

Public Procurement Contract Management and Value for Money in Ishaka Municipality, Bushenyi District Local Government

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Abstract: The study concentrated on evaluating the relationship between public procurement contract management and value for money in Ishaka Municipality, Bushenyi District local government. This was assessed through examining the relationship between public procurement contract implementation, contract monitoring and control and the value for money in Ishaka Municipality.

The researcher undertook a cross sectional, correlational, quantitative, survey design. The study targeted a population 150 people in Ishaka Municipality, Bushenyi district local government from where a sample of 108 respondents were sampled using Krejcie and Morgan table (1970). The researcher employed simple random sampling technique as this technique gives each and every individual from the target population an equal chance of being selected into the sample.

Study findings revealed that there is a positive significant relationship between contract implementation and value for money as shown by $r = .208^*$ and $p (0.004) \leq 0.01$. And also, that there is a positive significant relationship between contract monitoring and control and value for money as given by $r = .288$ and $p (0.003 \leq 0.01)$ implying contract management positively influences the value for money in the procurement processes.

Based on the study findings, the researcher recommends that local governments should initiate the procurement process as soon as fund releases up to the point of contract award as this enables them to enter into contracts as soon as funds availability is confirmed. There should also be continuous sensitization of all the procurement stakeholders on the benefits of playing their particular roles in the procurement process to ensure that value for money is comprehended at the end of the day. Local governments should build capacity at user department level to encourage their full participation in needs identification and implementation. Local governments should consistently monitor project and contracts implementation to ensure that projects are implemented as per specifications to improve on the value for money.

Keywords: Contract management, Contract implementation, Contract monitoring and control, Value for Money

I. INTRODUCTION

1.1 Background to the Study

In Uganda, a lot of money is wasted due to inefficient and ineffective obstacles and challenges in the procurement process of which contract management is a part (Ntanyi, 2009).

Yet contract management continues to receive less attention from researchers and policy makers. The PPDA executive director remarked ““We have found out that the Government at times pays for no work done or very shoddy work and sometimes, contracts are not delivered on time. This has affected the ability of the Government to deliver quality services to the population by ensuring Value for Money” (Rwothungeyo, 2012). The reprint consolidates the Public Procurement and Disposal of Public Assets Act, Act No. 1 of 2003 and the Public Procurement and Disposal of Public Assets (Amendment) Act, Act No. 11 of 2011 and incorporates the amendment effected by section 4 of the Local Governments (Amendment) Act, Act 2 of 2006. The Public Procurement and Disposal of Public Assets Act, Act No. 1 of 2003 came into force on the 21st day of February, 2003 (*S.I. No. 10 of 2003*), the Public Procurement and Disposal of Public Assets (Amendment) Act, Act No. 11 of 2011 came into force on the 3rd day of March, 2014 (*S.I. No. 3 of 2014*) and the Local Governments (Amendment) Act, Act 2 of 2006 came into force on the 10th day of February, 2006 (*S.I. No. 4 of 2006*).

Various challenges were reported that includes delay in completion of the contracts, weak inspection and acceptance committee, budget fall ups, specialization of work, awareness of stakeholders on procurement process in Bushenyi-Ishaka Municipality. According to the Bushenyi-Ishaka Municipality Audit Report, (2015) a sample of forty (40) procurement activities was covered. For the forementioned period reviewed, the Entity had an approved total procurement budget of UGX 2,372,578,164. However, the actual expenditure on procurement during this financial year was One billion shillings only. According to the audit report, this was attributed to lack of proper tendering and contract management in the use of public resources. If this lack of proper procurement process persists, Bushenyi- Ishaka Municipality will continue to lose billions of funds hence lack of Value for Money.

1.2 Statement of the Problem

Government of Uganda has made a lot of efforts to promote Value for Money by putting in place the necessary laws like PPDA Act 2003, LG PPDA Regulations 2006 and Local

Government PPDA Guidelines 2008 to help Local governments achieve Value for Money (Musanzikwa, 2013). Other avenues like internal procurement audits, PPDA audits and audits by Office of Auditor General have also tried as much as possible to ensure that procurements are done in accordance with the stipulated laws to create Value for Money while spending public funds.

For example, the audit that was conducted by PPDA for 2014/2015 revealed that underlying factors hindering value for money were; inadequate planning by user departments, lack of transparency in the bidding and evaluation as well as contract award processes. Weak procurement control environment encouraged by the laxity of the Procurement and Disposal Unit in complying and enforcing compliance with PPDA Act, Regulations, Guidelines and Inadequate supervision of contractors was discovered as cause of non-conformance of works to standards and delays in contract execution and completion.

However, little information is available to explain why Public Entities have continuously failed to realize Value for Money despite all the efforts in place. This shows a very big weakness in public procurement contract management. If contract management is not well handled, achieving Value for Money is likely to worsen. The study therefore sought to bridge this gap by evaluating the relationship between contract management and Value for Money.

1.3 General Objective

The study sought to evaluate the relationship between public procurement contract management and value for money in Ishaka Municipality, Bushenyi District local government.

1.3.1 Specific Objectives

- i. To examine the relationship between public procurement contract implementation and the value for money in Ishaka Municipality, Bushenyi District local government.
- ii. To establish the relationship between contract monitoring and control on the value for money in Ishaka Municipality, Bushenyi District local government.

1.4 Research Questions

- i. What is the relationship between public procurement contract implementation and the value for money in Ishaka Municipality, Bushenyi District local government?
- ii. What is the relationship between contract monitoring and control on the value for money in Ishaka Municipality, Bushenyi District local government?

1.5 Scope of the Study

This study examined the extent to which Ishaka Municipality, Bushenyi district local government utilizes elements of public procurement contract management that is; contract

implementation, monitoring and control and how these influence the value for money amongst local governments. The study was conducted in Ishaka Municipality, Bushenyi district local government which is one of the local government administrative units that uses contract management to procure services.

1.6 Conceptual Framework

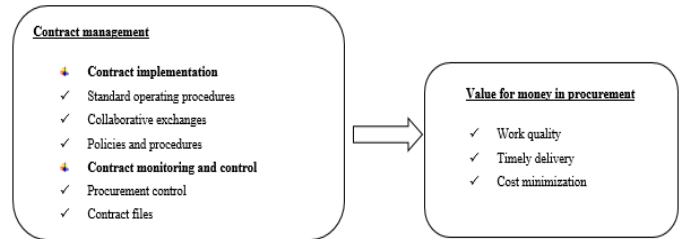


Figure 1: Conceptual framework on contract management and value for money in procurement

Source: Adopted from Mlinga, (2007); Vafaisee, (2010) and modified by researcher 2019

Figure 1 above shows the conceptual framework comprising of two variables both independent variable and dependent variable. Where the independent variable (public procurement contract management) is conceptualized in terms of contract implementation, monitoring and control while the dependent variable value for money is conceptualized in terms of quality of work output, timely delivery and cost minimization. The researcher hypothesized that there is a relationship illustrated in the conceptual framework that the level of value for money in procurement depends on contract management. This relationship is summarized in the model below.

Model specification: $Y = B_0 + B_1X_1 + B_2X_2$

Where; Y = Profitability, X_1 = contract implementation, X_2 = monitoring and control
 $B_0 > 0$; $B_1 > 0$ and $B_2 > 0$.

II. METHODOLOGY

The researcher undertook a cross sectional, correlational, quantitative, survey design. The study targeted a population 150 people in Ishaka Municipality, Bushenyi district local government from where a sample of 108 respondents were sampled using Krejcie and Morgan table (1970). The researcher employed simple random sampling technique as this technique gives each and every individual from the target population an equal chance of being selected into the sample. The researcher further used both questionnaires and face to face interviews to collect primary data.

The researcher further established the validity of this study's instrument by seeking opinions of experts in the field of study, including the researcher's supervisor and lecturers in the field of business management using a content Validity Index (CVI) from where a coefficient of $0.953 > 0.7$ was considered satisfactory based on Amin's (2005).

In addition, the researcher established the reliability of the study instruments using Cronbach alpha reliability test. Using alpha coefficient of less than 0.7 (<0.7) would mean the relevance and reliability of our questionnaire in getting us information for our study is less than desirable. However, results of more than 0.7 and less than 1 indicated that the data collection instrument was reliable as based on Amin (2005) as given in table 1 below.

Table 1: Reliability indices for the respective sections of the questionnaire

Variable	Description	Construct	Cronbach alpha
Dependent	Value for money	Value for money	0.845
Independent	Contract management	Contract implementation	0.886
		Contract monitoring/control	0.891

Source: Primary data (2019)

Furthermore, the researcher analyzed data using descriptive statistics (frequencies and percentages) and inferential statistics (Pearson correlation, coefficient of determination and regression). The frequencies and percentages were used to determine the respondents' views on contract implementation, contract monitoring and control. Where as Pearson correlation, coefficient of determination and regression was used to test the strength of the relationship between the study variables.

III. PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

3.1 Response Rate of the study

The response rate for the study was computed by generating a percentage out of the total number of respondents who participated, against those who were targeted for the study. Out of a sample of 108 respondents that was identified for the study, only 92 respondents fully participated in the study by filling and returning the completed questionnaires. This represented a response rate of 85.1%. According to Amin (2005) for a study to be considered reliable and valid, the response rate should be 70% and above. Therefore, the unreturned questionnaires were ignored since the researcher had obtained a reliable response rate of 85.1% from the chosen sample as shown in table 2 below.

Table 2: Response Rate of the study

	Response rate	Percentage (%)
Respondents	92	85.1
Non-Responses	18	14.9
Sample Size	108	

Source: Primary data (2019)

3.2 Presentation and discussion according to research specific objectives

This section presents the empirical findings on public procurement contract management and value for money in Ishaka Municipality, Bushenyi district local government. The findings presented reflect the responses in descriptive statistics, correlation results on relationships and results of regression analysis.

A five-point Likert scale was used and this shows different options that respondents use to evaluate statements (Rob, 2016). These Likert items are; 1-SD= Strongly Disagree, 2-D= Disagree, 3-U= Undecided, 4-A =Agree and 5-SA= Strongly Agree.

Standard deviation shows a variation in the responses of respondents during the research process (Jackie, 2006). Both Mean scores and standard deviation on the five-point Likert Scale were used to determine whether the respondents were in disagreement, undecided or in agreement with each of the questionnaire item and below is the table showing the Likert mean score.

Table 3: Mean Score of Likert Items

Likert Scale	Interpretation
1.00 – 2.60	Disagreement
2.61 – 3.20	Uncertain
3.21 – 5.00	Agreement

Source: Moidunny (2009)

3.2.1. Descriptive statistics on contract implementation

The findings from the descriptive statistics of contract implementation are as given in table 4 below.

Table 4: Descriptive Statistics on contract implementation

	Mean	Std. Deviation
The Institution's procurement activities are established through competitive process.	4.36	.587
Implementing and managing procurement contracts of goods, services and works are always a Centre of attention of the entity on how to effectively administer delays, cost, quality and risks.	3.73	.836
Qualifications of personnel involved in contract execution/ implementation affect quality of work produced.	3.10	.896
Turning implementation over to public servants allows decisions to be based on information and competence instead of political goals ultimately increasing efficiency in implementation.	3.09	.984
Contract supervisors and managers have knowledge and understanding of the subject matter and all aspects of the contract (BOQs, Terms of references, specifications, conditions of contract, remedies).	3.07	1.029
Contracts are carefully analyzed taking note of the rights and obligations of each party.	3.03	1.150
A quality plan during contract implementation	2.83	1.180

is a prime document for managing quality which spells out objectives to be achieved.		
The local government procedures of contract implementation are always adhered to ensure quality.	2.60	1.231
The local government applies fair and transparent rules for the selection of tenderers.	2.53	1.244
Delays are effectively managed through the application of contract schedule/time plan.	2.18	1.413
Grand Mean and standard deviation (N=92)	3.05	1.055

Source: Primary Data (2019)

The findings on the above table 4 showed that most of the respondents were in agreement on the questionnaire items regarding contract implementation as shown by the overall mean of (3.05: Std. Deviation 1.055). This indicated that the respondents were in agreement with contract implementation that was addressed by Bushenyi-Ishaka Municipality. This was presented by majority questionnaire items like the Institution’s procurement activities are established through competitive process (Mean=4.36: Std. Dev=.587) and implementing and managing procurement contracts of goods, services and works are always a Centre of attention of the entity on how to effectively administer delays, cost, quality and risks (Mean=3.73: Std. Dev=.836).

The study findings agree with Lammanna et al. (2003) who argues that contract implementation is the period from contract signing to the contract end. In this lapse, all procurement and engineering works such as installation and commissioning need to be completed. Suppliers must complete the engineering works and take responsibility of the warranty with reference to quality, quantity, schedule and technical specifications written in the contract or functional requirement specifications, or bill of quantity (Goodin, 2008).

However, the results disagreed with the questionnaire items regarding contract implementation especially on the; delays are effectively managed through the application of contract schedule/time plan (Mean=2.18: Std. Dev=1.413), the local government applies fair and transparent rules for the selection of tenderers (Mean=2.53: Std. Dev=1.244) and the local government procedures of contract implementation are always adhered to ensure quality (Mean=2.60: Std. Dev=1.231).

These study findings align with findings from Amponsah (2012) who asserts that one of the major reasons for contracts failures is the poor contract implementation and management. Furthermore, Kakwezi and Nyeko (2010) advocate that to ensure purchasing performance, quality of procured goods and services as well as timely delivery should not be ignored as they are directly linked to terms and conditions of the contracts.

Study findings are further supported by responses from key informant interviewee (Head of Finance) that was quoted saying that “Due to competitive bidding, the municipal is able to attain value for money through the contract implementation, however, the right quality and quantity is sometimes hindered by interference from the areas of delivery

in form of changing specifications after orders have been placed.” Another respondent (Municipal engineer) indicated that “contract implementation is always adhered to ensure quality and the municipal council largely attains value for money from suppliers through market survey of prices for better comparison to achieve more for less and get better deals to ensure that the council does not lose money”.

3.2.1.1 Correlation analysis on Contract implementation and Value for money

The results showing relationship between contract implementation and value for money was established using Pearson Correlation as indicated in the table 5 below.

Table 5: Pearson’s Correlation Analysis of contract implementation and value for money

		Contract implementation	Value for money
Contract implementation:	Person correlation Significant (2 tailed) N	1 92	0.208** 0.004 92
Value for money	Person correlation Significant (2 tailed) N	0.208** 0.004 92	1 92

** Correlation is significant at the 0.01 level (2-tailed).
Source: Primary Data (2019)

Study findings in table 5 above indicated that there is a positive significant relationship between contract implementation and value for money as shown by $r = .208^*$ and $p (0.004) \leq 0.01$. The positive nature of the relationship implies that a change in contract implementation is much more associated with a corresponding change in value for money.

3.2.2: Descriptive statistics on monitoring and control

The findings from the descriptive statistics of contract monitoring and control on Mean and Standard deviation are in the table 6 below.

Table 6: Descriptive Statistics on monitoring and control

Questionnaire item	Mean	Std. Deviation
Inadequate supervision and monitoring causes delays in contract execution and completion	3.73	0.831
Inspection of goods/ works is carried out and report prepared.	3.52	0.846
There are irregular site inspections by contract supervisors at local government.	3.43	0.860
Contract monitoring staff do bother to make appraisal of contractors during project implementation.	3.41	0.872
Stakeholders are engaged/ involved in monitoring of projects	3.36	0.945
Inadequate supervisory skills among local government staff designated to monitor contract is affecting VFM.	3.36	0.945
Record management during project implementation is never taken serious by contract monitors.	3.35	0.967

Regular reviews or audits of procurement processes are done to ensure value for money	3.24	0.981
Application of effective contract monitoring ensures that the deliverables are met as agreed in the contract	3.24	0.981
Inadequate supervision of contractors causes nonconformance of works to standards	3.17	0.886
Grand Mean and standard deviation (N=92)	3.38	0.91

Source: Primary Data (2019)

The findings in the above table 6 showed that responses on the questionnaire items on contract monitoring and control with the overall mean of the questionnaire items was computed as (Mean=3.38: Std Dev=.910), which implied that the respondents agreed that Ishaka Municipality, Bushenyi district local government considered contract monitoring and control. Results are in agreement that inadequate supervision and monitoring causes delays in contract execution and completion (Mean=3.37: Std Dev=.831), inspection of goods/works is carried out and report prepared (Mean=3.52: Std Dev=.846), there are irregular site inspections by contract supervisors at local government (Mean=3.43: Std Dev=.860) and contract monitoring staff do bother to make appraisal of contractors during project implementation (Mean=3.41: Std Dev=.872).

study findings agree with Garrett and Rendon, (2016) who asserts that adequate supervision of contractors causes conformance of works to standards. And that contract management ensures that each party's performance meets the contractual requirements and this therefore eliminates issuing of payments to suppliers or contractors to undelivered or substandard goods or works.

Furthermore, the study findings were supported by responses from key informant interviewee who was quoted saying that, *“There are many oversight bodies such as the Inspectorate General of Government, office of auditor general, Public Procurement and Disposal of Public Assets Authority, Resident District Commissioner, councilors and internal auditors, which monitor how contracts are awarded and this ensures ethics, Head of management and administration”*

3.3.2.1 Correlation analysis on Contract monitoring and control and value for money

Study findings in table 7 below show the relationship between contract monitoring and control and value for money.

Table 7: Contract monitoring and control and value for money

		Contract monitoring and control	Value for money
Contract monitoring and control	Person correlation	1	.288**
	Significant (2 tailed) N	92	0.003 92
Value for money	Person correlation	.288**	1
	Significant (2 tailed) N	0.003 92	92

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

Source: Primary Data (2019)

Study findings revealed that there is a positive significant relationship between contract monitoring and control and value for money as given by $r = .288$ and $p (0.003 \leq 0.01)$. The positive nature of the relationship implies that a change in contract monitoring and control is much more associated with a corresponding change in value for money in procurement.

IV. CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

4.1 Conclusion of the study

Based on the study findings, the researcher concludes that contract implementation positively influences the value for money in local governments. And that procurement activities are established through competitive process. In addition, the researcher concludes that implementing and managing procurement contracts of goods, services and works should always concentrate on how to effectively administer delays, cost, quality and risks.

The researcher further concludes that contract monitoring and control and value for money are positively related and that an improvement in contract monitoring increases the value for money of the local government. This was seen as that inadequate supervision and monitoring causes delays in contract execution and completion as well as proper inspection of goods/works should be carried out and report prepared in a timely manner.

4.2 Recommendations of the study

Based on the study findings, the researcher recommends that in relation to contract implementation, local governments should initiate the procurement process as soon as fund releases up to the point of contract award. This will enable them to enter into contracts as soon as funds availability is confirmed. There should also be continuous sensitization of all the procurement stakeholders on the benefits of playing their particular roles in the procurement process to ensure that value for money is comprehended at the end of the day. Local governments should build capacity at user department level to encourage their full participation in needs identification and implementation.

In relation to contract monitoring and control, local governments should consistently monitor project and contracts implementation to ensure that projects are implemented as per specifications to improve on the value for money in procurements. User departments should nominate contract supervisors for every contract in compliance with the regulation 119 of Local government PPDA regulations 2006. Accounting officers should also ensure that serious quarterly procurement audits are done to ensure systems control as well as involving PDUs in monitoring and supervision of contracts.

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