

Assessing the Effect of Contract Creation on Procurement Performance of Local Government in Bosaso, Puntland, Somalia

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ABSTRACT

This study examined the effect of contract creation on procurement performance in local government, with a specific focus on Bosaso, Puntland, Somalia. Utilizing a descriptive survey research design, data were collected from 101 respondents through structured questionnaires and analyzed using regression analysis. The findings revealed that contract creation has a strong and statistically significant positive effect on procurement performance (Adjusted $R^2 = 0.851$, $\beta = 0.923$, $p < 0.001$), indicating that contract creation explains approximately 85.1% of the variance in procurement performance. The results demonstrate that well-structured contract creation processes encompassing clear documentation, precise terms and conditions, and well-defined roles and responsibilities serve as critical determinants of successful procurement outcomes. The study contributes to the growing body of literature on public procurement in post-conflict contexts and provides empirical evidence supporting stakeholder theory and new public management theory. Recommendations include strengthening contract creation systems, enhancing staff capacity, and implementing regular evaluation mechanisms to improve procurement efficiency and accountability in local government settings.

Keywords: Contract Creation; Procurement Performance; Local Government; Public Procurement; Bosaso, Puntland, Somalia; Stakeholder Theory; New Public Management Theory

INTRODUCTION

Background

Public procurement constitutes a fundamental mechanism through which government delivers essential services and infrastructure to citizens, accounting for a substantial portion of public expenditure in both developed and developing countries (World Bank, 2020). The efficiency and effectiveness of procurement systems significantly influence the government's capacity to achieve developmental objectives, reduce poverty, and foster economic growth (World Bank, 2020). Within this context, contract creation, the formative phase of the procurement cycle involving needs identification, specification development, and contractual agreement formulation emerges as a critical determinant of overall procurement performance (Muinde & Odari, 2025).

The relationship between contract creation and procurement performance has attracted considerable scholarly attention, with research demonstrating that comprehensive contract formulation contributes to reduced costs, enhanced service quality, and improved organizational outcomes (Lindholm et al., 2017). In Danish municipalities, competitive tendering supported by clear contractual frameworks reduced costs without compromising service quality, highlighting the importance of well-structured contract management practices (Lindholm et al., 2017). Similarly, studies in Kenya have shown that defects in contract design, including vague deliverables, unclear timeframes, and poorly defined roles significantly contribute to project delays and cost escalation (Mwangi, 2017).

However, public procurement systems in countries emerging from prolonged conflict often face institutional, regulatory, and capacity-related challenges that can affect the effectiveness of procurement processes. In Somalia, the government has continued to strengthen public procurement through the implementation of the Public Procurement Law and related regulations, with an emphasis on developing a more open and transparent procurement process. Nevertheless, the continued need to strengthen the capacity of government institutions

through training and sensitization on procurement laws and guidelines indicates that effective implementation remains an important institutional challenge (International Monetary Fund, 2023). The reform process has also emphasized the importance of adequate technical preparation in government contracting. Procedures established for the Inter-Ministerial Concessions Committee require sufficient lead time for technical assessments, while the Ministry of Finance Procurement Department has been providing technical support and preparing assessments where institutional capacity remains limited (International Monetary Fund, 2023). In addition, Somalia has reinforced the requirement for public institutions to follow due process in procurement and concessions, demonstrating the importance of procedural compliance in the formation and approval of government agreements (International Monetary Fund, 2023). These developments suggest that the quality of activities undertaken before contract approval, including specification development, technical assessment, procedural compliance, and formulation of contractual arrangements may have important implications for procurement outcomes.

The issue is also evident at the subnational level in Puntland. The Office of the Auditor General of Puntland's recent audit findings identify significant procurement compliance concerns within Puntland's public-sector procurement and expenditure activities, demonstrating continuing challenges in ensuring that procurement activities comply with applicable rules and procedures (Office of the Auditor General of Puntland, 2026). Such findings are important for local government because procurement constitutes a major mechanism through which public resources are converted into infrastructure, goods, and services for communities. Weak compliance and inadequate procurement practices can consequently undermine value for money, accountability, and the timely delivery of public projects. The existence of these challenges creates a need to examine specific stages of the procurement process that may contribute to variations in procurement performance.

However, empirical evidence on how contract creation specifically affects procurement performance remains limited in Somalia, particularly at the local government level. This gap provides a basis for examining the effect of contract creation on procurement performance of local government in Bosaso, Puntland, Somalia.

Problem Statement

Bosaso Local Government in Somalia is mandated to deliver essential public services despite operating within challenging institutional and security environments. The effectiveness of this local government in fulfilling its mandates depends significantly on its procurement system's ability to secure goods, works, and services efficiently and transparently. However, weaknesses at different stages of the procurement and contract management process may undermine procurement outcomes. Matende et al. (2026) found that inadequate procurement preparation can contribute to implementation delays, cost overruns, and contractual disputes, while Komakech (2020) examined how contract management practices are related to service delivery in local government. Yang et al. (2009) further identified contract formulation as an important component of contracting capacity and examined its relationship with contracting performance. Although these studies provide evidence on procurement preparation, contract management, and contracting capacity, they do not specifically establish the effect of contract creation on procurement performance of Local Government in Bosaso, Puntland, Somalia.

The broader institutional environment in Bosaso may also influence the implementation of procurement procedures. Mohamoud (2025) identifies limited fiscal autonomy, weak institutional capacity, overlapping mandates, and accountability concerns as important challenges affecting local government in Bosaso. Similarly, Somali Public Agenda (2025) reports that limited institutional capacity, outdated administrative systems, and fiscal constraints affect efficiency and transparency in the municipality. Although these studies do not directly examine contract creation, they highlight institutional conditions that may influence the capacity of local authorities to plan procurement, prepare appropriate documentation, coordinate responsibilities and implement contractual obligations effectively.

While international development partners have invested substantially in strengthening procurement systems at the national level, limited empirical research has examined the specific relationship between contract creation and procurement performance within Somali local government contexts. This research gap constrains evidence-based policy formulation and reform implementation, as policymakers lack empirical data on which aspects of contract creation most significantly influence procurement outcomes. Furthermore, the applicability of



theoretical frameworks developed in stable, developed-country contexts to post-conflict environments remains largely untested. This study therefore addresses the question: What is the effect of contract creation on procurement performance of local government in Bosaso, Puntland, Somalia?

Research Objective

The primary objective of this study was to determine the effect of contract creation on procurement performance of local government in Bosaso, Puntland, Somalia.

Hypothesis

Based on the research objective, the following hypothesis was formulated:

H₀: Contract creation has no significant effect on procurement performance of local government in Bosaso, Puntland, Somalia.

H₁: Contract creation has a significant positive effect on procurement performance of local government in Bosaso, Puntland, Somalia.

LITERATURE REVIEW

Theoretical Framework

Stakeholder Theory

This study was anchored on stakeholder theory, developed by R. Edward Freeman in 1984, views an organization as a network of relationships with individuals and groups that can affect or are affected by its decisions. The theory proposes that organizational value is created and sustained through the management of relationships with relevant stakeholders rather than through exclusive attention to a single organizational interest (Freeman et al., 2010). In public organizations, this perspective is relevant because decisions are made in relation to public needs, institutional priorities, service users, suppliers, technical personnel, and oversight expectations.

Stakeholder Theory is relevant to contract creation because contract creation is the stage at which a local government translates a public need into contractual requirements. In this study, contract creation includes identifying requirements, preparing specifications or terms of reference, establishing expected deliverables, allocating responsibilities and risks, defining performance standards, and formalizing the agreement with the selected supplier or contractor. A stakeholder perspective suggests that the quality of these activities depends partly on whether the needs, knowledge, and practical expectations of relevant parties are identified and considered before the contract is finalized.

The theory informs four related aspects of contract creation. First, stakeholder involvement in needs identification may improve the alignment between the procurement requirement and the institutional or community problem it is intended to address. Second, stakeholder input into specifications and terms of reference may support requirements that are more relevant, realistic, and understandable. Third, communication and stakeholder voice may clarify expectations concerning deliverables, quality, schedules, and reporting obligations. Fourth, consideration of stakeholder interests may support clearer agreement on responsibilities, implementation risks, and procedures for addressing disagreements. These are theoretical expectations rather than automatic causal effects; their influence depends on the quality, inclusiveness, transparency, and proper management of the engagement process (Mansuri & Rao, 2013; Mitchell & Lee, 2019; Van Buren & Greenwood, 2009).

Applied to procurement performance, Stakeholder Theory suggests that contract creation is more likely to support desirable procurement outcomes when contractual requirements are relevant to public needs and sufficiently understood by the parties responsible for implementation. Such alignment may provide a stronger basis for assessing whether procurement achieves timely delivery, quality outputs, accountability, transparency, compliance, and value for money. The theory is particularly relevant to Bosaso because public contracting

operates within wider institutional and political-economic conditions that may influence how needs are identified, how contractual expectations are negotiated, and how relationships between public entities and suppliers are managed (Elder, 2022).

The theoretical implication for this study is that stakeholder-oriented contract creation represents a relational mechanism linking the identification and alignment of stakeholder needs to the quality of procurement requirements. Stakeholder Theory does not by itself establish that engagement causes higher procurement performance. Instead, it provides a basis for examining whether needs identification, stakeholder consideration, communication, and alignment are associated with better procurement outcomes in Bosaso Local Government.

New Public Management Theory

New Public Management Theory developed as a reform perspective that sought to make public administration more performance-oriented, efficient, decentralized, and accountable. It emphasizes managerial responsibility, contracting, delegated authority, performance measurement, competition, and results-based management (Frederickson, 1996; Rhodes, 1997). Unlike Stakeholder Theory, which focuses primarily on relationships and the alignment of interests, NPM Theory focuses on how public organizations organize resources and manage providers to achieve defined results.

NPM Theory is relevant to public procurement because a procurement contract can function as a managerial instrument as well as a legal agreement. Contract creation establishes the operational conditions under which public resources are converted into goods, works, or services. It should therefore specify the required outputs, quality standards, price or payment basis, delivery schedule, responsibilities, reporting requirements, monitoring arrangements, and remedies for non-performance. These provisions allow the local government to relate expenditure to expected results and to evaluate implementation against agreed requirements (World Bank, 2020).

In this study, NPM Theory explains the managerial mechanism through which contract creation may be associated with procurement performance. Clear specifications and measurable performance standards can provide a basis for assessing deliverables. Defined responsibilities can clarify who is accountable for procurement administration, technical verification, contract supervision, payment, and approval. Realistic schedules, costs, and payment conditions can support efficiency and timely implementation. Risk allocation and monitoring provisions can help the local government manage implementation uncertainty and respond to delays, quality problems, variations, or non-performance. These mechanisms are expected to be effective only where the local government has sufficient capacity to manage, document, monitor, and enforce contractual obligations.

The link to procurement performance is therefore managerial rather than primarily relational. NPM Theory suggests that better-designed contracts may provide stronger instruments for controlling costs, monitoring schedules, evaluating quality, enforcing compliance, and assessing value for money. This expectation is consistent with evidence that contract creation forms part of the wider contract life cycle and is associated with procurement management and performance (Ampumuza et al., 2020). Evidence from government-funded projects also suggests that procurement contract formulation may be associated with project performance (Muinde & Odari, 2025). These findings support the relevance of the theory but do not remove the need to test the relationship in the specific institutional setting of Bosaso.

The theoretical implication for this study is that NPM-oriented contract creation represents a performance and managerial mechanism. It connects the formal design of contractual obligations, particularly specifications, outputs, schedules, responsibilities, risk provisions, monitoring, and accountability to procurement performance indicators. In the Bosaso context, this perspective is important because local government is expected to deliver services through limited public resources while operating within an environment in which institutional capacity and public-contracting conditions may affect implementation (Elder, 2022).

Empirical Literature

Empirical research has increasingly emphasized the critical distinction between ex-ante contract creation, which establishes foundational parameters for service delivery and subsequent ex-post management phases (Ampumuza et al., 2020; Terman & Feiock, 2015). Evidence suggests that robust contract design is a prerequisite

for achieving optimal implementation outcomes. Specifically, precise contract specification and formal agreement structuring serve to mitigate operational risks and align supplier behavior with purchasing entity objectives (Alphonse & Nimpano, 2025; Salasia et al., 2025).

Research by Gamariel & Christine (2021), in Kicukiro District demonstrated that stronger contract management practices were associated with better organizational outcomes, with evidence pointing to efficient resource allocation, competent staff, and reliable control and risk management systems as central drivers of procurement effectiveness. Similarly, Jolly (2022) found that procurement performance in Nyarugenge District was significantly influenced by contract management practices, particularly the establishment of clear contractual terms and key performance indicators during the creation phase.

Studies have shown that well-defined contract specifications at the creation stage are instrumental in facilitating effective supplier monitoring and ensuring adherence to agreed-upon service levels, directly contributing to cost reduction, improved lead times, and enhanced buyer satisfaction (Akannobe et al., 2026). This proactive approach to contract creation sets the foundation for robust contract management, which has been positively associated with overall project performance within public institutions (Adamu et al., 2021).

Songa and Akumuntu (2024) examined the relationship between contract management techniques and public procurement performance at MINEDUC in Rwanda, finding an extremely high positive correlation ($r = 0.952$) between contract management practices including contract negotiation, execution, monitoring, and evaluation and public procurement performance. The results indicated that improvements in these contract management components are strongly associated with enhanced procurement performance.

In Kenya's devolved governance framework, county governments are mandated to undertake procurement processes in compliance with the Public Procurement and Asset Disposal Act (2015). However, inefficiencies in contract management such as delays in delivery, cost overruns, and disputes continue to undermine procurement performance in public entities (Muinde, 2022). Effective management of public contracts is critical for optimizing procurement outcomes within local government entities (Uwimpeta & Akims, 2025).

Despite the acknowledged necessity of structured creation processes, many local authorities struggle with systemic complexities and transactional costs inherent in drafting comprehensive agreements for diverse public services (Changalima et al., 2023; Potoski et al., 2026). These difficulties are frequently exacerbated by the lack of appropriate public procurement measurement frameworks and benchmarking tools for evaluating complex procurement systems, thereby limiting context specific performance assessment and continuous improvement (Boykin et al., 2024).

METHODOLOGY

Research Design

This study employed a descriptive survey research design, which according to Amin (2005), enables researchers to obtain systematic data on a sample of respondents at a particular moment in time. The design was deemed appropriate as it provides a basis for descriptive data analysis and regression analysis. Data were collected using closed-ended questionnaires on a five-point Likert scale, supplemented by semi-structured interviews with selected respondents. The study adopted a mixed-methods approach, integrating quantitative data for statistical analysis with qualitative data for contextual understanding.

Target Population

The study was conducted in Bosaso Local Government, Bari Region, Puntland, Somalia. The target population comprised 141 employees working within Bosaso Local Government who were engaged in administrative or operational activities and possessed general knowledge of procurement processes (Bosaso Local Government HR Report, 2022). This population included local government leaders ($n=20$), procurement staff ($n=6$), and other employees ($n=115$).



Sample Size

The sample size of 104 respondents was calculated using Slovin's formula:

Where: n =sample size N =target population e =level of significance/marginal error (0.05)

$$n = 141 / (1 + 141(0.05^2))$$
$$n = "141 / (1 + 141(0.0025))$$
$$n = "141 / (1 + 0.353)$$
$$n = "141 / 1.353$$

" n " = 104 "Respondents

Sampling Techniques

Simple random sampling was employed to select local government leaders and employees from the population, while purposive sampling was used to select procurement staff ($n=4$) due to their specialized knowledge and expertise in procurement processes.

Data Collection Instruments

Structured questionnaires with closed-ended questions on a five-point Likert scale (1=Very Poor, 5=Very Good) were administered to 104 respondents. Semi-structured interviews were conducted with selected respondents to gain deeper insights into contract creation processes and procurement performance.

Validity and Reliability

Content validity was established using the Content Validity Index (CVI). Out of 24 questions, 21 were considered relevant to the study, yielding a CVI of 0.875, which exceeds the acceptable threshold of 0.70. Reliability was assessed using Cronbach's alpha, with the overall instrument achieving $\alpha = 0.86$, indicating excellent internal consistency (Table 1).

Cronbach's alpha $\alpha = (N \times \bar{c}) / (\bar{v} + (N-1) \bar{c})$ N = Population for the study $\bar{c}$ =Average covariance between items
 $\bar{v}$ =A average covariance

Table 1: Showing Cronbach's Alpha Coefficients

Construct variable	Cronbach's Alpha	No. of items
Contract creation	0.81	4
Cost minimization	0.95	4
Inventory management	0.78	4
Timeliness	0.89	4
Overall	0.86	

Sources: Field Data (2026).

Therefore, the instrument was reliable since the Cronbach's Alpha value was 0.86 which is above 0.75.

Data Analysis

Quantitative data were analyzed using the Statistical Package for the Social Scientists (SPSS). Descriptive statistics (means and standard deviations) were computed to describe respondent perceptions. Simple linear regression analysis was conducted to determine the effect of contract creation on procurement performance. The decision rule for rejecting the null hypothesis was $p < 0.05$. Qualitative data from interviews were analyzed using content analysis, with data organized based on patterns and themes.

RESULTS

Response rate

In this study, 104 questionnaires were distributed to assess procurement performance of Local Government in Bosaso, Puntland, Somalia. However, the actual number of returned questionnaires totalled 101. This response rate represents approximately 97.1% of the distributed questionnaires, indicating a very high level of participation among the intended respondents. Despite the slight shortfall in the number of returned questionnaires, the collected data were adequate and sufficient for analysis, providing valuable insights into procurement performance of Local Government in Bosaso Somalia. The high response rate enhances the reliability of the study findings and supports the achievement of the study objectives. Furthermore, Saunders (2007) suggests that a response rate of 50% is adequate when quantitative data is manually collected.

Table 2: Response rate

Questionnaires distributed	Questionnaires returned	Response rate
104	101	97.1%

Sources: Field Data (2026).

Descriptive Statistics for Contract Creation

Table 3 presents descriptive statistics for contract creation variables.

Contract creation	Mean	Std. Deviation	Interpretation
Pre- contract activities at Bosaso Local Government involve identifying the various needs that ought to be supplied.	3.25	1.519	Fairly Good
Before entering into a contract, the Procurement and Disposal Unit of Bosaso Local Government prepares the necessary bidding documents.	3.19	1.461	Fairly Good
Bosaso Local Government makes a decision on whether to have a single supplier or multiple suppliers before signing a contract.	3.22	1.439	Fairly Good
Planning before entering into a contract allows consistency between design and supplier's process capabilities at Bosaso Local Government.	2.87	1.514	Fairly Good
Average	3.13	0.629	Fairly Good

Sources: Field Data (2026).

The findings related to contract creation reveal several insights about the perception of participants at Bosaso Local Government. The mean score for the identification of various needs that ought to be supplied is 3.25, with a standard deviation of 1.519. This indicates a fairly good perception among participants regarding the identification of needs before entering into a contract. Similarly, the mean score for the preparation of necessary bidding documents by the Procurement and Disposal Unit is 3.19, with a standard deviation of 1.461, suggesting that participants perceive this aspect as fairly good. Additionally, the decision-making process regarding the number of suppliers before signing a contract receives a mean score of 3.22, with a standard deviation of 1.439, indicating a fairly good perception. However, when it comes to planning before entering into a contract to ensure consistency between design and supplier's process capabilities, the mean score decreases to 2.87, with a standard deviation of 1.514. This suggests that participants perceive this aspect as slightly lower but still fairly good in terms of its impact. The average mean score of 3.13 indicates a "fairly good" perception of contract creation practices at Bosaso Local Government. However, the relatively high standard deviations suggest considerable variation in respondent perceptions.

Interview

The process of identifying the various needs that need to be supplied before entering into a contract involves a comprehensive approach at Bosaso Local Government. The Procurement and Disposal Unit collaborates closely with the relevant departments or project teams to gather requirements and specifications. This is typically done through consultations, meetings, and site visits to gain a clear understanding of the project scope and objectives. The unit also conducts market research and engages with potential suppliers to explore available options and innovations. By considering the input of key stakeholders and utilizing market intelligence, the Procurement and Disposal Unit ensures a comprehensive identification of needs.

The preparation of necessary bid documents by the Procurement and Disposal Unit is a critical step in the procurement process. The specific documents included depend on the nature of the contract, but they generally consist of a bidding document, contract terms and conditions, technical specifications, evaluation criteria, and any required forms or templates. During the preparation process, factors such as project requirements, legal considerations, budget constraints, and industry standards are carefully considered. The Procurement and Disposal Unit ensures that the bid documents are clear, transparent, and aligned with the identified needs, facilitating fair competition and attracting qualified suppliers.

The decision to have a single supplier or multiple suppliers before signing a contract at Bosaso Local Government is based on several factors and criteria. These include the complexity and scope of the project, market conditions, cost-effectiveness, and the availability of qualified suppliers. The Procurement and Disposal Unit conducts a thorough analysis, weighing the advantages and considerations associated with each option. Having a single supplier may provide benefits such as streamlined coordination, consistent quality, and potential cost savings through economies of scale. On the other hand, multiple suppliers can promote competition, reduce dependency, and provide more flexibility in meeting diverse project requirements. The decision ultimately aims to ensure the best value for money and achieve project objectives effectively.

The planning process conducted before entering into a contract at Bosaso District plays a crucial role in ensuring consistency between the design and the supplier's process capabilities. During this process, the Procurement and Disposal Unit collaborates closely with the project team and relevant stakeholders to develop a comprehensive project plan. This plan includes detailed specifications, timelines, milestones, and performance indicators. By aligning the design requirements with the supplier's process capabilities, the planning process helps identify any potential gaps or challenges. It allows for necessary adjustments, discussions, and negotiations with the supplier to ensure that they possess the technical expertise, resources, and capacity to meet the project's needs. This proactive approach contributes to successful contract implementation by minimizing risks, optimizing resource allocation, and fostering a collaborative relationship between the Bosaso District and the supplier, ultimately leading to improved project outcomes.

Interview findings provided contextual depth to these quantitative results. Respondents indicated that the process of identifying needs involves comprehensive collaboration between the Procurement and Disposal Unit and relevant departments, utilizing consultations, meetings, site visits, and market research. Bid document preparation considers project requirements, legal considerations, budget constraints, and industry standards. Decision-making on single versus multiple suppliers depends on project complexity, market conditions, cost-effectiveness, and supplier availability. The planning process aligns design requirements with supplier capabilities through detailed specifications, timelines, milestones, and performance indicators.

The findings are supported by Alphonse & Nimpano (2025) who observed that effective needs assessment and clear specification of procurement requirements enhance procurement performance. Similarly, Ampumuza et al. (2020) and Terman and Feiock (2015) argued that comprehensive contract formulation and planning provide a strong foundation for successful procurement outcomes by reducing uncertainty and improving accountability. The findings are also consistent with Kajuma and Ssendagi (2024), who found that clear contractual terms, technical specifications, and payment arrangements contribute significantly to procurement efficiency and service delivery performance. Furthermore, Changalima et al. (2022) noted that strategic supplier selection and structured contract management practices improve procurement effectiveness and organizational performance.

Descriptive Statistics for Procurement Performance

Table 4: Showing the descriptive analysis of procurement performance

Cost minimization	Mean	Std. Deviation	Interpretation
Costs of contracts in Bosaso Local Government reflect market prices.	3.31	1.468	Fairly good
Market survey is conducted and a price list is frequently updated before entering into a contract at Bosaso Local Government.	3.23	1.496	Fairly good
Execution of contracts is done in line with the approved budgets at Bosaso Local Government.	3.29	1.417	Fairly good
The procurement process at Bosaso Local Government considers cost-saving alternatives or negotiation strategies to minimize expenses.	2.87	1.514	Fairly good
Average	3.1733	0.60904	Fairly good
Inventory management			
The delivery of goods and services at Bosaso Local Government is in line with the expectations and specifications stipulated in the contract	3.37	1.454	Fairly good
Inadequate use of contracts has increased complaints associated with goods and services that are not durable at Bosaso Local Government.	3.18	1.493	Fairly good
The awarding of contracts to the best evaluated bidder at Bosaso Local Government.	3.41	1.415	Fairly good
The local government has effective inventory tracking mechanisms in place to monitor stock levels and prevent stockouts or excess inventory.	2.74	1.501	Fairly good
Average	3.1733	0.58389	Fairly good
Timeliness			
The Delivery of supplies, works and services at Bosaso Local Government is made within the stipulated time of the contract.	3.2	1.497	Fairly good
Contract award at Bosaso Local Government is communicated to the successful bidder in a timely manner	3.19	1.501	Fairly good
The procurement process at Bosaso Local Government includes provisions for time-bound evaluations and decision-making to ensure efficient procurement performance.	3.23	1.448	Fairly good
The local government closely monitors the adherence to project timelines and promptly addresses any delays or issues.	3.05	1.532	Fairly good
Average	3.1658	0.62877	Fairly good
Overall mean of procurement performance	3.1708	0.5672	

Source: Field Data (2026).

The table presents the mean and standard deviation values for cost minimization, inventory management, and timeliness in the context of procurement performance at Bosaso Local Government.

Cost minimization

The findings related to cost minimization in procurement performance at Bosaso Local Government indicate a fairly good perception among the participants. The costs of contracts in the local government are perceived to reflect market prices, with a mean score of 3.31 and a standard deviation of 1.468. A market survey is conducted, and the price list is frequently updated before entering into a contract, which is also seen as fairly good, with a mean score of 3.23 and a standard deviation of 1.496. The execution of contracts in line with approved budgets receives a mean score of 3.29 and a standard deviation of 1.417, further indicating a fairly good perception. However, when it comes to considering cost-saving alternatives or negotiation strategies to minimize expenses, the perception is slightly lower, with a mean score of 2.87 and a standard deviation of 1.514.

Inventory management

Moving on to inventory management, the delivery of goods and services at Bosaso Local Government is in line with the expectations and specifications stipulated in the contract is seen as fairly good, with a mean score of 3.37 and a standard deviation of 1.454. However, complaints related to the durability issues of goods and services indicate a slightly lower perception, with a mean score of 3.18 and a standard deviation of 1.493. The awarding of contracts to the best evaluated bidder is perceived as fairly good, with a mean score of 3.41 and a standard deviation of 1.415. Yet, the local government's effectiveness in using inventory tracking mechanisms to prevent stockouts or excess inventory receives a slightly lower perception, with a mean score of 2.74 and a standard deviation of 1.501.

Timeliness

Shifting to timeliness, deliveries of supplies, work, and services within the stipulated time are perceived as fairly good, with a mean score of 3.20 and a standard deviation of 1.497. The communication of contract awards to successful bidders in a timely manner also receives a fairly good perception, with a mean score of 3.19 and a standard deviation of 1.501. The procurement process including time-bound evaluations and decision-making is seen as fairly good, with a mean score of 3.23 and a standard deviation of 1.448.

However, the monitoring of project timelines and prompt addressing of delays or issues shows a slightly lower perception, with a mean score of 3.05 and a standard deviation of 1.532. The overall mean score for procurement performance is 3.17 (Fairly Good), with all three dimensions cost minimization (3.17), inventory management (3.17), and timeliness (3.17) showing similar ratings. Notably, "effective inventory tracking mechanisms" (2.74) and "monitoring of project timelines" (3.05) received the lowest scores, indicating areas requiring improvement.

Correlation Analysis

Table 5 presents the Pearson correlation between contract creation and procurement performance.

Table 5: Pearson Correlation between Contract Creation and Procurement Performance

Study Variables		Contract creation	Procurement performance
Contract creation	Pearson Correlation	1	.923*
	Sig. (2-tailed)		< .001
	N	101	101
Procurement performance	Pearson Correlation	.923*	1
	Sig. (2-tailed)	< .001	
	N	101	101

**Correlation is significant at the .001 level (2-tailed). Source: Field Data (2026).

The correlation analysis reveals a strong positive relationship between contract creation and procurement performance ($r = 0.923$, $p < .001$). This statistically significant correlation indicates that effective contract creation is associated with improved procurement performance.

Consequently, the null hypothesis of no relationship between contract creation and procurement performance should be rejected, and the alternative hypothesis of a positive relationship should be accepted. This finding underscores the importance of meticulous contract creation processes in improving procurement outcomes, while also acknowledging the need to consider other influencing factors for a comprehensive understanding of procurement performance.

Regression Analysis

Table 6 presents the regression analysis results.

Table 6: Regression Analysis on Effect of Contract Creation on Procurement Performance Model Summary

Model		R	R Square	Adjusted R Square		Std. Error of the Estimate	
1		.923a	.853	.851		.21893	
a. Predictors: (Constant), Contract creation							
ANOVA							
Model		Sum of Squares		Df	Mean Square	F	Sig.
1	Regression	27.427		1	27.427	572.224	.000b
	Residual	4.745		99	.048		
	Total	32.172		100			
a. Dependent Variable: Procurement Performance							
b. Predictors: (Constant), Contract creation							
Coefficients							
Model		Unstandardized Coefficients		Standardized Coefficients		T	Sig.
		B	Std. Error	Beta			
1	(Constant)	.564	.111			5.076	.000
	Contract creation	.832	.035	.923		23.921	.000
a. Dependent Variable: Procurement Performance							

The regression results in table 6 indicate a strong and statistically significant positive relationship between contract creation and procurement performance in Bosaso local government. The model produced an $R=0.923$, indicating a very strong positive relationship between the two variables. The $R^2=.853$ shows that contract creation explains approximately 85.3% of the observed variance in procurement performance within the regression model, while the adjusted $R^2=.851$ indicates that approximately 85.1% of the variance in procurement performance is explained by the model. The standard error of the estimate is .21893, indicating the average deviation of the observed values from predicted values.

The ANOVA results show that the regression model is statistically significant, $F(1, 99)=572.224$ $p<.001$. This indicates that contract creation is a statistically significant predictor of procurement performance in the study sample.

The coefficients further show that contract creation has a positive and statistically significant coefficient ($B=.832$, $SE=.035$, $\beta=.923$, $t=23.921$, $p<.001$). The unstandardized coefficient indicates that a one-unit increase in the contract creation score is associated with an estimated .832 unit increase in procurement performance. The standardized coefficient ($\beta=.923$) demonstrates a very strong positive standardized relationship between contract creation and procurement performance. Because the model contains only one predictor, the coefficient does not represent an estimate after controlling for other explanatory variables.

The estimated regression equation is:

$$\text{Procurement performance} = 0.564 + 0.832(\text{contract creation}) + \varepsilon$$

Based on these results, the null hypothesis that contract creation has no significant effect on procurement performance is rejected, and the alternative hypothesis is accepted. The findings therefore provide strong statistical evidence of a positive relationship between contract creation and procurement performance in Bosaso local government. However, the results should be interpreted as evidence of a strong statistical and predictive relationship rather than definitive proof of causality, given the descriptive survey design and the reliance primarily on respondents reported perceptions.

This result is supported by Alphonse & Nimpano (2025), who found that rigorous needs assessment, accurate cost estimation, and structured contract formulation significantly improve procurement performance by ensuring that procurement requirements are clearly defined and aligned with organizational objectives. Similarly, Ampumuza et al. (2020) and Terman and Feiock (2015) argued that effective contract creation establishes a strong foundation for successful contract implementation and service delivery outcomes. Their studies emphasize that well-designed contracts reduce uncertainty, clarify expectations between contracting parties, and enhance accountability, thereby improving overall procurement effectiveness. Furthermore, the positive relationship between contract creation and procurement performance corroborates the views of Kajuma and Ssendagi (2024), who established that clearly defined pricing mechanisms, payment terms, and contractual obligations contribute significantly to efficient procurement outcomes and improved service delivery. Likewise, Changalima et al. (2022) observed that strong contract development practices enhance supplier relationships and facilitate better contract administration, which ultimately translates into superior organizational performance.

DISCUSSION OF FINDINGS

The findings revealed that contract creation has a strong and statistically significant positive effect on procurement performance of local government, Puntland, Somalia, particularly relevant given the nature of the local government studied. This indicates that contract creation, as a component of contract management, is crucial for effective procurement performance in the Bosaso Local Government. The findings are consistent with Muinde and Odari (2025), who argued that contract formulation constitutes a fundamental mechanism for improving procurement performance and public service delivery. According to these authors, rigorous execution of contract creation activities, particularly the development of requirement schedules and contract agreement forms, contributes significantly to project success and organizational performance. Similarly, Alphonse & Nimpano (2025), found that precise needs identification and structured supplier sourcing positively influence procurement outcomes by ensuring that procurement requirements are clearly defined and aligned with organizational objectives. The interview findings of this study support this argument, as respondents indicated that procurement needs are identified through consultations, meetings, site visits, and market research before contracts are formulated.

The results further support the views of Ampumuza et al. (2020) and Terman and Feiock (2015), who emphasized that robust contract design during the pre-award phase establishes a strong foundation for successful implementation and service delivery. Their argument suggests that contract creation should not be viewed merely as an administrative requirement but rather as a strategic activity that determines the effectiveness of subsequent contract management processes. Likewise, Salasia et al. (2025) observed that meticulous needs assessment and cost estimation enhance procurement performance by ensuring that procurement decisions are both strategically and financially viable. In the present study, respondents reported that bid documents are prepared carefully by considering project requirements, technical specifications, legal considerations, budget constraints, and evaluation criteria, which may explain the positive influence of contract creation on procurement performance. Similarly, Changalima et al. (2022) emphasized that comprehensive contract management practices support supplier development and improve procurement outcomes through enhanced coordination and reduced operational difficulties. From a theoretical perspective, the findings support stakeholder theory because contract creation requires collaboration among procurement officers, user department, suppliers and technical experts to ensure that procurement requirements reflect stakeholder needs. Findings also reinforce new public management theory, which views contracts as managerial instruments for improving efficiency, accountability, transparency and value for money in public institutions.

However, while the findings demonstrate a significant positive effect of contract creation on procurement performance, some studies highlight challenges that may limit its effectiveness. Kajuma and Ssendagi (2024) argued that complexities related to payment terms and service delivery oversight frequently hinder the achievement of procurement objectives, even where contract formulation processes are adequately conducted. The findings are also viewed in light of the arguments presented by Changalima et al. (2022) and Potoski et al. (2025), who noted that Local Governments often face challenges in drafting comprehensive contracts because of the complexity and diversity of public service requirements. Likewise, Boykin et al. (2024) argued that the absence of appropriate procurement assessment tools limits effective contract formulation and benchmarking.

CONCLUSION

The study concluded that contract creation has a very strong and statistically significant positive effect on procurement performance of local government in Bosaso, Puntland, Somalia. This implies that well-structured and clearly defined contract creation processes are essential for improving procurement performance. In particular, the quality of contract documentation, clarity of terms and conditions, and proper definition of roles and responsibilities play a critical role in ensuring smooth contract execution and reducing procurement-related challenges such as delays, disputes, and inefficiencies. Furthermore, the findings confirm that effective contract creation is a key determinant of successful procurement performance in local government settings. Therefore, strengthening contract creation systems is necessary to improve accountability, enhance compliance with procurement procedures, and ensure value for money in public procurement.

RECOMMENDATION

Strengthen standardised contract creation and pre contract planning procedures

Bosaso Local Government should establish standardised procedures for contract creation covering needs identification, specification development, and preparation of bidding documents, contractual terms and conditions, allocation of responsibilities and risks, performance requirements, payment condition, and appropriate legal and technical review. Particular attention should be given to early planning and development of clear, realistic, and measurable specifications that align contractual requirements with operational needs and supplier capabilities. This would promote consistency, reduce ambiguity, strengthen contractual obligations and provide a clear basis for effective contract creation and procurement performance

Strengthen procurement capacity, market analysis and supplier assessment.

Local Government should provide continuous professional development for procurement personnel in contract drafting, specification development, market price analysis, negotiation, procurement regulations, risk management, and ethical standards. Systematic market assessment and supplier evaluations should also be undertaken to assess technical, financial and delivery capacity before contract award, thereby strengthening value for money considerations and procurement decision making.

Build the technical capacity of procurement and contract management personnel

The Local Government should provide continuous training for procurement and contract management staff in contract drafting, procurement regulations, legal compliance, risk management and contract documentation. Strengthening staff competencies would support the preparation of complete, legally sound, practical, and enforceable contracts.

Integrate contract performance monitoring, documentation and institutional accountability.

Contract performance monitoring, documentation, compliance and institutional accountability should be integrated throughout the contract life cycle. Contractual arrangements should include clear performance indicators, implementation milestones, defined responsibilities and appropriate monitoring mechanism. Effective coordination among procurement, finance, legal and user departments should be maintained throughout contract implementation, supported by complete and systematic documentation of tender documents, evaluations, approvals, signed agreements and performance records. Periodic performance and compliance reviews should be institutionalised to ensure that contracts adhere to applicable Puntland procurement requirements, strengthen accountability and audit oversight and provide reliable information for institutional learning and subsequent procurement processes.

Contribution of the Study

This study makes several contributions to the literature and practice of public procurement.

First, it provides context-specific empirical evidence on the relationship between contract creation and procurement performance in a local government setting in Bosaso, Puntland, Somalia. Although previous studies have examined contract management and procurement performance in countries such as Rwanda, Kenya, and Ghana, limited empirical attention has been given to the contract-creation stage within Somali local government (Ampumuza et al., 2020; Adamu et al., 2021; Jolly, 2022; Songa & Akumuntu, 2024). The study therefore extends existing procurement research to a post-conflict and institutionally developing context. By focusing on Bosaso Local Government, it also demonstrates how local institutional conditions may shape the effectiveness of procurement processes.

Second, the study makes a conceptual contribution by treating contract creation as a distinct and strategically important stage of the procurement cycle. Rather than considering procurement performance solely in relation to contract management after award, the study emphasizes the importance of pre-contract activities, including needs identification, preparation of bidding documents, supplier-selection decisions, specification of contractual requirements, and assessment of supplier capabilities. These activities can establish the foundation for cost control, timely delivery, accountability, inventory efficiency, and value for money throughout the procurement process (Terman & Feiock, 2016; Muinde & Odari, 2025). Accordingly, the study highlights that procurement outcomes may be influenced substantially by decisions made before contract execution begins.

Third, the study contributes theoretically by demonstrating the relevance of Stakeholder Theory and New Public Management Theory to public procurement in a local-government context. From a Stakeholder Theory perspective, effective contract creation depends on consultation, communication, and coordination among procurement officers, user departments, suppliers, technical personnel, and other relevant public stakeholders (Freeman, 1984). From a New Public Management perspective, contracts serve as managerial instruments through which public institutions define expected outputs, allocate responsibilities, establish performance standards, control costs, and monitor results (Frederickson, 1996; World Bank, 2020). Taken together, these perspectives provide a useful framework for explaining how the quality of contract creation may contribute to improved procurement performance.

Fourth, the study offers practical and policy contributions for Bosaso Local Government and other comparable public institutions. Its findings indicate that procurement outcomes may be strengthened through clear and comprehensive specifications, realistic implementation schedules, well-defined roles and responsibilities, transparent pricing and payment arrangements, appropriate supplier-selection procedures, and measurable performance requirements. The findings further support the importance of continuous staff training, periodic review and standardization of contract templates, improved market-price analysis, and regular monitoring of procurement performance. These measures can help public institutions reduce ambiguity, improve accountability, and strengthen the alignment between contractual obligations and institutional needs.

Finally, the study provides a foundation for future research on public procurement in Somalia. Subsequent studies could examine other determinants of procurement performance, including payment practices, procurement planning, supplier capacity, contract monitoring, institutional controls, electronic procurement systems, and political or security-related constraints. Longitudinal, comparative, and mixed-methods research involving multiple Somali municipalities could also determine whether the relationship identified in Bosaso is consistent across different local-government settings. Such research would contribute to a broader understanding of how institutional, administrative, and contextual factors influence public procurement performance in Somalia.

LIMITATION OF THE STUDY

This study has several limitations that should be considered when interpreting its findings. First, the study was conducted in Bosaso Local Government only; therefore, the findings may not be directly generalizable to other local governments in Puntland Somalia because procurement practices and institutional conditions may vary across locations.

Second, the study employed a descriptive survey research design and relied primarily on respondents' perceptions collected through structured questionnaires. Therefore, the findings reveal a statistical relationship between

contract creation and procurement performance but should not be interpreted as definitive evidence of causality. Third, the use of self-reported questionnaire responses may be subject to response bias, including differences in respondents' perceptions and willingness to provide accurate information. Although semi-structured interviews were conducted to obtain contextual information, the study did not extensively incorporate objective procurement records or administrative performance data. Fourth, the quantitative analysis used simple linear regression with contract creation as the single explanatory variable. Consequently, other factors that may influence procurement performance were not examined in the regression model. Finally, the study focused on a specific institutional setting and a defined group of respondents, which may limit the transferability of the findings to other contexts.

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