2$ ) values 0.67, 0.33 and 0.19 in PLS path model as substantial, moderate and weak respectively. The individual path coefficients of the PLS structural model can be interpreted as standardized beta coefficients of ordinary least squares (Henseler et al. 2009).

It is therefore in order to conclude that the structural model developed in 8.3.12 is valid. It highly predicts or explains the measures that can be undertaken to ensure procurement rule compliance in the municipalities in Uganda with an  $R^2$  value of 0.746. The suggested measures are empirically corroborated/validated substantially.

### **10.2.2. Individual Paths analysis**

The individual paths are akin to beta coefficients. By one rule of thumb in confirmatory PLS factor analysis, loadings should be .7 or higher to confirm that independent variables identified a priori are represented by a particular factor (Hulland, 1999:198). However, the .7 standard is a high one and real-life data may well not meet this criterion, which is why some researchers, particularly for exploratory purposes, will use a lower level such as .4 for the central factor and .25 for others (Raubenheimer, 2004). In any event, factor loadings must be interpreted

in the light of theory, not by arbitrary cutoff levels (<http://faculty.chass.ncsu.edu/garson/PA765/pls.htm>).

Given the foregoing, in our study, organizational reforms .622, Training -.336, Rules and regulations -.292 substantially predict tactical procurement rule compliance and the corresponding propositions in 8.3.11. are supported or accepted. We use the criteria other researchers use for exploratory research given the fact that we have little information as no similar study has been conducted so far in Uganda. Implementation .214; Rule knowledge .080 and Sanctions -.042. weakly predict tactical procurement rule compliance. Their corresponding propositions developed in 8.3.11 are also weakly supported. This though is interpreted with due consideration of multicollinearity.

We deemed some variables (and consequently emergent propositions) in 8.3.11 to be highly correlated theoretically and subsumed them under the same constructs. We however, asked questions to tap their impact and the empirical findings are that:

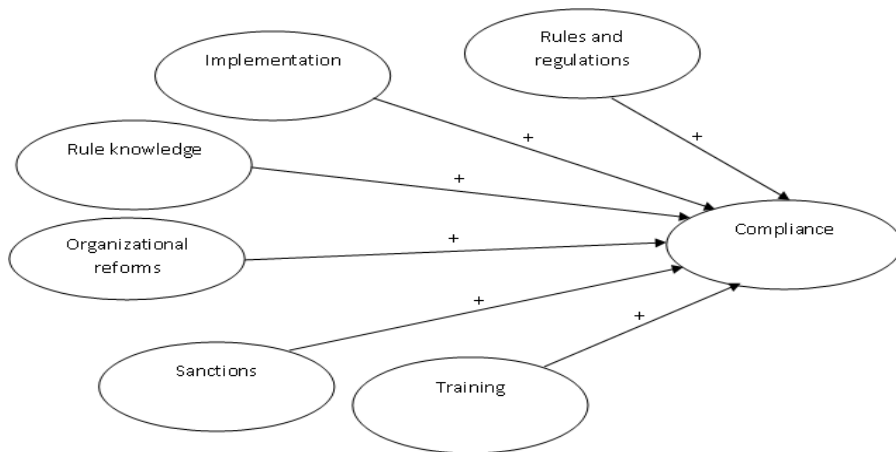
With regard to the ethics variable under the procurement rule knowledge, we posed question C1. The indicator variable has a beta coefficient of 1.0 in predicting the procurement rule knowledge. Sekaran (2000) puts it that, if the correlation between two variables happens to be high- say, over .75- we would start to wonder whether they are really two different concepts, or whether they are measuring the same concept. Hence, we were justified in adapting the ethics variable under the procurement rule knowledge. Our theoretical high correlation justification is empirically proven with a correlation beta coefficient of 1.0.

The same can be said of the correlation between job rotation and organizational reforms. We posed question F1 to capture the job rotation variable under organizational reform. We obtained a correlation beta coefficient of 0.862 which equally justified our theoretical assumptions. However, Information and communication variable under implementation, obtained a correlation beta

coefficient of 0.596 under question A7 which is below .75. This could be considered as having two separate variables since the two variables that are theoretically stated to be related do not seem to be significantly correlated to each other. This though should be interpreted with due consideration of multicollinearity and as Diamantopoulos et al. (2008) explain of the characteristics of a formative model which we use is that, formative indicators have no individual measurement error terms, that is, they are assumed to be error free in a conventional sense. The error term is specified at the construct level and does not constitute measurement error.

### 10.3. Conceptual model

The conceptualization of compliance management is akin to the institutional approach that is causal (where the delineated factors are undoubtedly causing the problem) and in which each variable is deemed independent. Consequently, the constructs/variables, Implementation; Rules and regulations; Sanctions; Training; Rule knowledge and Organizational reforms significantly predict the tactical procurement rule compliance in local governments in Uganda. We hereby referred to it as the compliance management model depicted in the figure below:



**Figure 11: Compliance management model**

No similar study has been undertaken in Uganda or developing countries before hence there is little theoretical information. This study aims at filling the gap of providing a quantitative empirical study to analyze the relative impact of diverse factors with an alleged impact on compliance with the PPDA rules and regulations. These ultimately curb corruption in tactical procurement in Ugandan local governments.

On the whole we can conclude by stating that our compliance management model is significantly supported. Using the institutional approach lends credence to the effective implementation of policies that emphasize these variables.



## **Chapter 11 Analysis of compliance using systems thinking.**

### **11.1. Introduction**

Given the complexity of public procurement and financial resource constraints, we need to make strategic policy decisions that can yield maximum utilization of resources and attain value for money. Hence, we attempt to establish which strategic policy intervention would enable us maximize our procurement benefits given the financial constraints afflicting local governments in Uganda.

This chapter analyses the compliance management strategies using systems. Measures can be referred to as policies i.e. changes to a single internal variable while a strategy is a combination of a set of policies and as such deals with internal or controllable changes (Maani and Cavana 2000). We measure the degree of compliance attained by using the systems approach. This enables us to make a comparison with the institutional approach in the previous chapter as well as to derive policy implications that are crucial in curbing corruption in tactical procurement.

### **11.2. Systems thinking.**

The systems thinking and modeling approach as acknowledged by Maani and Cavana (2000) is emergent from the field of systems dynamics developed by Jay Forrester and others at the Massachusetts Institute of Technology in the late 1950s' based on the developments in the theory of information feedback systems; decision making processes; use of mathematical models to simulate complex systems and the development of high-speed electronic digital computers as a means of simulating mathematical models.

Whereas there are several definitions of systems dynamics methodology, Wolstenholme (1997) in Maani and Cavana (2000) provides an appropriate one as follows:

**What:** A rigorous way to help thinking, visualizing, sharing, and communication of the future evolution of complex organizations and issues over time.

**Why:** For the purpose of solving problems and creating more robust designs, which minimize the likelihood of unpleasant surprises and unintended consequences.

**How:** By creating operational maps and simulation models which externalize mental models and capture the interrelationships of physical and behavioural processes, organizational boundaries, policies, information feedback and time delays; by using these architectures to test the holistic outcomes of alternative plans and ideas.

**Within:** A framework which respects and fosters the needs and values of awareness, openness, responsibility and equality of individuals and teams.

According to Maani and Cavana (2000), System Thinking (ST) also referred to as an approach in soft OR (operations research) has three dimensions: paradigm, language and methodology. These are described as:

**Paradigm:** Systems thinking is a way of thinking about and describing dynamic relationships that influence the behaviour of systems. It consists of three types of thinking (Richmond, 1997)

- Dynamic thinking – recognizing that the world is not static and that things change constantly as we have acknowledged in our study;
- Operational thinking – understanding the ‘physics’ of operations and how things really work. As explained in section 2.4. in our study framework;

- Closed-loop thinking – recognizing that cause and effect are not linear and often the end (effect) can influence the means (cause).

**Language:** As language, systems' thinking provides a tool for understanding complexity and dynamic decision making. Systems thinking language

- Is visual and diagrammatic;
- Has a set of precise rules;
- Translates perceptions into explicit pictures;
- Emphasizes closed interdependencies (it is a circular language).

**Methodology:** A set of modeling and learning technologies is used in systems thinking. The modeling tools can be used to understand the structure of a system, the interconnection between its components, and how changes in any area will affect the whole system and its constituent parts over time. Hence the models can be used to measure and predict the behavior of systems, as well as to facilitate and accelerate group learning.

In this study we limit ourselves to the paradigm of systems thinking combining the dynamic and operational thinking. This is due to the fact no similar studies have been conducted in Uganda hence there is no reference mode. A reference mode is a behavior of key variables of a system over time. It captures mental models and historical data on paper, gives clues to appropriate model structure, and can check plausibility once the model is built. System dynamics explicitly includes time in specifying dynamic relations. In reality, an action and its impact on the system do not happen simultaneously. It takes a fairly long period of time for the consequences of a standard or regulation to emerge (Cho and Gillespie 2006).

Systems thinking tends to fall in the category of soft approaches, while dynamic modeling gravitates toward the category of hard modeling. Hard and soft approaches are regarded as complementary and mutually reinforcing.

With hindsight, the hard and soft systems analogy is based in quantitative and qualitative approaches respectively to modeling. The differences in these approaches are summarized in Maani and Cavana (2000) as adapted from Pidd (1996) thus:

**Table 22 Hard versus soft approaches**

	Hard approaches	Soft approaches
Model definition	A representation of the real world.	A way of generating debate and insight about the real world.
Problem definition	Clear and single dimensional (single objective)	Ambiguous and multi-dimensional (multiple objectives)
People and organization	Not taken into account	Are integral parts of the model
Data	Quantitative	
Goal	Solution and optimization	Qualitative
Outcome	Product or recommendation	Insight and learning Progress through group learning

### 11.3. Systems context.

The argument we make is that, the procurement officers and other officials charged with managing procurement in the municipalities in Uganda are in an agency relationship in which they behave opportunistically or the excessive regulations have given them too much discretionary power from which they indulge in corrupt behaviour. The strategic options to curb these opportunistic corrupt behaviours are an aggregation of sub-systems (policies) that are interdependent and interrelated as described below:

**Competence:** This is based on Hendry's (2002), opinion that, the costs to principals of agents' limited competence can also be reduced by the principals' investing

resources in guidance or mentoring. He distinguishes two types of mentoring i.e. first, principals may invest resources in improving their agents technical competence. Second, principals' may also invest resources in improving their agents understanding of their objectives and of the circumstances, values, and broader priorities underlying these.

The people working in the supply chain have a substantial impact on some of the main elements of supply chain management: utilizing information technology, individual effectiveness, value through collaboration and organizational flexibility. Adjustment in human resource management can influence how supply inputs and processes are managed (Williams and Reinhardt 2003; Smith-Doerflein and Tracey (2000). Further, an implication of the Ancarani et al. (2003) model stipulates that, identifying training needs of people involved in purchasing processes and in managing learning processes is vital for public sector buyers.

Indeed Gilley and Egglund in Smith-Doerflein and Tracey (2000), stress that spending millions of dollars implementing a SCM system with the intent of improving productivity, lowering cost, and improving quality would be a futile exercise without qualified people to operate it. These people are referred to as human resources, and they are as essential for success as physical and financial resources.

**Information:** Decision makers are beginning to understand that information is not just a by- product of doing business; rather it fuels business. Information can be the crucial factor in determining the success or failure of a business (Kendall and Kendall 1992). In our study context, this constitutes our decision making strategy and entails information and communication technology reporting systems, supplier selection procedures, structures and techniques. This is akin to the aggregation of all the other purchasing system components in the race car model in section 3.2; figure 5 besides personnel. Such investments reveal the agent's behavior to the principal and the situations reverts to the complete information case. It denotes a

computerized information system that supports the broad range of tactical purchasing activities to ensure compliance.

### **Overall**

Competence entails the human aspect of the municipality and information the inanimate side/instrumental approach. This is in consonance with Albin (1997) who states that components (in a system dynamics model boundary) should be aggregated. Similar concepts should be aggregated if doing so does not change the nature of the problem being modeled or the model purpose. Fewer components help to avoid unnecessary complications.

The guiding descriptions above enabled the aggregation of the observed variables as follows:

Human competence = Training + Rule knowledge + Sanctions

Information = Implementation + Rules and regulations + Organizational reforms.

To ensure compliance to the PPDA rules and regulations so as to curb opportunities for corruption and attain value for money, the municipality management and relevant government agencies have the strategic policy options of:

- (1) Investing in human competencies of the staff
- (2) Investing in information.

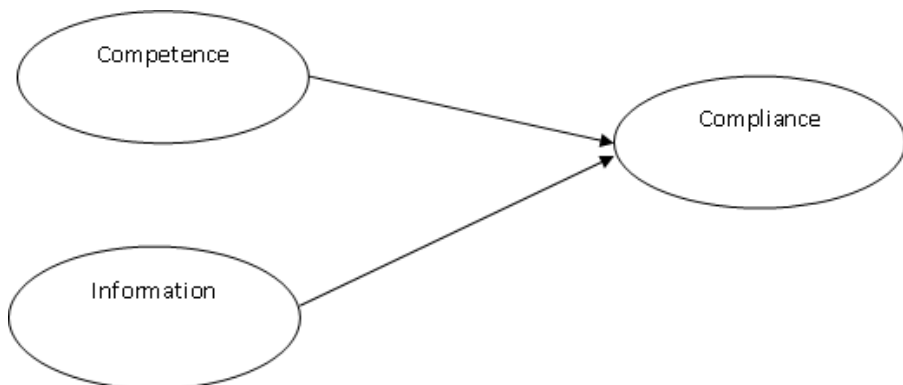
Hence the following questions arise:

1. What is the degree of compliance measured by the strategic policy option of utilizing either competence or information?
2. Of the two policies, which pays off better? i.e. will yield the best results in ensuring compliance and consequently attain value for money .

#### 11.4. The conceptual model using systems thinking

Frequently, the phenomena occurring in the real world are multifaceted, interrelated and difficult to understand. To deal with these phenomena, we abstract from details and attempt to concentrate on the larger picture – a particular set of features of the real world or the structure that underlie the processes that lead to the observed outcome – models are such abstractions of reality (Hannon and Ruth 1994).

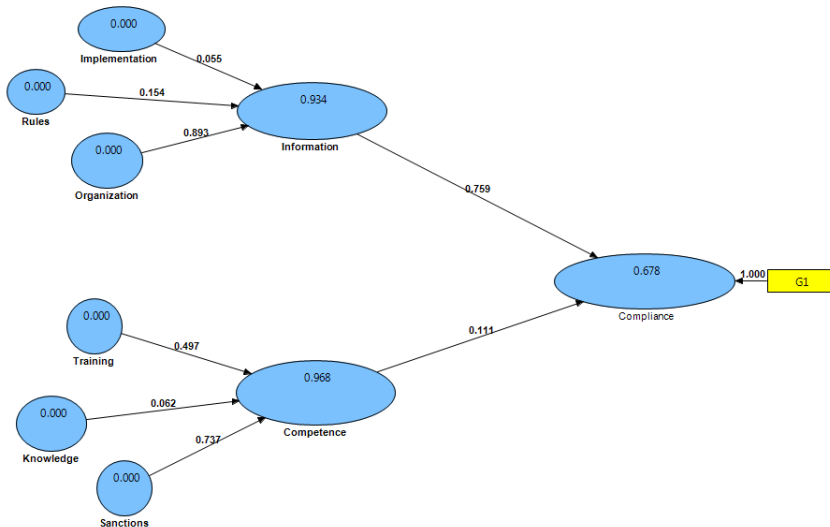
The dynamic components important to the model are information, competence (which have been aggregated and are directional) and compliance. The conceptual model to ensure compliance is schematically expressed below:



**Figure 12: Conceptual model for compliance (systems thinking)**

##### 11.4.1. Test of the conceptual model

The aim is to test the strategic policy option of utilizing the information and competence strategy in ensuring procurement compliance in the context of incomplete information on the procurement officers' behaviour by the municipalities. So as to address the two emergent questions in the conceptual model, a competing model path analysis was undertaken and the results using SmartPLS 2.0M3 software are presented here below:



**Figure 13: Measurement model of compliance**

### 11.4.2 Findings

The competing conceptual model with the unobserved constructs; competence and information system predicts compliance by 0.678 which is substantial but is lower than the structural/institutional approach with 0.746.

We also note that the information with an individual beta coefficient of 0.759 is a better predictor of compliance than human resource competence with 0.111. The unobserved constructs of information and competence are predicted by 0.934 and 0.968 respectively which is very substantial.

### 11.5. Policy implications

Procurement in local governments in Uganda’s environment faces a time and money constraint. These constraints automatically impose the element of choice i.e. choose the strategy that yields the maximum net gain in terms of compliance. From our analysis where we can strategically invest in both competence and information



systems, it pays off to choose the information (instrumentalist) approach with a beta coefficient of .759 over competence (behavioural) approach with a beta coefficient of 0.111.

Given the fact that information is a better strategic option, we go on to consider the various options within 'information'. Then it turns out that the structural variables that pay off in the information area are organizational reforms particularly with an individual beta coefficient of 0.893 in predicting information. Within the 'competence' option, it is training with an individual beta coefficient of 0.497 (moderate) and sanctions with an individual beta coefficient of 0.737 (regarded as substantial) which beckon for specific policy interventions.

In conclusion, systems thinking enabled us to establish that instrumental investments are likely to have the best results in compliance by a substantial degree. Within these instrumental investments those in organizational reforms are the most prominent to consider.

**PART V: ANALYSIS AND EMPIRICAL TESTING OF SUPPLIER  
SELECTION**

## **Chapter 12 Fighting corruption in supplier selection**

### **12.1. Introduction**

In this chapter we are focusing on how to fight opportunities for corruption in supplier selection. These are the steps most prone to corruption accounting for 28.9% of bid protests as identified in chapter 5 of this study. We begin with an analysis as to why it's so vulnerable to corruption then we incorporate technical ways under transparency and accountability tools to curb corruption in the supplier selection decision making process using non-legalistic solutions in local governments with the support of decision technology ideas.

### **12.2. Trust, honesty and corruption in supplier selection.**

This section anchored on the arguments of Ackerman-Rose (2001) asserts that trust implies confidence, but not certainty, that some person or institution will behave in an expected way. Honesty is an important substantive value with a close connection to trust. Honesty implies both truth-telling and responsible behavior that seeks to abide by the rules. One may trust another person to behave honestly, but honesty is not identical to trustworthiness. A person may be honest but incompetent and so not worthy of trust. Corruption is dishonest behavior that violates the trust placed in a public official. It involves the use of a public office for private gain.

#### **12.2.1 Typology and trade-off.**

Ackerman-Rose (2001) designed a framework to promote discussion not to set up rigid categories on trust as follows:

Interpersonal dimension

- a) Generalized trust: One's trust in others is part of a general attitude, not an evaluation of the particular, interpersonal situation. Its origins, however,

may lie in a person's past experiences of one-sided reliability or reciprocal trust.

- b) One-sided reliability: Individual A's trust in a particular person, B, depends upon an estimate of B's trustworthiness. B's trustworthiness, however is independent of A's own trustworthiness. However, B's behavior may be influenced by reactions of those on the other side of the transaction and by the costs of monitoring and control.
- c) Reciprocal trust: Trustworthy behavior is influenced by the degree of trust and trustworthiness expressed by others. The relevant others may be (i) the people one deals with directly who are on the other side of the transaction, or (ii) others similarly situated such as other firms in the same industry, fellow public officials, or other applicants for scarce public services.

Trust is generated through repeated interactions or through psychological or moral attitudes. Ackerman-Rose (2001) isolated five broad categories which are not mutually exclusive. Several can co-exist at once. These categories interact with the interpersonal alternatives above although some appear to be more closely associated with one than with another:

- a) Encapsulated interest: Trustworthy behavior that develops over time as a part of people's efforts to develop a reputation for reliability.
- b) Expert-based: Trust in experts who make predictions or provide services based on science or other forms of professional expertise. This will be mostly one-sided in which ordinary people trust experts, but the experts, in turn have no interest in the trustworthiness of ordinary people.
- c) Rule based: An organization is trusted because it promises not to deviate from clearly stated procedures that treat people neutrally. This is one-sided trust in an institution, but if that institution is the state, its trustworthy reputation can make people more willing to trust anonymous others.
- d) Affect-based: Trustworthy behavior is encouraged by love and friendship. This could involve a one-sided relationship, or it could be influenced by

the vulnerability and trust of those who depend on you because of ties of kinship and affection. In other words, the person need not be trustworthy, but his or her trust in you influences your behavior.

- e) Morality-based: Beliefs in the trustworthiness of others are reinforced by interactions with others who have moral commitments to act in a trustworthy way, and vice versa if others are untrustworthy and dishonest. Moral behaviour may be motivated by the impact on third parties not part of the transaction. Generalized trust may be the result of interactions over time with others who believe that trust is morally right.

In the Ugandan context, conflict arises in the supplier selection decision making process. This is in the interpersonal trust based on empathy and a sense of duty toward family and friends being different from trust in the fairness and neutrality of procurement officials in the award of contracts. Unfortunately, reciprocal trust based on personal connections operates at cross purposes to trust as reliability.

The PPDA goals to ensure transparent, fair and equitable procurement in local governments conflict with reciprocal, affect-based trust that depends upon close personal relations or kinships. One who relies on affect-based trust may believe that the trusted person will favour her whether or not she fulfills the formal qualifications and will aid her even if it imposes some costs on him in his institutional role (Ackerman-Rose 2001) which is true of the Ugandan situation which stifles the selection of the most favourable vendor.

The challenge is to seek a balance in obtaining the organizational man i.e. one who serves the tension between interpersonal trust based on empathy for particular individuals and creation of a state whose citizens expect fair treatment from each other to obey the rules and also trust others not to favour their friends and relations when that conflicts with their civil responsibilities.

### **12.2.2 Corruption in supplier selection in local governments**

All states, whether benevolent or repressive, control the distribution of valuable benefits and the imposition of onerous costs. The distribution of these benefits and costs is generally under the control of agents who possess discretionary power (Ackerman-Rose 2001; 1975). As established in chapter 5, there is ambiguity/uncertainty in the PPDA legal framework governing the precise role in determination of evaluation criteria and choice of the scoring/evaluation method. This leaves officers mandated to manage procurement in the local governments' with discretionary powers that can be subjected to abuse.

This is in tandem with the simplest model of corruption which is often the case where there are excessive regulations, and in order to interpret and implement these regulations, the bureaucrats are given some powers of discretion and the bureaucrats use that opportunity to indulge in corruption (Bardhan 2005). He adds that sometimes some people think that corruption is a way of bypassing mindless regulations. In fact, equally true to supplier selection in Uganda, the bypassing of regulations usually takes two different forms that have different implications:

- The bureaucrats are bribed to do what they are supposed to do; effectively they just charge a fee when they do their duty.
- The bureaucrats are bribed to do what they are not supposed to do.

The first is much more common, the case of so called speed money, where you pay a fee to move a file faster. The problem is that this may generate perverse incentives for the bureaucrats. Instead of speeding up, it may actually end up delaying, as the bureaucrats have vested interest in delaying, as with more delay they can extract more money. Also, other bureaucrats may pop up and say you must pay them, otherwise they will delay the file further and so on. This is particularly plausible in supplier selection in the decentralized context like ours in Uganda. Supplier selection in the decentralized context in Uganda is anarchic and fragmentary given the number of stakeholders involved; you do not know how many people you have

to bribe, and after paying at every point you do not know if the job will get done. And the implicit contract that you have entered into with these bureaucrats is a secret contract, and you cannot go to court and complain to the judge that these bureaucrats have not kept their part of the bargain.

The other kind, when bureaucrats are doing what they are not supposed to do can be much more insidious. For example in the Inspector General of Government (IGG) report on alleged irregularities in the award of a tender for construction of a health centre IV at Kamukira in Kabale municipality (2007) as established in bid protests in chapter 6, a member of staff to the tender board secretariat was influenced to change the evaluation criteria and pre-qualify a firm that had been blacklisted for contract award. This is particularly insidious because both the briber and bribee are in collusion so neither has the incentive to report the case, whereas in the former case after the transaction is done you could report to the higher authorities that you had a legal thing done but you had to pay a fee. So this second kind of corruption can be more persistent.

Another incentive for corruption in supplier selection in Uganda can be diagnosed from the reciprocal trust perspective. Frequently, all participants are affected by the attitudes and expected behavior of those on the other side of the transaction (Rose-Ackerman 2001). Hence, if reciprocity is based on moral motivations, the overall level of trustworthiness and honesty can be affected by the proportion of others who are also trustworthy and honest. If a high proportion of actors is trustworthy and honest, this will encourage others to be honest, and so on until all but a few diehards are honest. Conversely, typical of the Ugandan scenario in which corruption is driven by greed, if most people charged with the conduct of supplier selection are distrustful and dishonest, even more shift in that direction, until all but the moralists are lying and cheating.

A similar dynamic can operate if behavior depends on the chance of being caught behaving in a dishonest or untrustworthy way. In one version, the monitoring

process breaks down as the proportion of cheaters increases. One's behavior is affected by the trustworthy or honest behavior of other's but one's motivation is pure self-interest. In another version, one's expectations about those on the other side of the transaction are key. You will be more likely to offer a bribe if you expect that most officials are corrupt. Then even the formerly honest will be offered bribes, and some may become corrupt when offered the opportunity. If you think most are honest, you will be deterred from offering a bribe for fear of being arrested and hence few potentially corrupt officials will actually accept bribes, leading them to turn honest as well. Also, officials in the public sector particularly local governments in Uganda may have little incentive to do their jobs well, given official pay scales and the level of internal monitoring.

Given the difficulty of producing trustworthiness and honesty amongst procurement officials in local governments in Uganda, the question is, how can supplier selection be managed to reduce the opportunities for corruption? How might systems of corruption themselves be analyzed (which we have just undertaken above) for their weaknesses, and then be attacked? (Klitgaard 1999). Here is where he believes, a lot of work remains. We address this next.

### **12.3. Strategies to curb corruption in supplier selection.**

Many anticorruption initiatives and strategies rely on legal instruments, ethical codes and other vehicles of a similar nature. Bardhan (2005) makes a distinction between the special ways economists think about corruption as opposed to other social scientists. He opines that, cultural anthropologists or sociologists, for example emphasize social norms and moral values, and increasing corruption is taken as an indication of moral decay. Economists on the other hand emphasize incentives and organizations.

We focus on the organizational reforms. Incentives are beyond our study scope given that this is the preserve of the central government of Uganda to determine for



its civil servants. The choice of organizational reforms is logical given the high beta coefficient of 0.893 in predicting information/instrumentalist approach as a better enabler of compliance to the procurement rule using systems thinking in chapter 11. It pays off to consider organizational reforms to curb corruption. The goal is to move supplier selection from a system of mutual favour giving based on reciprocal trust to one where one-sided/rule-based trust prevails- i.e. a system where citizens trust officials mandated with supplier selection to follow the rules.

The foregoing discourse on transparency and accountability is premised on the fact that the traditional PPDA and local government supervisory and oversight systems are not necessarily adequate to detect hidden and often complex methods of corruption. This is in tandem with the assertion by Søreide (2005) that, the issue of corruption has often been neglected in the preparations for procurement reform. Reduced corruption has repeatedly been considered a side-effect of new and better rules.

We have broadly captured our organizational reforms under transparency and accountability as tools to curb corruption in supplier selection hereunder:

### **12.3.1 Transparency**

Transparency in the context of public procurement refers to the ability of all interested participants to know and understand the actual means and processes by which contracts are awarded and managed. This requires the release as a minimum, of information sufficient to allow the average participant know how the system is intended to work, as well as how it is actually functioning (Wittig 2005).

Transparency means that laws, regulations, institutions, processes, plans and decisions are made accessible to the public at large or at least to “representatives” of the public so that processes and decisions can be monitored, reviewed, commented upon and influenced by the stakeholders, and decision makers can be held

accountable for them. Corruption thrives in the dark and manipulation for personal benefit is facilitated by opacity. It is essential that transparency be created from the very beginning so that potentially every step in the long decision making process can be viewed and influenced in a timely manner. The transparent process may appear time consuming and costly at the outset, but it is irreplaceable and will in fact save time as well as costs in the long run (Transparency International 2006)

From the agency theory perspective, Trepte (2005) notes that the importance of transparency is that it makes visible what would otherwise be concealed and allows the actions of the agent to be verified objectively. Where the actions of the agent can be verified, the opportunity for corruption, assuming that effective enforcement procedures exist, is significantly reduced.

The Organization for Economic Co-operation and Development (2003); Beth (2005) emphasize transparency as one of the most effective deterrents to corruption in public procurement due to the perceived benefits as follows: Clear information on the various steps involved in the procurement process can enable potential suppliers to make informed decisions about whether to bid and how to improve the relevance of their bids by better addressing governments' needs and priorities. Moreover, when governments provide feedback on the outcome of an award, this can help bidders to prepare better bids in the future; transparent procurement procedures can contribute to a more efficient allocation of resources through increased competition and budgetary savings for governments; conversely as companies (domestic and foreign) develop more confidence in participating in procurement practices, the number of bidders expands, yielding stringer competition. Such increase in competition can bring costs down, improve quality and delivery terms, facilitate innovative approaches to production and improve after sales services.

### **12.3.2. Conditions for transparency to be an effective tool**

Beth (2005), in a summary of a forum discussion and consistent with Wittig (2005) discloses that transparency was recognized as a pre-condition to allow different stakeholders to exercise scrutiny over public officials' and contractors' decisions and performance, thereby minimizing discretionary power. Public information should be:

- Accessible, i.e. understandable (e.g. clear specifications), timely (e.g. defining reasonable deadlines for submitting the bid; ensuring that the procedure for contesting the decision is reactive) and provided in a structured manner (e.g. establishing a single entry point for procurement);
- Consistent, i.e. the same rules apply for all bidders (e.g. a single set of regulations through a centralized database) at the different stages of the public procurement process (e.g. making sure that the contract terms cannot be altered after adjudication, publicizing information related to the bidding opportunity, the tender and the ensuing contract.
- Objective, i.e. a competitive environment for bidders is fostered by allowing the largest number of participants in the bidding process (e.g. reasonable conditions to participate) and by ensuring that the public procurement process is based on objectively measured factors (e.g. through the involvement of stakeholders in the definition of specification) and is not influenced by specific interests (e.g. through rotation of public officials).

### **12.3.3. Balancing transparency with other imperatives**

It is clear that improving transparency of the procedure by which the contract will be designed, the bidders will be chosen and the winner will be selected can both diminish the ability of the public body in charge of organizing the procurement

market to exercise discretion and allow the controlling bodies to monitor the process more closely. Thus increased transparency is likely to diminish corruption.

However some care should be taken that increasing transparency in order to decrease the possibility for public officials to engage in corrupt practice does not increase the scope for anticompetitive practices and for the corruption among bidders themselves. It is well known that if perfect information is a condition leading to efficiency in competitive markets, it is also true that on oligopolistic markets (and the number of bidders on most public procurement market is limited) transparency can facilitate tacit collusion (Jenny 2005).

Beth (2005) alludes to the need to define an adequate framework for providing information without harming competition or efficiency. The different dimensions of transparency in particular are: what type of information should be released, to whom and at what stage.

### **What type of information?**

OECD governments make a distinction in the use of different types of information: public information available in the public arena; commercially sensitive information, i.e. the know-how and technical capacity included in the bidding proposals, and information related to the privacy of public and private actors in the process.

### **To whom it should be transparent?**

There's a need to strike a balance between the information needs of all stakeholders – public officials, private sector representatives and civil society – in the procurement process. Public procurement officials in charge of the procurement process will benefit from the widest access to information on public procurement regulations, on the specific bidding opportunity and on the record of performance and integrity of the different contractors. This access is essential to allow them to make a decision in the procurement award.

The more bidders know about governments' requirements and the environment in which the system operates, the better they can design a suitable solution, which contributes to a more efficient management of public resources e.g. commercially sensitive information such as the technical content of a bid cannot be released to competitors.

Civil society has an interest in expenditures made through the public procurement system being economical, transparent and fair. Public officials are therefore expected to disclose all public information related to the bidding opportunity, to allow scrutiny by the business and civil society at the different stages of the process. In addition, early and open disclosure by procurement officials of their private interests allows the identification and the prevention of conflicts of interest that might bias the fairness of the process.

#### **At what stage?**

Disclosure of information should be differentiated depending on the stage of the public procurement process i.e. the identification of needs, the preparation for bidding, the bidding process, the award of contract or the contract management. However, information might be harmful for competition if it is disclosed too early in the process e.g. contractors who are informed about other firms competing for the public procurement during the submission of bids might be tempted to collude with them in order to secure the outcome of the process.

To aid in promoting transparency as a tool in curbing corruption, the basic attitude should be to release as much information as possible, to as many people as might be interested at the earliest possible stage. It is only the [protection of commercial interests that might prevent certain parts of the information not to be published.

In conclusion, transparency requires that published rules are the basis for all procurement decisions and that these are applied objectively to all bidders. Transparency is an effective means to identify and correct improper, wasteful – and

even – corrupt – practices (Wittig 2005). More importantly, transparent procurement systems can provide an important tool to combat corruption in government procurement. Transparent procedures are not sufficient in themselves to eliminate corruption but an effective system of monitoring and procedural checks (accountability) can render perpetration of corruption difficult.

#### **12.4. Accountability**

A cornerstone of a well functioning public procurement system operating with integrity (fair, transparent and credible) is the availability of mechanisms and capacity for independent control and audit of procurement operations to provide for accountability and compliance (Wittig 2005). Accountability means that governments, public (government owned or controlled) institutions or corporations and individual officials, on the one hand and companies, company executives and agents or other individuals acting on behalf of companies on the other hand, must be accountable for the correct and complete execution of their tasks and duties and for the decisions and actions being made in their areas of responsibility. Procedures enabling full accountability should be systematic and dependable. Records explaining and justifying all decisions and actions should be created and maintained (Transparency International 2006).

Where, in a modern procurement system, the agent is given responsibility for his actions, he must also be made accountable for them (Trepte 2005). To balance the managerial discretion of procurement officers, governments have reinforced their accountability mechanisms. Procurement practices have also been adapted to share risks in public procurement processes (Beth 2005). Roberts, McNulty and Stiles in Hendry (2005), though focusing on governance processes of boards, argue that real board work is about combining elements of control and collaboration in such a way that each enhances the other, building processes of accountability through ‘non-executive engagement’, challenging supportiveness and involved independence.

Beth (2005) makes an elaborate submission relevant to this study. This is to the effect that, as public procurement systems become more decentralized, one of the main difficulties is to co-ordinate the different forms of control in order to avoid gaps or overlaps and to maximize the use of information provided by these controls. To verify whether relevant regulations and standards are being met, public procurement operations are subject to many different controls: local controls, accounting controls, controls made by fiscal authorities, external controls and audits.

Further, she states that internal control (*the focus of this section and an external demand*), is traditionally based on the separation of functions; programme officer responsible for public procurement in a specific field, contracting officer who manages the public procurement procedure, budget official and agency attorney for legal matters (*these are delineated in the PPDA procurement cycle in Uganda's case*). While in the past these regimes were heavily weighted toward process controls before spending, internal control now focuses mainly on results (*to curb corruption and obtain value for money in our study context*). External audit works together with internal control to ensure that planning, budgeting and the use of public resources is in line with a particular country's law and government objectives.

The underlying principle in balancing between efficiency and controls is that, officers of the government who have been delegated procurement authority need to be accountable for the public procurement decisions made by them. They represent the Government in an important interface with the public. They must be accountable for the effectiveness, efficiency, legal and ethical manner in which they conduct procurements. However, buyers should have the authority and encouragement to use personal initiative and sound business judgment on a daily basis. Additionally, the professional public buyer should employ knowledge of the industry, trading principles and practices in an ethical manner to help set the tone of doing business within his or her national borders (Wittig 2005).

The challenge hence is to establish flexible regulatory frameworks and simplified procedures. As Trepte (2005) aptly puts it, a balance needs to be struck between the desire to impose regulations aimed at reducing corruption and the benefit to be gained from promoting professional and ethical procurement.

### **12.5. Conceptual framework of transparency and accountability as control tools.**

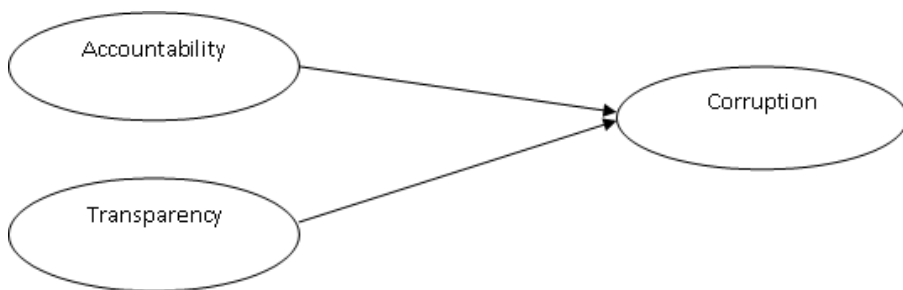
Accountability as a control tool is embedded in organizational theory. In a summary of Eissenhardt (1985), control can be achieved through performance evaluation which refers to the cybernetic process of monitoring and rewarding performance. This strategy emphasized the information aspects of control. The performance evaluation control strategy suggests that something is measured. Further, that the something which is measured can either be the behavior or the outcome of those behaviours. Hence, the performance evaluation strategy for control can be either behavior or outcome based depending on the information characteristics of the given tasks. These characteristics are: (1) knowledge of the transformation process, or task programmability, and (2) the ability to measure outcomes.

The accountability construct is derived from task programmability i.e. if a task can be programmed, then behaviours are explicitly defined. Therefore, control is accomplished by performance evaluation of behaviours. However, as the task programmability decreases, behaviours are more difficult to use as the basis of the control strategy because they are less clearly specified. If the goals can be clearly stated, then outcomes can be measured and the performance evaluation of the outcomes is the appropriate control strategy. Hence task characteristics determine the information available.

The transparency construct as a control tool is emergent from the agency theory i.e. when the behaviour of the agent is observed, a behavior based contract is optimal because the agent's behaviours are the purchased commodity. This is the case of



complete information. Both parties, agent and principal, know what the agent has done (*which is the ideal of transparency*). In the case of incomplete information, the agent may shirk. Hence the principal has the options of either purchasing information about the agent's behavior and reward those behaviours. This requires surveillance mechanisms like transparent supplier evaluation and selection mechanisms in our study context. Or the principal can reward the agent based on outcomes (e.g. profitability) which is not in our study scope. Information is a purchasable commodity. The conceptual framework is diagrammatically presented:



**Figure 14: Conceptual framework for transparency and accountability**

The conceptual framework is a combination of organizational and economic approaches to control. It ignores the risk bearing and reward implications of agency theory given the bureaucratic nature of public service management in Uganda. This is in conformity with the organizational approaches to control. It puts task programmability (accountability) i.e. the role of task characteristics, especially task programmability as control strategy vs information systems (transparency) i.e. the role of information systems in maintaining behavior control as predictors of corruption in our study context.

Both agency and organizational approaches are rational, efficiency approaches which are concerned with the determinants of control strategy. Both are information based. Both distinguish between two types of performance evaluation control: behavior based and outcome based control. However there are differences in emphasis such that the two approaches are complementary in important ways

relevant to our study i.e. the organizational approach emphasizes the importance of task characteristics especially task programmability while the agency theory adds more explicit emphasis on information systems.

## **12.6. Task separation**

There is one important possibility that reinforces both accountability and transparency. This is the issue of task separation.

Task separation improves **transparency** by implying that each separate task has an end result that should be communicated as part of the entire job. For the next task to be able to start, it needs the results of the previous tasks. Since these previous tasks have been done by other people the results need to be communicated. And if there is communication this can also be recorded as an intermediate result.

There are two ways task separation can take on a form:

- (a) Serial separation: tasks A, B and C are executed serially and B needs the results of A (and C needs the results of B) to be able to start;
- (b) Parallel separation: tasks A and B are executed in parallel and computing the final result (task C) is only possible if the results of both A and B are available;

Of course all kinds of combinations of parallel and serial separation are conceivable.

The very existence of the intermediate results makes it harder for the next person to engage in corrupt practices by changing the final outcome of the supplier selection process. And also the person that executes the previous activities (that will be communicated as an end result) can never be sure his corrupt practices are sufficient to change the final result of the supplier selection process.

Task separation improves **accountability** because it is immediately clear who is responsible for a specific task. If there is something “fishy” about the result of this task, the person responsible for this task cannot hide in some big overall process and result. It exposes him or her immediately.

This concept of task separation is so powerful it is implemented in most legislations. We have already seen that when we treated control and governance (oversight). One particular way of creating task separation is to have one person or committee do a job and another person or committee check the result. But this is just one rather simple way of task separation. Examples of more elaborate ways of task separation in the context of supplier selection are:

- (a) One determines pre-qualification criteria, another applies them;
- (b) One determines selection criteria, their weights and designs a measurement scale (scoring) for them, another applies them;
- (c) Different people score different selection criteria;
- (d) Different people score the same selection criteria independently and somebody else compares or averages afterwards;
- (e) Avoid the people doing the evaluation to know which company’s bid they are evaluating. So you ask companies to make their bids anonymous and only one person (not involved in evaluation) knows which company it is further nicknamed as A, B, etc.
- (f) Etcetera.

All of these can be used in various combinations.

Task separation is such a powerful tool that it might even become a goal in itself. An example: when awarding a contract on the lowest price only, it is relatively simple for a single corrupt official in the right position to frame the final result in such a way his favorite supplier wins. If the contract is awarded on the best combination of price and a number of other criteria (Economically Most

Advantageous Tender- EMAT) and all criteria are scored independently by different officials then it is much harder for one official to manipulate the final outcome. This example is a simplified reconstruction of the massive corrupt practices (and the suggested remedies) that went on in the Netherlands construction sector in the final decades of the previous century (Dreschler; De Ridder 2009).

Task separation as a goal thus leads to a preference for EMAT supplier selection as a technical tool to curb corrupt practices. As a byproduct the use of EMAT also may be a first step towards more professional procurement practices.

We do acknowledge EMAT evaluations require a certain level of proficiency in decision making technologies. But since we invoke EMAT not for the purpose of professionalization (only), but to further transparency and accountability we may restrict application to the simplest techniques such as linear weighting (weighted factor score) or Value for Money.

### **12.7. Supplier selection workflow in Ugandan local governments.**

Supplier selection is a decision making process. The evaluation committee has to compare bids against published criteria and needs to choose one or reject all of them i.e. ultimately supplier selection comes down to selecting the best bidder. Csáki and Gelléri (2005) opine that public procurement practice requires the selection of the “best value” bid, taking into account a number of considerations including quality, life cycle cost and risk as well as past performance of the vendor on the basis of a Value for Money (VFM) evaluation which is equally true of the Ugandan supplier selection process in local governments.

Supplier selection is a group decision making process in that members of the Evaluation Committee are nominated by the Procurement and Disposal Unit (PDU) and approved by the Contracts’ Committee (CC) from various departments as illustrated in the institutional arrangements as provided in the procurement cycle. This organizational structure necessitates effective decision making given the

number of people with differing backgrounds involved who are bound to clash. The involvement of the various stakeholders and experts is led by a decision analyst (procurement officer(s) from the PDU in our study context) playing the role of facilitator.

For every individual tender, the PDU identifies the relevant members of the Evaluation Committee. A well prepared specification of the item to be procured is essential. The procurement strategy is the guiding principle that defines the goals and objectives of the user department that has initiated the procurement derived from the procurement policy of the local government. The procurement strategy is vital in selecting the evaluation criteria.

As established in chapter 5, there is ambiguity in the definition of criteria. This applies to both the pre-qualification criteria and the final selection or awarding criteria. In our study, we propose that the User departments, preferably head of departments be mandated to establish the final selection or awarding criteria. This is emergent for the fact that they are the end users and experts on what they want procured. Conflicts will inevitably arise and it is the job of the PDU to allow for its constructive resolution. As people arrive with differing backgrounds it is up to the PDU to identify and harmonize any differences in views language or ways opinions are expressed.

Head of departments will hence establish the hierarchy of the evaluation criteria and sub criteria by systematically analyzing requirements, corresponding standards, or other industrial norms and existing products. The tender document should clearly define the content of each criterion, its measurement and its relative importance i.e. weights. If necessary, a legal expert might ensure that the contract terms and conditions are in conformity with the PPDA Act, national laws and other requirements.

All of this prior to the submission of bids, at the time of preparing bid documents for publication. And so visible or at least obtainable to the bidders and all interested parties, like civil society or possible other bidders. Make sure they are on file.

Then after the bids come in, the evaluations committee evaluates the bids according to the published criteria, measurements and weights. The best bidder(s) so evaluated are then seconded to the Contracts Committee who may approve or reject the evaluation. If rejected, debriefing of unsuccessful bidders should be undertaken with justified reasons.

In the ideal situation in which all procurement officials have high moral and professional integrity who are trustworthy and honest to resist corruption, it would not be necessary to rely on extensive organizational reforms. It is the difficulty of finding such people that we propose the integration of decision-making technologies hereunder. But as a side effect the professionalization of public procurement is a benefit that should not be ignored.

### **12.8. Decision technologies to support supplier selection**

As noted in the workflow above, supplier selection is a group decision making process in which evaluators have to compare the bids (submitted in response to the tender documents) against a value for money criterion. In the first phase, there must be agreement on the evaluation criteria to be used. In our study we proposed that head of departments and co-opted experts express their preferences posting them using a computer to the PDU.

The second phase entails weighting. This is serially separated as it is after the criteria have been determined in the first phase that weighting can take place. Appending weights to the criteria we proposed should be the preserve of the heads of departments. Using a simple computer software package e.g. excel, the weights are specified from each participating relevant head of department and co-opted

expert(s). Prior to this, the scoring methods should have been discussed, agreed upon and endorsed by members of the evaluation committee. Finally for the bid evaluation, each member of the evaluation committee scores on each bid and submits his/her scores to the PDU for tallying/computation. Parallel separation of task possibilities can be explored here. The integration of decision technologies in the supplier selection steps is captured under transparency and accountability tools and detailed below.

### 12.8.1. Design of the transparency measures

The design of the transparency tool is cognizant of the fact that to obtain the value for money, it is good to encourage the most competitive and able suppliers to tender for contracts. Hence the procedures for supplier evaluation and selection ought to be fair, non-discriminatory, and clear that promote a good working relationship and trust with suppliers.

**Table 23: Design of transparency measures**

<b>Step in supplier evaluation &amp; selection</b>	<b>Dimension in the transparency tool</b>
Choose evaluation criteria for pre-qualification and selection criteria	Relevant head of departments' should endorse the evaluation criteria to be used in the bid documents. Use multiple selection criteria (EMAT) as much as possible.
Choose weights for selection criteria	Weights to be used in the supplier selection phase should be endorsed by the relevant head of departments
Choose scoring methods for selection criteria	Choice of the scoring methods should be endorsed by members of the evaluation committee.
Publish	Publish all the above to invite possible suppliers
	Supplier prepare pre-qualification documents
Pre-qualification	The criteria for pre-qualification should be included in bid documents.

	The criteria included in bid documents should be the basis for pre-qualification.
	Debriefing of unsuccessful bidders should be undertaken with justified reasons.
Wait	Pre-qualified suppliers prepare bids. (The two stage bid evaluation requires two separate envelopes which may facilitate task separation in evaluating bids)
Determine winner	Separate teams evaluate separate parts of the bid
	The final results of all bids received (rather than the winning bid only) should be made public.
	Commercially sensitive information e.g. technical content of a bid should not be made public.
	All endorsed records (with appended signatures) should be kept by the PDU.

### 12.8.2. Design of accountability measures.

The tenet underlying the accountability tools design is to obtain harmony in the legal, institutional and procedural frameworks in public procurement in Uganda while providing procurement officers with sufficient flexibility.

The tools are meant to ensure that they are:

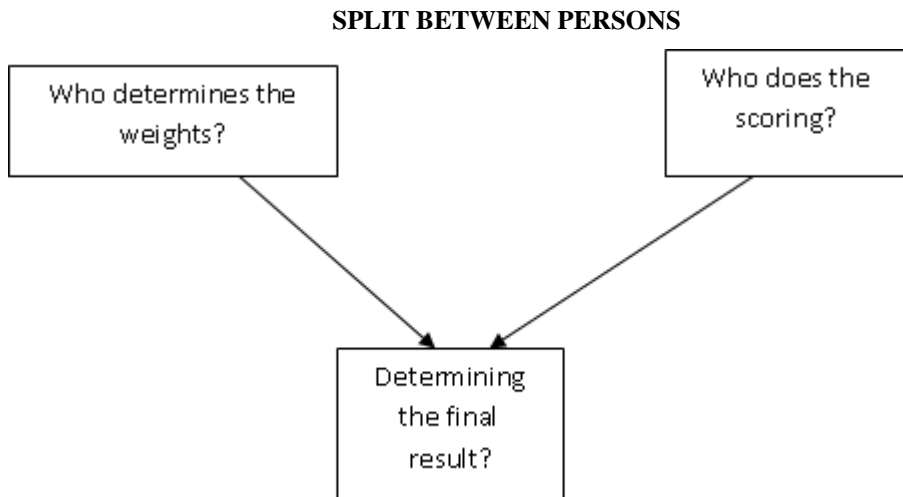
- Appropriate to use in the decentralized context in the municipalities in Uganda.
- Easy to use
- Have intrinsic ability to find the best supplier
- Can convince the stakeholders that this is really the best supplier.

In light of the discourse above, this study developed possibilities for effective and efficient supplier selection. Due consideration was taken with regard to user ability



and their integration into the existing PPDA procurement rule. These it is hoped can be adaptable in the decentralized context in local governments.

**Accountability tool A: Splitting.**



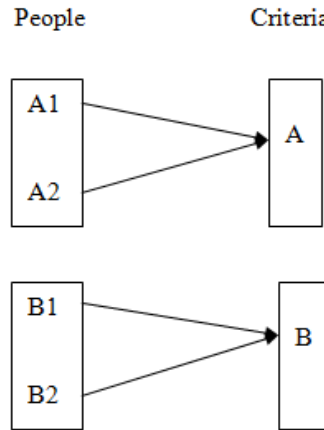
**Figure 15: Splitting**

In this example the tasks of weighting, scoring and addition of scores are separated in terms of the people who perform them. The weighting is done by the head of departments (using for example the Delphi decision conferencing technique), scoring by the evaluation committee and the addition of the scores by the Procurement and Disposal Unit (PDU).

- The scoring on criteria can be done without knowledge of the weights or identity of the bidders to avoid bias or inclination towards a particular supplier. This is in conformity with Rose-Ackerman (1975) observation that a bribe can affect two variables – the identity of the seller and the terms on which the sale is made.

- The weighting and scoring can be computerized with each person responsible entering individual weights/ratings. This is upon receipt of a password from the PDU.

**Accountability tool B: Have two people evaluate criteria.**



**Figure 16: Double check**

- The average from each criterion is then added to obtain the total score for every bid. This in addition is hoped to ensure the “four eyes” principle to supplier selection.

**12.9. Benefits and preconditions for success.**

**12.9.1 Quality decision-making technologies as anti-corruption tools.**

Csáki and Gelléri (2005) make substantive arguments for quality decision-making technologies which we adapt. These are that, maintaining firm control of decision processes, supported by suitable software, seems to have the effect of reducing the capacity for corrupt behavior. It might not reduce the tension present among the participants during the tender evaluation and competition but it can ensure a much more effective use of public funds by ensuring greater consistency of the tender process.

Quality decision-making tools have the effect of lowering the impact of corruption by raising transparency and ensuring a more controlled evaluation especially when closely linked to the tender development specification and evaluation process.

For the bidders, a well designed and soundly communicated evaluation system creates a fair playing field. It allows the bidder to cater for the needs of the local governments. Having a well prepared bid would lower the risk along with the need to engage in corrupt practices.

These decision making technologies may be of a fairly simple nature. Most of the needs of the processes just described can be catered for by standard Excel or similar software; publishing is rather simple on an Internet website. Even though we realize easy Internet access is not standard (yet) in all parts of Uganda, we do believe it is possible to use this technology in virtually all local governments as the mobile phone system is well developed.

Once easy and reliable internet access is standard across Uganda, more advanced systems might be used, but for now and for reasons of the required education we refrain from those more advanced technologies.

### **12.9.2 Preconditions.**

#### *Evaluation methodologies*

A legal environment that is able to recognize the importance of task separation decision analysis is necessary to emphasize that even the simplest methodology has to adhere to some expressed basic rules to avoid the possibility of corruption. In addition, methodological guidelines and support to enforce a methodological preparation and evaluation based on consistent principles and processes. Each different expert area is represented during both the preparation and evaluation of phase. Experts vote individually on criteria belonging to their area of competence (representing their own opinion reflected in the documentation).

*Training for procurement officials and bidders.*

Head of departments learn how to express and represent their preferences and use the tools available within the PPDA legal framework. Successful tendering requires high quality bids that not only meet formal and legal requirements but are able to meet the expectations of the local governments with manageable cost to the bidder. Training equips all potential bidders with tools to improve their bidding practices. The conduct of specific decision analysis courses directed towards procurement professionals (that prepares them to become trained decision analysts in their field) is necessary.

*Synergetic effects of supporting factors.*

Synergy of the various solutions enhances their usefulness. For example defining legal instruments to enforce quality evaluation practices needs corresponding long term education to influence and modify views, approaches and morals.

In conclusion, we have demonstrably established that appropriately designed organizational reforms in supplier selection can help lower the chance of corruption by clarifying decision making roles and responsibilities, identifying issues in the process, developing harmonized policies, and providing guidelines and best practices. In the next chapter, we empirically test our proposals.

## **Chapter 13 Empirical test and interpretation of results of the transparency and accountability tool.**

### **13.1. Introduction**

In the previous chapter we developed transparency and accountability tools to curb corruption in supplier evaluation and selection. In this section we empirically test our tools in order to establish to what extent they might be acceptable and prove effective in the decentralized context.

To this end we set up a two stage test: (1) focus group discussions to explore the issue further and assist in developing (2) a questionnaire to be answered by a good number of local government officials.

### **13.2. Research strategy**

Similar to our methodology in chapter 9, this was also a case study research design which, in consonance with Yin (2003), a how? question is posed in the study which can adequately be undertaken by this strategy due to the fact that, there is very little control over events and the focus is on a contemporary phenomenon within real life context. This is complimented by the observation of Robson (2002) in Saunders et al. (2003), that case study research design is particularly useful in an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. A multiple case study in particular was used as with more case studies, the context may differ to some extent. Hence, arrival at a common conclusion enhanced the external generalizability of the study (Yin 2003). Further, case study research was adopted as argued by Morris and Wood (1991) in Saunders et al. (2003), as a way of gaining a rich understanding of the supplier selection context and processes in local governments.

### **13.3. Focus Group discussions**

Focus group discussions were held with two groups of third year Bachelor of Procurement and Logistics from Kyambogo University. Each student groups consisted of 10 students, most of whom were also professionally involved in procurement, as most Ugandan students combine employment with studies. Their selection was random based on the willingness to participate in the discussion. Cooperation of their Lecturer in the Public Procurement module was sought and became of great help as she impressed upon them the nature of the discussion beforehand which eased any anxiety that could have arisen. The purpose of the focus group discussion was twofold i.e.

1. To seek the students' opinions on the applicability of the tools developed in the Uganda context.
2. To elicit additional designs to the developed tools.

#### **13.3.1. Procedure.**

Three days separated conduct of the discussions due to the different timetables to secure ample time for the evening students. Hence for simplicity, we referred to them as group 1 and 2. Free rooms were secured on campus and upon sitting in a circular manner, the discussions commenced. The discussions were guided by the researcher to enable participation by each member of the group as well as provide clarification to any questions. The beginning of each discussion was preceded by self introduction starting with me and they were recorded to enable my complete attention to the discussions. The discussions averaged one and a half hours each and following resultant opinions were obtained.

### 13.3.2. Findings.

In Group 1, splitting between persons as an accountability technique yielded some of the following observations:

*“Scoring on criteria without knowledge of the weights is likely to cause problems. It is like marking an exam paper without a marking guide”.*

Another was that:

*“There is likely to be conflict because there are too many people performing different roles on the same activity”.*

With explanations on the principles underlying the design of this tool however, students in both groups agreed on its applicability though with some caution that:

There is a need of a high level of integrity from the people who are charged with keeping the weights (PDU) from the people scoring (evaluation committee). With just one phone call i.e. leaking the weights, the integrity of the whole process is compromised. Indeed one stated thus:

*“Our people are too corrupt for this tool to work. It is applicable in the developed world where there is integrity in the work ethic of the population”.*

Further, that unless the use of computers is undertaken as suggested, there could still be leaks with paper work.

With regard to the double check accountability tool, there was general consensus from both groups that it is a workable strategy. Though integrity of the persons evaluating was still a problem raised. A notable solution raised in both groups at this point was that:

*“We should outsource the evaluation process to competent firms be they private or public out of the sourcing entity”.*

This was indeed a novel suggestion as a form of parallel task separation as discussed in 12.6. We explored its’ viability in the next chapter.

Accountability as a tool to curb corruption from both groups was hailed. However, there were concerns especially as to why we were suggesting relevant head of departments to endorse the evaluation criteria and as to why the members of the evaluation committee had to endorse the scoring methods. The explanation of the importance of task separation as a tool to curb corruption helped clarify our position. That it immediately becomes clear who endorses evaluation criteria and the scoring method. The persons can hence be held responsible for their actions as the PPDA Act 2003 does not categorically state who is directly responsible and can hence be held accountable. This is a grey area with a high level of discretion hence susceptible to corruption and a few examples on the mistakes, miracles and myths in supplier selection (De Boer 2006) were employed to drive our argument.

Students in both groups were asked to state their opinion as to which tool is a better predictor in the fight to curb corruption. Opinions were diverse and consensus was difficult to achieve. However, the majority of the students in group 1 supported transparency while accountability had majority support on group 2.

The argument advanced by a student in group 1 that:

*“The transparency tool is similar to what the PPDA already has in place. The tool identifies the gaps in the supplier selection process and makes appropriate remedies. It would hence be acceptable and cheaper to implement by the various stakeholders. This is in contrast with accountability that may overhaul the supplier selection process hence might face resistance and would be expensive to implement”.*

Despite his articulate argument, another student observed that:



*“Listening to the argument above, transparency is good in the short-term. In the long-term, accountability is a better tool in that one has a better understanding of what one does and can be held accountable for his/her actions”.*

This argument provided the consensual basis of the students in group 2. They particularly pointed out that one can be transparent without being accountable. Accountability ensures that one’s roles are clearly delineated and can be held responsible for his/her actions in case of a breach.

Overall, both groups were in agreement that both the accountability and transparency designed tools were of immense importance in the fight against corruption in supplier selection. Specifically, task separation as a tool to curb corruption in supplier selection elicited the need for more professional procurement practices and integrity. The discussions enriched the study with insights on the developed tools. They also provided insights for the development and conduct of the questionnaire survey.

#### **13.4. Questionnaire**

##### **13.4.1. Sample selection**

The purpose of the study was to examine transparency and accountability as tools to curb corruption in supplier evaluation and selection in local governments in Uganda. The study scope was on six (6) districts out of 80 in Uganda. These were: Lira, Dokolo, Oyam, Wakiso, Jinja and Mokono. They were randomly selected. Proximity to the researcher’s place of abode though was the main determinant as a cost minimization strategy. The study particularly targeted district to gauge the applicability of these measures in both districts and municipalities. This though would be of minimal significance since they both abide by the same PPDA rules

and regulations in addition to the local government procurement regulations and subsisting in similar environments.

The target sample per district was hence selected as illustrated in the table below:

**Table 24: Sample selection**

Category	Number.	Role
Mayor	1	Political head of the municipality, hence presides over the strategic procurement process.
Chief Administrative Officer (CAO)	1	Accounting Officer
Head of Departments	9	Initiate procurement requisitions and serve on the contract committees'
Procurement Officers in the PDU	3	Manage the procurement process.
<b>Total number (per district)</b>	14	

As we included 6 districts in our sample the total number of targeted respondents was  $6 \times 14 = 84$  for our survey.

#### 13.4.2. Questionnaire

Questions were developed to tap into supplier selection under the broad dimensions of transparency and accountability. The operationalization of the factors greatly enabled this process. This ensured that the measure includes an adequate and representative set of items that tap the concept of supplier selection (Sekaran 2003). The empirical test was largely positivist. It assumed the role of an objective analyst, coolly making detached interpretations about those data that have been collected in an apparently value-free manner. There was an emphasis on a highly structured methodology to facilitate replication (Gill and Johnson, 1997 in Saunders et al.

2003) and on quantifiable observations that lend themselves to statistical analysis (Saunders et al. 2003).

Research assistants were used who proved of immense value in hand delivering the questionnaires and picking them from the respondents.

### **13.4.3. Questionnaire design**

The questionnaire was designed in a manner to address the theoretical problems of representation, objectivity and correspondence as follows:

Face validity was also ensured by categorization of the questionnaire in sections corresponding to transparency and accountability dimensions. This enabled the development of the measure that included the best (most representative) items from each phase (Blanche & Durrheim 1999).

The questionnaire was piloted in two districts of Bukedea and Kumi. It was also given to colleagues to assess its ability to obtain relevant data. Colleagues they were concerned about the brevity of the questionnaire though were comfortable with the wording and clarity of the questions.

The questionnaire was designed with ordinal measures. This enabled respondents rank their opinions on the attribute each question was trying to measure in the prescriptive framework of the conceptual model. The problem where relations between numbers in a mathematical system often do not correspond with the relations between attributes being quantitatively represented by numbers (Blanche & Durrheim 1999), was avoided henceforth. A 5 point Likert scale was used.

The final questionnaire used is attached to this thesis as Appendix B.

#### **13.4.4. Data analysis technique**

As in chapter 9, we used Partial Least Squares (PLS) modeling. No similar study has been undertaken in Uganda and given our sampling technique our sample size was bound to be small.

Consequently, PLS path modeling was adopted. PLS is primarily intended for causal predictive analysis in situations of high complexity but low theoretical information. Thereby the method assists researchers who focus on the explanation of endogenous constructs (Henseler et al. 2009). They add that the characteristics that are relevant for PLS path modeling can be summarized as follows:

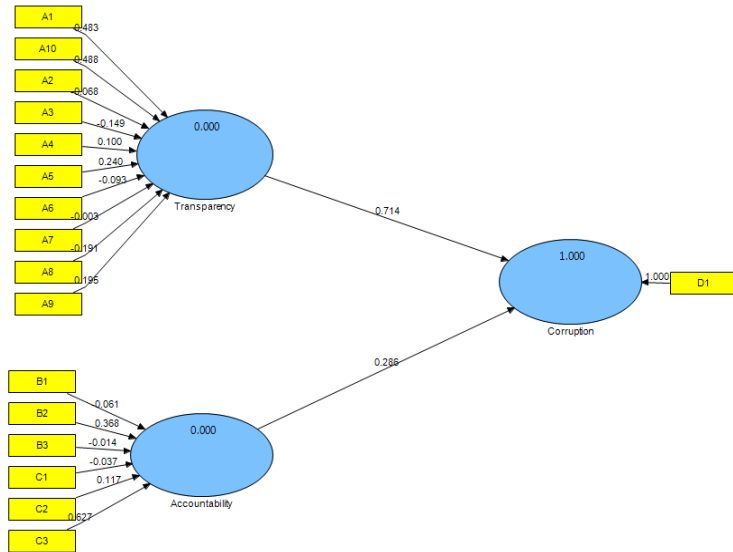
- PLS delivers latent variable scores, i.e. proxies of constructs, which are measured by one or several indicators.
- PLS path modeling avoids small sample size problems and can therefore be applied in some situations when other methods cannot.
- PLS path modeling can estimate very complex models with many latent and manifest variables.
- PLS path modeling has less stringent assumptions about the distribution of variables and error terms.
- PLS can handle both reflective and formative measurement models.

The study with insights from the group discussions with the students proceeded with the questionnaire from which we derived and now test the structural model.

#### **13.4.5. The structural model**

As explained by Diamantopoulos et al. (2008), a structural model specifies the relationship between different constructs. In this respect, the structural model of the study is formative i.e. the direction of the relationship between the construct (corruption) and the measures (indicators) is such that it flows from the measures to

the construct. Using SmartPLS 2.0M3 software, this is illustrated and measured below:



**Figure 17: Structural model to curb corruption**

### 13.4.6. Assessing the structural model:

Like in 12.3.1., this is a Multiple Indicators Multiple Causes (MIMIC) model where the construct is measured through both formative and reflective indicators. Diamantopoulos and Winklhofer 2001) in Diamantopoulos et al. (2008); Coltman et al. (2008) recommend this model due to simultaneously allowing for the estimation of  $\gamma$ -parameters and for the provision of the overall fit (which is indicative of the validity of the formative indicators as a set).

The essential criterion for the assessment of the structural model is the coefficient of determination ( $R^2$ ) of the endogenous latent variables. Chin (1998) describes the ( $R^2$ ) values 0.67, 0.33 and 0.19 in PLS path model as substantial, moderate and weak respectively...The individual path coefficients of the PLS structural model

can be interpreted as standardized beta coefficients of ordinary least squares (Henseler et al. 2009).

The  $R^2$  value of the structural model = 1.00. This implies that transparency and accountability as tools completely predict their propensity to curb corruption in supplier evaluation and selection in local governments in Uganda. Which is that the conceptual domain of the construct i.e. corruption is perfectly measured/defined by the formative indicators i.e. transparency and accountability.

Further, the external validity which derived by regressing the formative index (corruption) on the same construct (indicated by G1) as advanced by Henseler et al. (2009) is 1.00 calculated as  $1 - Var(v)$ . This implies that the formative index (corruption) is 100% operationalized/conceptualized.

#### **13.4.7. Individual Paths analysis**

The individual paths are akin to beta coefficients. By one rule of thumb in confirmatory PLS factor analysis, loadings should be .7 or higher to confirm that independent variables identified a priori are represented by a particular factor (Hulland, 1999:198). However, the .7 standard is a high one and real-life data may well not meet this criterion, which is why some researchers, particularly for exploratory purposes, will use a lower level such as .4 for the central factor and .25 for others (Raubenheimer, 2004). In any event, factor loadings must be interpreted in the light of theory, not by arbitrary cutoff levels (<http://faculty.chass.ncsu.edu/garson/PA765/pls.htm>).

Given the foregoing, in our study, transparency has a factor loading of .714, which is commensurate to that in a confirmatory PLS factor analysis, while accountability has a loading of .286. Consequently, the transparency tool is a much higher predictor of the quest to curb corruption in supplier selection than accountability.

This though is interpreted with due consideration of multicollinearity given the dynamic nature of public procurement.

### **13.5. Limitations**

The following limitations were faced in the conduct of this chapter study:

- Difficulty in the design of clear, precise measures to capture the accountability as a tool to curb corruption in the Ugandan context. This was mainly because of (1) the many stakeholders and procedural steps involved in supplier selection (2) the difficulty of aptly describing the desired control behaviours in words that could be easily understood by the designated respondents. These issues affected the novel design of task programmability measures of the accountability tool. Preliminary discussions with Prof. Telgen mitigated the impact of these though.
- Not desiring to be indentified despite the reassurance of confidentiality in the questionnaire, there was a high objection of would be respondents in filling the questionnaire given the subject matter of corruption. Some requested that written permission be sought from the district management. Even when this was done, they still declined. Despite this, the research assistants employed in the study were urged to emphasize the academic aspect of the study. This resulted in response rate of 68% of the targeted respondents.
- The study was hinged onto the students having background knowledge on supplier evaluation and selection in public procurement in Uganda. We had to wait until this module had been taught before we could commence the discussions thereafter. Given the complexity of supplier selection in public procurement, students' opinions were constrained in the design of additional novel tools to ones we developed.
- As mentioned in the previous chapter, the study is cognizant of the fact public procurement in local governments is regulated by the PPDA Act

no.1 of 2003 and the Local Governments (Public Procurement and Disposal of Public Assets) Guidelines, 2008. Public procurement in local governments must be perceived to ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and disposal standards. Hence a structured, stable programmed supplier selection decision making model is designed that ought to be used failure of which sanctions are brought on errant officer. This is laid out in the procurement cycle.

However, local governments are constrained by time in that procurement must be undertaken within a specified financial year and to be competitive, ample time should be accorded to prospective bidders to prepare their bids. They are also faced with financial constraints. As Bardhanand (2001) aptly put it, in practice the capacity and authority to finance themselves from local revenues of many local governments is restricted considerably, either due to limited collection and enforcement abilities, or constitutional restrictions on their ability to levy local taxes and fees. In such circumstances, local governments rely on fiscal grants from the central government. The mode of financing local governments is accordingly a key factor in the institutional design of a decentralized system.

These constraints therefore limited the type of decision making strategies in supplier selection and supporting technologies that this study could propose in Uganda. For example the more complex, analytical methods that require a decision maker who is highly knowledgeable about decision strategies, highly intelligent and capable of applying his or her knowledge about strategies, cognitively complex and given to systematic, analytic thinking and has the ability to use analytic strategies without expending too much of his or her personal resources were excluded.



### **13.6. Policy implications.**

The structural model described above enables the derivation of the following policy measures:

- Due to their high degree of prediction, the twin pillars of accountability and transparency should be employed and emphasized in the fight against corruption in supplier evaluation and selection.
- In the short term, transparency as a strategic intervention policy should be emphasized given its high predictability of corruption with a beta coefficient of 0.714. Coupled with this is the observation by a student in focus group discussion 1 that the transparency tool is similar to what the PPDA already has in place. The tool identifies the gaps in the supplier selection process and makes appropriate remedies. It would hence be acceptable and cheaper to implement by the various stakeholders. This is in contrast with accountability that may overhaul the supplier selection process hence might face resistance and would be expensive to implement.

However, this should be done with caution given the fact that the transparency tool was familiar to the respondents who consequently rated it highly as they could very easily identify with it but might not necessarily be better than accountability.

- The accountability tool, as students in the focus group 1 discussion pointed out in the long term is a better tool in that one gets a better understanding of what one does with regard to supplier selection and hence be held accountable for his or her actions. This reduces the incidences of discretion that has always been vulnerable to abuse especially in the selection of evaluation criteria in the PPDA procurement cycle and guidelines. It does not clearly spell out how the criteria are to be derived.
- Further, accountability enables task programmability since one gets to understand what one does. In this case, the local government council and

the PPDA get to know how the procurement is practically undertaken. This enables the design and use of aided analytic decision making methods in supplier selection which requires training. The requirement of training and use of computer aided technology increases the knowledge of the staff in the local governments and enhances their ability to use a wider variety and better supplier selection decision making strategies. Generally, analytic strategies are perceived as having a higher probability of yielding correct decisions that non-analytic to the advantage of the local governments.

The fight against corruption needs a combination of making those responsible for supplier selection more accountable for results and improvement in information systems.

Hence:

**Fight against corruption** = Transparency + Accountability - Discretion

In conclusion the OECD (2007b) observes that corruption thrives on secrecy. Transparency and accountability have been recognized as key conditions for promoting integrity and preventing corruption in public procurement. In order to ensure overall value for money, the challenge for decision makers is to define an appropriate degree of transparency and accountability to reduce risks to integrity in public procurement while pursuing other aims of public procurement. We have been able to develop and test various possibilities anchored in accountability and transparency. It attests to the fact that transparency and accountability are important in the fight against corruption in supplier selection.

## **Chapter 14 Further tools to curb corruption in supplier selection**

In the previous chapter analysis under the broad framework of transparency and accountability, due consideration was taken with regard to user ability and their integration into the existing PPDA procurement rule. In this chapter, we further develop new practices and procedures that can be undertaken in supplier selection. Most of these are based on further elaboration of task separation. We subsequently seek practitioners' opinions on their feasibility.

### **14.1. The possible methods**

In chapter 12 and 13, we focused on transparency and accountability and only briefly mentioned task separation as a basic approach to curb corruption. Here we further elaborate on that approach by recognizing various ways to separate the tasks in supplier selection and various options of groups of people to delegate the separated tasks to. We specifically mention 5 possible methods.

#### **14.1.1 Task separation through (partial) recentralization**

One possibility is to outsource the evaluation and determination of the winner to a central body besides the PPDA. This body can have regional offices in the Northern, Central, Western and Eastern regions to enable physical accessibility to it by the relevant local governments (*This may not be necessary if all local governments have good internet access*). The degree to which tasks in the supplier selection process are centralized / separated can vary as follows:

- a) The whole process is undertaken by the central body. This is akin to the total recentralization of the supplier selection process. This central body should be comprised of highly qualified and professional procurement staff supported by decision making technology. The purpose hence is to have a quality technological platform that promotes efficiency and competition

through increased transparency and savings in the whole procurement process.

Savings could stem from the aggregation of all local government supplier selection processes under a small highly professional and presumably well paid staff. In order to efficiently aggregate at a central level electronic communication would be extremely helpful. Also, the documents, processes would need to be standardized in addition to product and service codification and standardization.

- b) A second form of recentralization is very similar to the one above only that the determination of the winner is undertaken by the Contracts committee. The argument here is that, given the superiority of the decision-making technology and the professionalization of staff in the central body, it is prudent that they undertake the weighting and scoring of the bids (technical evaluation). They then send the ranked list of preferred bidders to the Contracts Committee to make the final decision.
- c) In the third strategy, the weighting is undertaken by the head of departments of the respective local government. The scoring, technical evaluation and subsequently best bid determination can then be undertaken by the central body. The argument here is that the head of departments are the end users and hence know what they want in their respective local environments. This also makes the procurement participatory and hence the outcome more acceptable to the end users.
- d) The fourth strategy entails bid evaluation being undertaken by the evaluation committee of the local governments'. The argument being that the evaluation committee is conversant with the prevailing local conditions. The central body conducts the determination of the best bid i.e. the evaluation committee simply scores on every award criterion on a standardized format after the weighting by the head of departments. The individual scores are then sent to the central body for combination and

determination of the best bidder. The identity of the bidders sent to the central body may be concealed to enhance transparency.

#### **14.1.2 Task separation through involvement of politicians**

In an informal interview with the mayor of Jinja municipality, he accused the technocrats in the PDU, evaluation committees and contracts committees of awarding themselves contracts. So as to make supplier selection more participatory and be seen to be more transparent, we propose task separation through inclusion of councilors in the scoring phase of supplier selection.

The councilors would have to undergo training in scoring as an addition in the workshops suggested in the compliance management framework in procurement in chapter 15. In case they are bribed to score incorrectly, the Contracts Committee in their determination of the best bid can reject their evaluation and request for an administrative review or re-evaluation.

#### **14.1.3. Task separation through use of a Jury**

Another suggestion is to separate some tasks to a jury i.e. a committee from members of the public randomly selected by the PDU through the Chief Administrative Officer/Town Clerk and approved by the local government council. This should constitute at least three but not exceeding five. They must be highly honourable, recognized and trusted public figures. They should be people of unquestioned integrity. They might be offered some basic training in supplier selection by the local government or PDU. They can be appointed for every single (major) procurement for a limited period. Their involvement in supplier selection can vary as follows:

- They can conduct the whole supplier selection process in local governments. They are simply given clear and transparent procedures to follow. They practically replace the evaluation and contracts committees.
- They can either determine the best bid or participate in the scoring phase in supplier selection to enhance transparency by splitting of roles i.e. no one person monopolizes the supplier selection process.

This approach is similar to the role of a jury in a criminal court case in USA. The intention is to make it harder for suppliers to bribe the right people as they frequently change roles. In case of disrespect of ethical standards or disclosure of information on the procedure, a member of the jury is liable to sanctions.

#### **14.1.4 Involvement of civil society organization (CSOs')**

It is now widely recognized the CSOs have a crucial role to play in contributing to the transparency of public procurement processes, through a number of roles, including being a source of expertise (Transparency International 2006). We propose their involvement in supplier selection to oversee the process.

They should be people of unquestioned integrity; possess the required professional expertise and have knowledge of legal regulations related to procurement. In case they do not have, they can be offered training by the local government or PDU. They can be a group or just one member from the CSOs'. The social witness is a representative of civil society, who acts as an external observer in supplier selection. They should have full access to and review the tender documents, the evaluation reports, the award selection criteria decision; they should participate in meetings and should have the right to ask questions; they should have the contractual right to seek correction of any procedural problems or improprieties and, if no correction takes place, to inform the public or the judicial authorities of the impropriety.

Hence the social witness not only provides a public testimony in the supplier selection process but may also provide non-binding recommendations during and after the process. They must be independent of any of the parties in the bidding process. In case of disrespect of ethical standards or disclosure of information on the procedure, the social witness is liable to sanctions. This in other words provides for another way of the citizens participation through CSOs’.

#### **14.1.5 Transparency**

The transparency of supplier selection can be in two respects. In the first instance, we propose full disclosure of the whole process of supplier selection, Transparency International (2006) particularly observes that, despite the unsubstantiated claims that openness of certain procurement process information could undermine and erode the quality of the process, could put confidential business information at risk and could endanger the entire project, several countries and municipalities have recently placed the entire procurement system- including procurement opportunities, bid documents, relevant laws and procedures and results of the tenders- on the internet and allow free access to everyone to that information. It argues that if everybody can check on real-time basis which contracts are offered by the principal at a given time, under what conditions, who the competitors are and what prices they offered, the opportunity for manipulation and thus temptation to bribe is greatly reduced.

One way is that the evaluation and selection of the best bid process i.e. weighting, scoring and determination of the best bid be made public for all stakeholders. Another possibility is partial evaluation. This is especially in the two stage, two envelope evaluation in the least cost evaluation method. That after the technical evaluation the envelopes containing the bid prices be opened in full view of all stakeholders. This would enhance transparency and reduce the manipulation of bid prices to obtain unfair advantage over the other bids.

### 14.1.6. Summary

The methods are summarized in the table below:

Methods	Steps in supplier selection		
	weighting	Scoring	Determining the winner.
<b>Accountability</b>			
Outsourcing/Recentralization	Undertaken by a central body (CB)	Undertaken by a central body (CB)	Undertaken by a central body (CB)
	Undertaken by a central body (CB)	Undertaken by a central body (CB)	Undertaken by the contracts committee
	Undertaken by the H.o.Ds'	Undertaken by a central body (CB)	Undertaken by a central body (CB)
	Undertaken by the H.o.Ds'	Undertaken by the evaluation committee	Undertaken by a central body (CB)
Involvement of politicians	Undertaken by the H.o.Ds'	Undertaken by councilors'	Undertaken by the contracts committee
Use of a jury	Use of a jury	Use of a jury	Use of a jury
	Undertaken by the H.o.Ds'	Undertaken by the evaluation committee	Use of a jury
	Undertaken by the H.o.Ds'	Use of a jury	Undertaken by the contracts committee
Involvement of civil society organizations (CSOs')	They oversee the entire process		
<b>Transparency</b>			
Make all known	Make the whole process known to all stakeholders.		



Partially make known	Undertaken by the H.o.Ds'	Partially undertaken by the evaluation committee. The price bids then made open.	
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**Table 25: Innovative methods in supplier selection**

**14.2. Feasibility test**

We then proceeded to test the feasibility of these methods in local governments. Since we could not experiment with them practically given the legality of procurement in local governments, we sought the opinions third year students of Bachelor of Procurement and Logistics Management of Kyambogo University. The findings from two focus group discussion are presented next.

The first focus group discussion (group A) constituted 8 practitioners who are also students in the evening programme and the second group (group B) had 10 practitioners who are also students on the day programme. Having secured a vacant room, we commenced the discussion facilitated by the researcher. A summary of our proposed methods (i.e. table 25) and an example of the linear average weighting method in Timmerman (1986 pp. 8) that entails the criteria, weights, scoring and determination of the final winner was given to them. An explanation from the researcher on each proposed method for their orientation preceded every discussion. This was done in an objective manner to avoid bias. The proceedings were recorded to enable concentration on facilitating the discussions. Here below are the findings:

### 14.3. Findings from the focus group discussions

#### Group A.

##### *Recentralization:*

Whereas they acknowledged it as an innovative way in which supplier selection can be done in that:

*“The separation of the different roles, undertaken by different stakeholders’ increases accountability and curbs opportunities for corruption”, they were skeptical on its applicability. An observation was that;*

*“Corruption would simply shift from the local governments to the central body. They are equally vulnerable”. In addition that;*

*“Once the people become well known to potential bidders, they can be influenced”*

They also pointed out that the weighting should be done by the technical people. This should be the mandate of the head of departments. They are the technical people and know what is best for them in their respective localities. They then proceeded to propose a novel method not in our suggested methods. This was that the weighting could be undertaken by the head of departments at the local governments, the scoring by the central body and the final determination of the winner by the Contracts’ Committee. The argument was that, this would offer better checks and balances as more stakeholders would be involved with no particular one playing a dominant role (becoming a monopolist)

##### *Involvement of politicians:*

This was faced with a vehement NO! Politicians it was argued should not be involved in technical procurement issues. Even the attempt to give the background of the proposed method being that that politicians felt the technocrats were awarding contracts to themselves in a corrupt manner yielded no ground for their inclusion.

*“They do not have the expertise and have dubious (read corrupt)” intentions they argued.*

The whole process would turn into politics instead of procurement professionalism. They (the politicians) are not bound by professional ethics or standards to control them.

They were cognizant of the fact that our proposed method was indeed an attempt to limit political influence in supplier selection.

*Use of a jury:*

There were mixed reactions to this proposal. Just like the central body, they argued that the jury could easily be compromised.

In addition, their competence was put to question. We however explained that training would be provided to those who were incompetent. Another aspect they raised though, given the level of corruption in Uganda was that, the people with integrity may be over 70 years of age. This means that despite the training, their grasp of contemporary supplier selection methods and procedures may be difficult.

*Involvement of civil society organizations (CSOs):*

No significant problems were raised with this proposal. Though finding persons with integrity and competence in procurement to oversee the tactical procurement process across all the local governments was raised as a challenge.

*“If they have the competence, then their involvement would have a positive significant impact to curb opportunities for corruption in supplier selection”.*

*Transparency:*

This was well received especially the one the one of making the whole process known to all stakeholders. Transparency being made electronically was particularly hailed.

Overall, involvement of politicians was ranked the least applicable. Transparency was ranked most applicable. This focus group discussion took almost 45 minutes.

## **Group B**

### *Recentralization:*

Our proposal to recentralize the supplier selection process faced mixed reactions. Most of the discussants expressed reservation on its efficacy. The arguments advanced against it were that:

- The people who would head the central body would still need to be appointed. The appointing authority would also influence them to make unfavourable decisions. In other words, they are also vulnerable.
- The structure of having a central body would add another managerial layer. This would lead to bureaucracy coupled with time wastage and struggle for power. In the long run, they would also become corrupt as their identity would become known to the suppliers.
- The central body does not know exactly what the local governments want. The local governments know what they want best. Hence let the local governments weight the criteria. Either way, the central body would also come under political influence.

They were of the opinion however, that it could work under certain conditions. These were that:

- It should be an independent autonomous body composed of professionals.
- The membership/its composition should either be contractual/temporary or rotational. This would hinder familiarity between the suppliers and employees that breeds corruption.

They however recognized that recentralization in the short-run would make supplier selection better as the responsible staff would not be in contact with the suppliers.

*Involvement of politicians:*

This suggestion was met with a fervent NO! The argument was that the politicians are corrupt and do not have the technical capability. Particularly;

*“If they can influence tender awards when they are not directly involved in supplier selection, what if they are involved?”*

*“The politicians should concentrate on policy making and not implementation. How will they supervise if they are implementing policy as well?”*

*“The politicians’ tenure in office is for a short period of time and has no direct impact on their careers unlike the technocrats. Hence, they are likely not to take their task seriously”.*

*Involvement of the jury:*

The proposal to involve a jury of people with integrity faced mixed reaction from this group as well. Particularly that;

*“Procurement should be left to the professionals. Why should we involve non-professionals? This would dilute the procurement profession”.*

Further, an argument was advanced that seconding the members of the jury by the PDU for appointment would make them loyal the PDU or cronies seconded. Hence, if it were to work, the members of the jury should apply for their roles with a minimum qualification set. This would make them independent in their decision making.

Also members of the jury can also be compromised. Hence they should be made rotational. In addition, in undertaking all the duties in supplier selection would lead to corruption as their authority would not be counter checked by any other stakeholder.

*Involvement of civil society organizations (CSOs):*

There were no significant objections to this suggestion. It was well received. However, there was an observation that, involvement of the CSOs alone would not cause transparency. It is more effective where there's transparency in the process and the methods of supplier selection.

*Transparency:*

This was hailed as panacea to corruption opportunities in supplier selection. With the example in Timmerman (1986), they appreciated the making known to all stakeholders the criteria, scoring, weights and determination of the final winner. Better still if this can be done and accessed electronically. It eliminates biases and makes procurement fair and accountable to the public who can evaluate their performance. It makes suppliers confident of the selection process as unfair decisions can easily be challenged.

Overall, group B ranked transparency and CSOs' as the most applicable and the involvement of politicians as the least applicable. This discussion lasted approximately 1 hour 20 minutes.

Summarily, the ranking of the feasibility of our proposed tools are presented in the table below:

**Table 26: Ranking of the tools**

<b>Tools</b>	<b>Ranking</b>
Recentralization	Fairly acceptable
Involvement of politicians	Least acceptable
Use of a jury	Fairly acceptable
Involvement of civil society organizations (CSOs)	Acceptable
Transparency	Most acceptable

#### **14.4. Synthesis.**

Both strategies to curb corruption developed in chapter 12 and in this chapter, can be explained by the strategy-structure-performance paradigm. Simply stated, structural contingency theory maintains that organizational survival and performance depend on the extent of fit or alignment between organizational structure and various contingent conditions. The greater the fit between structural components and contingent factors the greater the viability and performance of the organization (Galunic and Eisenhardt 1994). They argue that whereas economists have emphasized the links between environment and strategy, strategy-structure-performance paradigm theorists have emphasized the relationship between strategy and structure and its effects on performance. This is in conformity with our strategy to curb corruption and promote integrity. This needs structural/organizational alignment/reforms so as to attain value for money.

In chapter 12, we used the variance approach that employed transparency and accountability as the necessary conditions to curb corruption in supplier selection. Transparency and accountability tools are the independent variables that significantly curb corruption in supplier selection which is the dependent variable within the PPDA legal framework.

In this chapter we have used the process approach. In this approach, we have been able to explicitly delineate the various steps (processes) undertaken in supplier selection in local governments in Uganda. According to Galunic and Eisenhardt (1994), overall, the main point is to understand whether and how strategy-structure-performance alignment occurs in the context of change. We have particularly observed the role politicians, technology and stakeholder competencies (multiple contingencies/environmental conditions) and their competing effects on the fit.

The process approach has enabled us put emphasis on the actual participants in the supplier selection process. It emphasizes the role of human agency to ensure

compliance and curb corruption. This allays the substantial concern that there is a minimal role for human competence to ensure compliance and subsequently curb corruption in contrast to the finding using systems thinking in 11.4.

The proposed changes in chapter 12 may be incremental. This is due to the fact that they are embedded in the existing structures. Such changes involve small, cumulative adaptations. Whereas, those in this chapter should be punctuated i.e. change may be actively resisted and senior managers in the PPDA with legislative authority are the only ones with sufficient power to cause the changes. Here we evaluate the changes that can be undertaken in the static model of supplier selection in a dynamic context.

#### **14.5. Policy implications**

Given the tools to curb corruption and based mostly on further elaboration of task separation in supplier selection, the following policy implications are discerned:

- There's a need for a looser organic structure that can enable the incorporation of new/other stakeholders and task separation to enhance transparency and accountability in supplier selection in local governments in Uganda.
- More liaisons are necessary to facilitate communication and effective decision-making among the stakeholders. Involving more people increases acceptability of the final decision.
- More technical people with integrity are a prerequisite for supplier selection to be undertaken with efficacy.

Hence to rid supplier selection of corruption opportunities in local governments in Uganda, we analytically derive the following formula:



**Fighting corruption** = Transparency + Accountability + Citizens participation – Discretion.

Cognizant of our own results and the observation by Shah (2006), the higher the incidence of corruption, the *less* an anti-corruption strategy should include tactics that are narrowly targeted to corrupt behaviours and the *more* it should focus on the broad underlying features of the governance environment. Therefore these measures alone cannot fight corruption in supplier selection in local governments in Uganda. To be effective, there's need for good governance i.e. enactment of relevant laws and regulations, enforcement of sanctions and the political will to fight corruption.

## **PART VI: CONCLUDING REMARKS**

## **Chapter 15 Theoretical and practical study implications**

### **15.1. Introduction:**

Countries should have established flexible regulatory frameworks and simplified procedures as well as putting emphasis on reducing regulatory constraints while keeping public procurement officials accountable for their actions. Our main research question is: How can tactical procurement be managed to fight corruption and promote integrity in the decentralized context in local governments in Uganda? It's in this vein that the following theoretical and practical study implications are derived.

### **15.2. Theoretical implications:**

The Neo-Institutional Economics (NIE) framework in this study has its emphasis on information systems. The NIE treats citizens as principals and public officials as agents. The principals have bounded rationality – they act based upon incomplete information they have. In order to have a more informed perspective on public operations, they face transaction costs in acquiring and processing information. On the other hand, agents (public officials) are better informed. This asymmetry of information allows agents to indulge in opportunistic behavior which goes unchecked due to high transaction costs faced by the principals and a lack of countervailing institutions to enforce accountable governance (Shah 2006).

Indeed Clarke (2009), alarms that the fundamental problem is that if those who are supposed to be on the side of the government in the various ministries, or procurement departments of the public sector are not necessarily working for the best interests of the governments but themselves then the government or public body becomes a treasure chest to be plundered. In the public sector, no one seems to feel that they need to protect the interests of their company, which is the government and that this is really nobody's money.

Hendry (2002) has presented a complimentary view of agency problems, built on the assumption of man as an honest yet not fully competent actor. Both principals and agents are burdened by 'honest incompetence': The principal may not be fully competent to explain his goal to the agent, and the agent may not be fully competent to understand those goals and know how to behave in order to maximize the principal's welfare.

Our study harmonized the two dimensions of agency theory in the systems thinking conceptual framework. The resultant findings were that both information systems and human resource competence are substantial predictors of compliance, with a coefficient of .678. However, it pays off to consider the instrumental/information systems approach as it ensures compliance to the procurement rules and regulations better than human resource competence.

Further, job rotation as a measure to ensure compliance was embedded in organizational reforms. It was rated with a beta coefficient of 0.862 which is of a very substantial impact in predicting compliance from the stakeholders view. This is in conformity with the Transparency International (2006). It recommends that staff rotation be undertaken i.e. no officer or staff should remain in a position long enough to develop improper connections with, or dependencies on potential bribers. Vito Tanzi (1995) in Shah (2006) argues that localization (decentralization in our context), brings officials in close contact with citizens. This promotes personalism and reduces professionalism and arms length relationships. Personalism in his view breeds corruption as officials pay greater attention to individual citizens needs and disregard public interest. Further, higher degree of discretion at the local level and long tenure of local officials makes it easier to establish unethical relationships.

Slightly over six months after the testing of our propositions, the President of the republic of Uganda in his Independence Day speech directed that, the Head of Public Service should ensure that accountants and procurement staff in the public

sector are transferred more regularly as a principle of good governance. In any case, no government procurement staff and accountants, including internal auditors, in the public sector should stay in one place for more than three years. These people stay in one place for a long time and in the process facilitate entrenchment of corruption through well coordinated networks. This must stop (The New Vision, 2009).

However Arnold (2009) though studying private companies explains that job rotation is a very costly in terms of time and money to substitute an employee after a certain period because he is trustworthy and familiar with the circumstances. In addition he has to establish a relation with customers which can only be established over a certain period of time. So there are pro and cons in theory.

The role of information and communication technology was embedded under implementation in the structural model. It yielded an almost substantial coefficient of 0.598 (A6) in its conceptual prediction of implementation. This could probably be due to the fact that most of the PDUs' in the local governments still have the bureaucratic, manual paper method of work and even where of information and communication technology exists, it is inadequately utilized. The municipalities have not benefitted from the power of information and communication technology. Consequently, the local governments miss out on the advantages that accrue from its use i.e. information and communication technologies are a major toll to standardize processes, increase their transparency and promote integrity and prevent corruption in public procurement. E-procurement systems have in the recent years demonstrated their benefits in terms of transparency, accountability and access by bringing information together through processes, simplifying access (e.g. payment through purchase cards) and reducing barriers to entry (e.g. one-time registration). Further, potential suppliers are provided with standardized and real-time information which reduces the need for informal contacts between public officials and contractors (Beth 2005; Ware et al. 2007).

Sanctions as a construct/variable had an individual path coefficient of 1.00 in the structural model meaning it was well captured. It emphasized that municipalities and local governments in general in Uganda should enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose percentage depends on the value of procurement on errant officers. This is harmony with the assertion that, to combat corruption, a clear and adequate legal and regulatory framework must be established. This increases the probability of an errant officer being caught. But it is hardly sufficient. Laws and regulations need to be enforced, and constant and consistent vigilance exercised in all corners of society (Ware et al. 2007). Hence, given the laxity with which sanctions are enforced in Uganda, it was considered insignificant with an overall weak coefficient rating of -0.042 in predicting compliance.

Overall training had a moderate impact as a measure to predict compliance with a coefficient of -0.338. Interestingly however, professionalism i.e. that procurement officers ought to have certified professional training was rated very substantially with a coefficient of 0.888 (B3). This is in acknowledgement of the impact of the procurement professional in public procurement. As Thai (2001) succinctly puts it, procurement professionals have dual responsibilities: they make sure that operational agencies comply with procurement regulations, and they are directly involved in procuring goods, services and capital assets as authorized and funded. Public procurement is a very complicated function of government that requires interdisciplinary skills and knowledge (or multiple disciplines), including economics, political science, public administration, accounting, marketing, law, operations research, engineering, and architecture among others. It is impossible to integrate these disciplines into the procurement knowledge thus, a very important task of public procurement professionals is to communicate effectively with those professionals who are involved in procurement projects. This was demonstrably established in the use of EMAT in supplier selection in which task separation particularly splitting and double check in chapter 13 were designed as technical tools to curb corruption.

However, Trepte (2005) cautions that, in professionalism given the skill needed to carry out efficient and economic procurement, purchasers need the flexibility to exercise their professional judgment. There is nothing inherently wrong with such discretion; it is only the misuse of that discretion which must be avoided. Eliminating professionalism from the procurement function reduces procurement to a mechanical function which deprives the public purchaser of the ability to measure value for money. A balance need to be struck between the desire to impose regulations aimed at reducing corruption and the benefit to be gained from promoting professional and ethical procurement.

Another interesting finding in the structural model was that whereas knowledge of procurement rules and regulations registered a weak coefficient of 0.080 in predicting compliance, knowledge of the procurement ethics and risks to its integrity had a very substantial individual path rating of 1.0 by the respondents. This was in recognition of the fact that at the individual level, core values provide guidance for the judgment of public servants on how to perform their daily operations. In Uganda, the Institute of Procurement Professionals in Uganda launched their code of ethics for this purpose.

Another commonly used method of controlling risk internally is the application of the four-eyes principle which ensures the joint responsibility of several persons in the decision making- in particular through the separation of various functions, double signatures, and cross-checking (OECD 2007a). In our study, this was used to rate accountability as a tool to curb corruption in supplier selection under the double check option. It was used to balance the discretionary powers of a single procurement official in the supplier selection process. With an individual path coefficient of 0.286 considered substantial in Raubenheimer (2004), the four-eyes principle is important to curb opportunities for corruption in supplier selection.

Generally, rules and regulations are regarded as vital in the fight against corruption. Though, the establishment of clear rules and regulations complemented by substantial and effectively enforced penalties, applied by public administrations and courts, are considered to be the most effective deterrents to bribery and corruption in public procurement (OECD 2007b). They further state that, overregulated systems may generate corruption as rules are frequently overlooked, broken, or applied misleadingly in order to favour a specific bidder or to exclude others.

Based on the systems thinking approach, we conducted three empirical studies on supplier selection. We gained insights in the design and management of the supplier selection process in local government in Uganda. De Boer et al. (2006) opine that, the potential for problems in supplier selection is further increased by the different views that important stakeholders may have when it comes to formal supplier selection. Public policy makers seem to disregard or be ignorant of the multitude of models available which may lead to confusion about which models can actually be applied and to what extent (parts of) the method and its parameters should be announced prior to submission of bids. In addition, the public policies seem to be based on the idea that once the buyers subjective values have been expressed in the model parameters, for example criteria weights, the remainder of the process can be considered a value free administrative exercise. This however may turn out not to be the case and signifies an important tension between the original idea behind multi-criteria decision models – namely to gradually learn about ones values by the very building and rearranging a model – and the strict role these models seem to have given in especially public policies. The implications are that:

First of all, a number of important knowledge gaps seem apparent both between important stakeholders (policy makers, practitioners and researchers) as well as within communities of stakeholders (buyers approaches seem to range from overly positive to outright defensive ones). It seems therefore important to create more mutual understanding of these different perspectives and improve the stakeholders' knowledge about and awareness of both the many valuable aspects of formal



models and their indisputable limitations. This should ultimately lead to more refined and realistic regulations as well as more nuanced attitudes for both buyers and suppliers.

Secondly, Purchasing and Management Science researchers developing formal models must gain a deeper understanding of the practical features and dynamics of the area where their models are to be applied. When it comes to supplier selection, an important aspect for the future research would seem to be to develop more simple and robust methods that can be applied by practitioners without much training and still are highly sensitive to many of the sources of surprises and problems in many real-life supplier selection cases such as different normalization procedures, removal of bids, extreme 'fake' bids and so on.

The foregoing discussion raises pertinent issues with regard to the complexity of public procurement and supplier selection in particular. That is in terms of designing efficient supplier selection systems; diversity of the stakeholders interests (diverse goals) as well as measuring their performance. This calls for organizational reforms to equip the various stakeholders with the relevant skills and knowledge among others.

In conclusion, a key challenge across countries is to find solutions to ensure the protection of officials involved in procurement from any pressure and influence, including political influence, in order to ensure the impartiality of decision making and to promote a level playing field for procurement officers. Key conditions for protection from political influence include: clear ethical standards for procurement officials; an adequate institutional framework, budgetary autonomy, human resource management based on merit (e.g. appointment, selection and career development) as well as working independence for procurement officials, where procurement officials are solely responsible for decisions...Training on procurement and integrity issues may be on induction, prior to joining the office to raise awareness of ethical issues and/or offered on an ongoing basis to tackle

emerging issues or address specific risks linked to a position (OECD 2007a). It is in this quest that we undertook this study.

### **15.3. Practical implications:**

Given the previous chapters, we develop some practical measures to further compliance to the PPDA rules and regulations and subsequently deliver value for money.

#### **15.3.1. The compliance management framework**

The measures so developed, are behavioural prescriptions designed to regulate an interdependent group in a coherent manner. Wittig (2005) aptly observes that, while the overall principles and objectives of good procurement are relatively well known, the extent to which the supporting legal framework knits these principles together to link individual procurement officers and their actions into a web of good governance is less understood. The compliance management framework intends to fill this gap.

So we first had to identify the stakeholders involved in tactical procurement as per the PPDA regulations in local governments. Next, we observed that the human activities must be conducted in a coherent fashion. We hence, mapped the measures onto the 8-step tactical procurement decision making model we adapted in chapter 4. We finally, designed a compliance management framework illustrated below:

**Table 27: Compliance Management framework**

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation (Procedure)</b>	<b>Train</b>	<b>know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
1. Recognize the need for supplier selection/ planning	Lawyers	Analyze the terms of procurement in respect to procurement rules.	-Mandatory induction training on procurement to all public servants prior to joining the municipality . - Old staff must have awareness workshops on procurement .	-All officers in the municipality must have knowledge of the procurement rules and regulations, ethics and risks to its integrity.	-Design regulations for mandatory induction training on procurement to all new staff joining the municipality .	Municipalities should enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose % depends on the value of the procurement on errant officers.	
	Engineers, Doctors, Architects (Sectoral specialists)	Provide technical advice e.g. on the quality of materials available based on market research.					

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation (Procedure)</b>	<b>Train</b>	<b>know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
1. Recognize the need for supplier selection/ planning	Accountants, forensic auditors and computer experts	-Examine municipal accounts -Look at financial relations with supplier -Conduct spend analysis					
	Procurement Officers	Coordinate the procurement planning process	-In addition to the above they ought to have certified professional training.  -On-going workshops to tackle emerging issues in procurement				Procurement Officers should be appointed by the Public service commission to enable their rotation among municipalities and to ease political pressure as independence in decision making is enhanced.

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation (Procedure)</b>	<b>Train</b>	<b>know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
1. Recognize the need for supplier selection/ planning	Municipal Councilors'	-Strategic procurement policy and planning	-Awareness induction workshops on strategic procurement planning, ethics, rules and regulations should be conducted.		-Presentation of the municipality procurement plan for discussion should be done concurrently with the budget debate. This would enable it get publicized for scrutiny and engage suppliers early as well		-Members of the Finance Committee should periodically review the procurement performance in the municipality.

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation (Procedure)</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
2. Identify key sourcing requirements	Head of Departments (HODs')  PDU	-Technical specifications should be well founded e.g. on market research  -Preference should be on standard off-the shelf items  -Commodity strategy should be based on legally acceptable socio-economic criteria.  -The criteria should be publicized	-Training should be conducted on the drawing of neutral specifications.  -Training should be on what strategy to adopt. Training should be conducted on how to choose the right number of suppliers for a particular item or service.	- Must know how to fill the relevant procurement requisitions e.g. pp form 20. It should be complete clear and calculable.  -Should have profound knowledge on international national and municipality regulations governing sourcing strategies.	-Clear rules and regulations should be enacted to cater for this practice in Uganda.		- Distinction should be made on what level of multiple sourcing policies the municipalities and Central government can enact.

Step	Stakeholder(s)	Implementation (Procedure)	Train	Know	Rules and regulations	Sanctions	Organizational reforms
2. Identify key sourcing requirements			-Training should be conducted on how to weight criteria based on socio-economic objectives e.g. supporting SMEs' promoting social cohesion through supporting disadvantaged social groups or geographical regions.				

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
3. Choose evaluation criteria	Head of Departments (HODs')	<p>-Identify all criteria relevant to the purchasing situation</p> <p>-Criteria identified should be well founded e.g. based on previous purchases and market research</p> <p>-At least three head of departments should participate (and more depending on the value of the procurement) who should countersign their forms at the end of the criteria choice.</p>			Regulations should be made for the head of departments to be responsible for the choice of evaluation criteria. This is in conformity with the contemporary practice of task separation to enhance transparency and accountability.	Warnings should be issued to those who ignore their duty to choose evaluation criteria. This should be coupled with halting the process till it is conducted.	<p>-Task separation i.e. Provisions should be made for the head of departments to be responsible for the choice of evaluation criteria.</p> <p>-Design of standard evaluation criteria choice forms.</p>



<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
3. Choose evaluation criteria	PDU	<p>-Make accessible records of all previous purchases to head of departments for research/comparison.</p> <p>-Provide up-to-date/relevant information to the head of departments to facilitate their choice e.g. the 23 factors identified by Dickson 1966 in Weber et al. (2001).</p> <p>-Clearly distinguish</p>	<p>-ICT training to enable the design and use of a computerized data base.</p>				

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulation</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
4. Pre-qualification	Evaluation Committee	-This is a preliminary examination. -Administered on a pass or fail basis for eligible and administratively compliant bids.			-Provision for debriefing of bidders for bids that have been disqualified at the end should be enacted.	Municipalities must enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose % depends on the value of the procurement on errant officers.	The procurement officer at a senior level should be earmarked for the debriefing exercise.

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulation</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
4. Pre-qualification	PDU	-Provision of up to date records -Must have an ICT data base that is accessible to members of the evaluation committee.	-Training should be provided in the provision and reception of feedback especially in the management of sensitive information.  -Training in ICT data base management.				

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulation</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
5. Relate criteria to each other	Head of Departments (HODs')	-This step is a precursor to the weighting of criteria in step 6.  -The HODs' opinions criteria should be sought after the problem situation has been clearly explained and presented by staff of the PDU.		-Procedures for evaluation methods.	-Regulations should be made to incorporate this step if the procurement cycle.		Task separation i.e. provisions should be made to incorporate the HODs' role in relating criteria to each other in the procurement cycle.

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulation</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
5. Relate criteria to each other	PDU	-Conduct a clear analysis of the HODs' perception of the criteria.	-Training in the use of qualitative methods for visualizing and analyzing decision makers' perception e.g. the Delphi technique. -Effective communication skills.				

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
6. Choose weights for the criteria	Head of Departments (HODs')	-Initial choice of weights on evaluation criteria in step 5 is undertaken. -Justification of the weights should be documented e.g. If standardized products are purchased the price component must be weighted sufficiently.	-Training on product portfolio matrix (kraljic's) is required.  -Training in the use of fuzzy measures considering the fact that many of the supplier evaluation criteria cannot be measured precisely. The use of linguistic variables that represent predefined fuzzy numbers can be used	-The stakeholders should be conversant with the national and councils' commodity strategy.  -Procedures for evaluation methods.	-Regulations should be made to incorporate this step if the procurement cycle.		-Task separation of weighting should be made to incorporate the role of HODs'.

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
6.1.Relative weighting of the criteria	HODs'/PDU	-The average of the weights is determined by the PDU and sent back to the HODs' for review. Any recommended changes should be well founded. -Weights to be used should be endorsed by the relevant head of departments.					

<b>Step</b>	<b>Stakeholder(s)</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
6.2. Confirmation of the weights.	PDU/ Contracts Committee	-The PDU incorporates any changes and forwards the confirmed weights to the Contracts Committee for approval and publication in bid documents					-Confirmation of weights should be the task of the PDU.



<b>Step</b>	<b>Stakeholder</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms.</b>
7. Choose the scoring methods for the criteria	Evaluation Committee	<p>-This step entails the actual award of scores on the evaluation criteria.</p> <p>-The scoring must be on few evaluation criteria which should not be mixed with pre-qualification criteria.</p> <p>-Separate teams evaluate separate parts of the bid e.g. have two different people score per criteria then calculate the average score. Total score is derived from the addition of the average scores an all criteria.</p> <p>-All records of the scoring sheets should be countersigned by the individual involved.</p>	<p>-Members must be trained in the linear weighting factor scoring as well as the other possible compensatory methods.</p>		<p>-Legislation should be made to enable the practice of task separation during the scoring.</p> <p>Preference for EMAT should be emphasized.</p>	<p>Municipalities must enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose % depends on the value of the procurement on errant officers.</p>	

<b>Step</b>	<b>Stakeholder</b>	<b>Implementation</b>	<b>Train</b>	<b>Know</b>	<b>Rules and regulations</b>	<b>Sanctions</b>	<b>Organizational reforms</b>
8. Determine winner	Contracts Committee	<ul style="list-style-type: none"> <li>-Check the criteria used in scoring against that used in the evaluation/ bid documents.</li> <li>-Check the total scores against the average scores.</li> <li>-Seek professional guidance in case of doubt.</li> <li>-Determine and award the winner.</li> </ul>	<ul style="list-style-type: none"> <li>-Have training in procurement audit.</li> <li>-Risk analysis e.g. using a risk based approach of the procurement cycle.</li> </ul>	<ul style="list-style-type: none"> <li>-Procurement procedures.</li> <li>-Must know the procurement cycle.</li> </ul>		<ul style="list-style-type: none"> <li>-Municipalities must enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose % depends on the value of the procurement on errant officers.</li> </ul>	

### **Practical applications:**

The compliance management framework may be useful in the following aspects:

- It may be used as a comprehensive, systematic and logical way of integrating the various measures that can be undertaken to ensure compliance and subsequently deliver value for money. Managing compliance is even more difficult than measuring it (Capgemini 2006).
- The various stakeholders have been aligned to the steps in the procurement process in tandem with the requisite skills and knowledge for their effective performance. This may facilitate the conduct of a training needs assessment by matching one's competencies with those required per step i.e. it may be used to enhance the professional skills of the officials in charge of procurement and approaches used to train the officials in charge of procurement to prevent corruption and to enhance efficiency.
- Each stakeholder's role is explicitly delineated per step in the procurement process. This may help to assure the professional independence of officials' in charge of procurement to make properly balanced decisions on the basis of merit and shield them from improper pressure of higher ranking politically designated officials.
- It may provide a framework for quality control and systems review i.e. pre and post contract award reviews can be undertaken to assess the internal and external controls. Also an evaluation of the tactical procurement process within the procurement cycle.
- It may provide a logical approach to resolve challenges to the rules promulgated and actions within the public procurement system.
- With minimum redesign it may be used in different study contexts.

In summary, these practical study areas have been derived from the analytical and empirical dimensions of the study. This sets the platform for recommendations addressed next.

#### **15.4. Recommendations:**

Information:

- Emphasis should be put on reducing regulatory constraints while keeping public procurement officials accountable for their actions.
- Professional independence of public procurement officials should be enhanced. This should be coupled with shielding them from pressure of higher ranking politically designated officials as to ensure fairness in public decision-making.
- Whereas bid protest mechanisms and reviews have been provided for in the PPDA legal and regulatory framework, a judicial body with powers to impose corrective measures and remedies against contracting entities in breach of the legal and regulatory framework should be instituted.
- Fighting corruption should be given prominence in the PPDA legal framework.
- It is essential that each level of management have well defined authorities and responsibilities delineated throughout the structure, from the issuance of policies, regulations and standards of performance to the supervision and management of the workforce.
- Harmonize all anti-corruption laws, policies and institutions. This should include supporting the Inter-Agency Forum against corruption i.e. consisting of the Directorate of Public Prosecutions, Criminal Investigations Department, Auditor General, PPDA (Among 2009). This should be coupled with enhanced law enforcement to improve its deterrent effect.

#### Competence:

- More effort should be put into providing procurement officers with appropriate skills, professional capacity and incentives to identify and manage risks for corruption (Beth 2005)
- In addition, ethics training that enhances public officials' professional skills and helps them find adequate solutions, particularly in risk and grey areas should be emphasized.
- Civil societies and professional groups e.g. professional engineers should be integrated in the external monitoring of the procurement process. They consequently act as compliance monitors thus help prevent corruption.

#### Task separation:

- Given the powerful nature of task separation in enhancing transparency and accountability in supplier selection, it should be legislated for use as a tool to curb corruption in tactical procurement.

#### Governance environment:

- Concerted efforts should be undertaken to educate politicians' government officials and the general public on the virtues of a well functioning, non-corrupt public procurement system.
- Citizens should be empowered to demand for accountability of their resources. They should hold those in power accountable. They should desist from being docile and fear to demand for their rights. This will increase citizens' participation in monitoring local government expenditure and service delivery, enhance local government accountability for service delivery and increase citizens' voice in providing feedback to the central government about service delivery (Lirri 2009).
- The civil service system of recruitment, pay and promotion may need reform to align the incentives of the procurement officials with the goals of the municipalities and the PPDA to ensure transparent, accountable fair and equitable procurement of goods, works and services.

## 15.5. Further study

- Detailed research is further needed to document the extent and duration of information systems and human competence as predictors of compliance. As Ackerman-Rose (2001) aptly puts it, even a government that keeps records and makes them available may act with impunity if no one bothers to analyze the available information – or if analysts are afraid to raise their voices.
- There is further need to study the feasibility of outsourcing supplier evaluation selection in local governments. This should be able to take into consideration the effectiveness of the committees/bodies in respect of an appropriate organization and composition as well we clear obligations and restrictions for its members.
- In this study we assumed that compliance to the PPDA legal framework will ensure delivery of value for money. However, there's a vital link between tactical procurement (sourcing cycle) and operational decisions (order cycle) that ought to be undertaken i.e. contract management. Savings are generated in the sourcing cycle and realized in the order cycle. There's a need for further research in contract management which has so far received less attention (Capgemini 2006). A key driver in contract management is contract compliance. Compliance is achieved through the utilization of the established (framework) contracts by the employees of the organization.
- Civil Society can have a crucial role to in contributing to the transparency and integrity of public procurement agencies. There are a number of roles Civil Society can play in bringing transparency to procurement processes. Civil Society can play a key role in monitoring procurement processes, being a source of expertise and an independent voice to raise issues and difficult questions, to manage conflict and balance powers and bringing groups of people together (Transparency International 2006). There is

hence a need to empirically examine their role in public procurement in the Ugandan context.

- There is a need to examine the measures that can be undertaken to curb corruption using systems dynamic modeling technique.

## **15.6. Conclusion**

In conclusion, our study on tactical procurement in decentralized local governments and municipalities in particular establishes that procurement is undertaken in an environment characterized by high levels of political influence, wide discretion of stakeholders, weak accountability and little or no transparency practices which aggregate to magnify the opportunities for corruption.

Through the various chapters we have been able to detect the corruption prone areas in the procurement process, have control, monitoring and enforcement of laws and regulations measures empirically tested as well as analyze checks and balances in supplier selection. This it is hoped, is an addition to the strategies, policies and practices that can be undertaken in the quest to fight corruption and promote integrity in public procurement and tactical procurement in particular.

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## Appendix A – Questionnaire for Compliance

**Dear Respondent,**

This questionnaire is to collect data on an ongoing PhD study at Twente University and Maastricht School of Management in the Netherlands. The study is to assess tactical purchasing management in decentralized municipalities in Uganda. You have been selected to participate in this study as one of the respondents.

Please take some minutes of your time and fill this questionnaire as honestly as possible. Your answers will be treated with utmost confidentiality.

### I. BACKGROUND INFORMATION

**Please fill in and use a tick (√) to indicate your response, (where applicable)**

1. Organization / Local Authority:

.....

2. Position /title in the organization:

.....

3. Highest education qualification

Masters Degree	Bachelor's Degree	Diploma	Secondary school	Primary School	Other specify .....
1	2	3	4	5	6

4. Professional training (e.g.)

CIPS	CPA	CPS	ACCA	NEVI	Other specify .....
1	2	3	4	5	6

5. How long have you worked with the current Authority?

.....  
 .....

*Please rate /indicate/ tick(✓) appropriately your response with respect to the importance of the statements below:*

1. Very important	2. Important	3. Not sure	4. Fairly important	5. Not important
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A. IMPLEMENTATION						
		1	2	3	4	5
1.	All stakeholders' procurement roles in the municipality should be clearly demarcated.					
2.	All specifications of goods, works and services to be purchased should be well founded e.g. based on market research					
3.	Socio-economic criteria for supplier selection e.g. supporting SMEs' disadvantaged groups of geographical regions should be publicized before invitation of bids.					
4.	Head of departments should be responsible for the identification of supplier selection criteria.					
5.	The Procurement and Disposal Units (PDUs') should have and make accessible up-to date relevant information to the head of departments to enable the identification of selection criteria.					
6.	The Procurement and Disposal Units (PDUs') should derive the selection criteria from an analysis of the head of department s proposed criteria.					
7.	The Procurement and Disposal Units (PDUs') should have an ICT database on all procurements; suppliers records and be made accessible to members of the evaluation committee and other stakeholders					
8.	Weighting criteria should be undertaken by head of departments after a process of evaluation, coordinated by the PDU.					

9.	In the awarding of scores (scoring), the evaluation committee should use varied but transparent methods e.g. have two different people score on each criteria and obtain the average. The score on a bid is then derived from addition of the average score on all criteria					
10.	The Contracts' Committee should counter check the steps undertaken by the evaluation committee before determining the winner					

### B. TRAINING

		1	2	3	4	5
1.	There should be mandatory induction training on procurement for all public officers prior to joining the municipality					
2.	Old staff must have awareness workshops on procurement.					
3.	Procurement officers ought to have certified professional training					
4.	Procurement officers must have on-going workshops to tackle emerging issues in procurement					
5.	Municipal councilors should have awareness workshops on strategic procurement, ethics, rules and regulations.					
6.	Head of departments should have specialized training in drawing neutral (non-biased) specifications; weighting criteria; research skills; supply strategy; use of fuzzy numbers and linguistic variables					
7.	Members of the evaluation committee must train on linear weighting factor scoring (awarding scores) and other compensatory methods.					
8.	Members of the Contracts Committee must be trained in the conduct of a procurement audit and risk analysis.					

### C. KNOWLEDGE

		1	2	3	4	5
1.	All officers in the municipality must have knowledge of the procurement rules and regulations, ethics and risks to its integrity.					
	Head of departments and PDU staff should have					

2.	profound knowledge on international, national and municipality regulations on socio-economic objectives/criteria.					
3.	Head of departments and officers in the municipalities should have knowledge on procedures for evaluation and the procurement cycle.					

#### D. RULES AND REGULATIONS

		1	2	3	4	5
1.	Municipalities should design regulations for mandatory induction training on procurement for all new staff.					
2.	It should be an employment requirement for all members of the PDU to declare their assets/wealth.					
3.	It should be regulated for the concurrent presentation and debate of municipality procurement plans and budget.					
4.	There should be clear rules governing the identification and weighting of socio-economic objectives/criteria, e.g. supporting SMEs' disadvantaged social groups or geographical regions					
5.	Regulations should be enacted to provide for the head of departments to identify and weight supplier evaluation and selection criteria.					
6.	Provisions should be made for the debriefing of suppliers whose bids fail at the pre-qualification stage.					

#### E. SANCTIONS

		1	2	3	4	5
1.	Municipalities should enforce proportional and timely administrative sanctions e.g. warnings, suspensions, disqualifications, dismissals, fines whose percentage depends on the value of procurement on errant officers					

#### F. ORGANIZATIONAL REFORMS

		1	2	3	4	5
1.	Procurement officers in the municipalities should be appointed by Public Service Commission to enable					



	their rotation.					
2.	Members of the Municipal Council finance committee should periodically review the procurement performance in the municipality.					
3.	Standard documents should be designed for the identification and weighting of criteria.					
4.	Provisions should be made for the incorporation of the new roles of the head of departments in the procurement cycle, i.e. identification and weighting of evaluation and selection criteria, which should be coordinated by the PDU.					

<b>G. COMPLIANCE</b>						
		1	2	3	4	5
1.	How would you rank the implementation of the measures suggested above to ensure compliance to contemporary procurement practices, rules and regulations.					

Thank you

## Appendix B – Questionnaire for Transparency and Accountability

**Dear Respondent,**

This questionnaire is to collect data on an ongoing PhD study at Twente University and Maastricht School of Management in the Netherlands. The study is to assess tactical purchasing management in decentralized Local Governments' in Uganda. This survey intends to enhance the fight against corruption in supplier evaluation and selection. You have been selected to participate in this study as one of the respondents.

Please take some minutes of your time and fill this questionnaire as honestly as possible. Your answers will be treated with utmost confidentiality.

### I. BACKGROUND INFORMATION

**Please fill in and use a tick (√) to indicate your response, (where applicable)**

1. Local Authority: .....
2. Position /title in the organization:  
.....
3. Highest education qualification

Masters Degree	Bachelor's Degree	Diploma	Secondary school	Primary School	Other specify .....
1	2	3	4	5	6

4. Professional training (e.g.)

CIPS	CPA	CPS	ACCA	NEVI	Other specify .....
1	2	3	4	5	6

5. How long have you worked for the current local authority?

.....  
 .....

*Please rate /indicate/ tick (✓) appropriately your response with respect to the importance of the statements below:*

<b>1. Very important</b>	<b>2. Important</b>	<b>3. Not sure</b>	<b>4. Fairly important</b>	<b>5. Not important</b>
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<b>A. TRANSPARENCY</b>						
		1	2	3	4	5
1.	Relevant head of departments' should endorse the evaluation criteria to be used in the bid documents					
2.	The criteria for pre-qualification should be included in bid documents.					
3.	The criteria included in bid documents should be the basis for pre-qualification.					
4.	Debriefing of unsuccessful bidders should be undertaken by the PDU giving objective reasons for their failure.					
5.	Criteria weights to be used in the supplier selection phase should be endorsed by the relevant head of departments'.					
6.	Choice of the scoring methods should be endorsed by members of the evaluation committee.					
7.	All records on performance and integrity of the different contractors should be accessible to members of the evaluation committee.					
8.	The results of all bids received for each tender (rather than the winning bid only) should be made public.					
9.	Commercially sensitive information e.g. technical content of a bid should not be made public.					
10.	All the endorsed records (with appended signatures) should be kept by the PDU.					

Please rate /indicate/ tick (✓) appropriately your response with respect to the importance of the statements below:

<b>1. Very important</b>	<b>2. Important</b>	<b>3. Not sure</b>	<b>4. Fairly important</b>	<b>5. Not important</b>
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<b>B. ACCOUNTABILITY (Split between persons)</b>						
		1	2	3	4	5
1.	There should be a split between persons who determine the weights for criteria and the persons who conduct the scoring on the criteria for bids.					
2.	The scoring on criteria should be undertaken without knowledge of the criteria weights.					
3.	There should be a separate responsibility accorded for computing the total scores from all the evaluators.					

<b>C. ACCOUNTABILITY (Double check)</b>						
		1	2	3	4	5
1.	Two different people should score on each criterion in a bid.					
2.	The total score on each bid should be derived from the addition of the average score on all criteria.					
3.	All records (on the scores) should be endorsed by the respective evaluators and kept by the Procurement and Disposal Unit (PDU).					

<b>D. OUTCOME</b>						
		1	2	3	4	5
1.	How do you rank the implementation of all the measures suggested above in curbing corruption in supplier evaluation and selection.					

Thank you

## About the author



Peter Obanda Wanyama was born on the 25<sup>th</sup> September 1968 in Mbale, Uganda to Mr. and Mrs. Chango Machyo. After completing his secondary school in 1989, he went on to study a Bachelor of Arts (Economics) with Education degree at Makerere University which he completed in 1993. He thereafter taught A-level at St. Peter's College, Tororo.

He received a Masters degree in Management Studies from the Uganda Management Institute in 2003. He thereafter was appointed a Lecturer at Kyambogo University in the Department of Business Studies where he headed the Research and Management Sections. He supervised several undergraduate research projects and participated in curriculum development for University programmes.

In 2004, he was nominated by the University under the NPT project to undertake his PhD project managed by the Maastricht School of Management in the Netherlands from where he obtained his Masters of Philosophy in 2005. His PhD project entitled "Fighting corruption in tactical procurement in local governments in Uganda" at the University of Twente resulted in this thesis.

His PhD proposal won him an IPSERA bursary award in 2009. He has since published articles for IPSERA and the International Public Procurement Conference. He is currently a Lecturer at Kyambogo University School of Management and Entrepreneurship

