

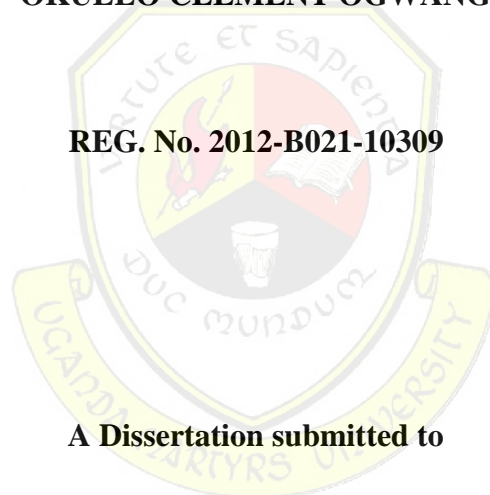
**UGANDA MARTYRS UNIVERSITY**

**ROLE OF PROCUREMENT PRACTICES ON THE PERFORMANCE OF SERVICE  
DELIVERY IN LOCAL GOVERNMENTS IN UGANDA**

**CASE STUDY: KOTIDO DISTRICT LOCAL GOVERNMENT**

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## **DEDICATION**

This research work is dedicated to my beloved parents, Mr. Akol Mateo and Mrs. Owiny Lucia for their tremendous support and love they showed to me during my education; to my brothers Angura David Akol, Okong Daniel and Okuda Justine and not forgetting my dear beloved sisters Atyang Anna, AdongRosalbaowiny and Acheng Beatrice Owiny and all my friends who ensured that I kept moving towards my success.

May almighty Lord grant you peace and love you showed to me.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>PPDA</b>	Public Procurement and Disposal of Assets Act
<b>LGTB</b>	Local government Tender Board
<b>CGTC</b>	Central government Tender Board
<b>LGA</b>	Local government Act
<b>CAO</b>	Chief administrative Officer
<b>PDU</b>	Procurement and Disposal Unit
<b>WTO</b>	World Trade Organisation
<b>UNCDF</b>	United Nations Capital Development Bank
<b>UNRA</b>	Uganda National Road Authority
<b>IGG</b>	Inspector General of Government
<b>PDE</b>	Procurement Disposal Entity
<b>GNP</b>	Gross National Product
<b>LCs</b>	Local Councils
<b>UNDP</b>	United Nations Development Programme
<b>MoLG</b>	Ministry of Local Government

## **ABSTRACT**

The purpose of this study was to assess the role of procurement practices on the performance of service delivery in Uganda with a case study of Kotido district local government. The study objectives were to assess the effect of procurement practices on performance of service delivery, assess effect of contract management on the performance of service of service delivery and to assess the relationship of between budgeting and performance of service delivery that aimed to assess service performance in terms of transparency, efficiency and effectiveness.

A sample population of 63 respondents (Krejcie and Morgan, 1970) was used during data collection where questionnaires was the only research tool used for data collection. The data was analyzed using SPSS with Pearson correlation coefficient to establish the relationship between budgeting and service delivery. The data was presented in tabular and descriptive form giving frequency, mean, and standard deviation as means of measure. A total of 52 respondents turned up giving a response rate of 82.5% of which the majority were males with a response rate of 73.1% and 26.9% being females.

The findings revealed that there is poor procurement practices in Kotido district local government with increased cases of corruption, frauds, bribes and poor contract management leading to poor quality service delivery. Due to lack of community engagement during budgeting there is increased resource misallocation leading to failure to meet community needs and wants by service providers.

## **CHAPTER ONE**

### **1.0 Introduction**

This section comprised of the background to the study, statement of problem, purpose of the study, objectives of the study, research questions, significance of the study, justification of the study, scope of the study and conceptual framework.

### **1.1 Background to the study**

Kotido District is one of the 7 districts of Karamoja region located in North Eastern Uganda and was carved out of Karamoja District Administration in 1971. The district is bordered by Kaabong district in the north and north east, Abim district in the north and Moroto district in the south and south East. The district lies between latitude 2.41°N'3'15 and, 33'49 and 34'35'E. Kotido's present Kotido district comprises of 5 rural sub counties, 23 parishes (LC11s) and 165 villages. The district has one urban council namely, Kotido town council (Audit report for F/Y 2012/2013).

Issues to do with procurement practices have become a major concern internationally. Good procurement practices itself have become core in the Global concern. The emergency of structural adjustment programmes driven mainly by World Bank and World Trade Organizations (WTO) and related conditions, shows that government expenditures on public services in real terms especially in developing countries have been at a decreasing rate. This reduction in the general expenditures has been due to the review of policies and legal frameworks in public spending with an aim of improving government efficiency and accountability (World Bank, 2011)

Most countries have laws or regulations governing public procurement. These laws or regulations differ from country to country but most share many features in common, based on what may be termed as “standard model” of good procurement practice. International agencies such as the World Bank provide assistance to governments to improve public procurement regulations, with the objective of strengthening procurement practice nationally and harmonizing procedures between countries. Local officials and local development program staff commonly regard procurement as a problem area. The rules governing procurement are seen as complex and obscure where staff, officials, contractors and suppliers are familiar with the steps of the procurement process, they may not understand the purpose of some important steps. Procurement is supposed to ensure best value for money, but officials often complain that procurement rules cause delays, increase costs and lower quality of output than could be achieved “if we were allowed to just get on with it” (Callender & Mathews, 2000).

The features of the Ugandan public procurement system prior to the inception of the reform programme in the late 1990s were typical of many developing African countries that were at one time British colonies or protectorates. Procurement was centralized, with contracts above a threshold value of US\$1,000 being awarded by a Central Tender Board in the Ministry of Finance, on the basis of regulations that had been approved in 1977. There were separate tender boards for the Police and Military. Procurement of many items on behalf of ministries was undertaken by the Government Central Purchasing Corporation. The Corporation had been set up by statute in 1990, replacing a central purchasing organization within the civil service. While these arrangements offered the advantages of consolidated purchasing and central control, the Central Tender Board was unable to keep pace with the expansion of government activities and

their attendant procurement requirements. International and foreign aid organizations, which account for nearly half of all development expenditure in Uganda, considered public procurement to be a key obstacle to effective service delivery and development. The process spans the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset. It involves options appraisal and the critical ‘make or buy’ decision, which may result in the provision of services in-house in appropriate circumstances (UNCDF, 2013).

Government spends over UGX 1.5 trillion a year on goods, land, works and services to ensure roads are maintained and developed. Over 90% of the expenditure on roads goes towards payment for goods, works and services provided by private sector providers procured following the Public Procurement Law and Procedures. The successful delivery of Government’s programmes and therefore effective absorption of funds hinges on minimizing project uncertainties which directly improves delivery times, to the desired quality and stays within budget; and procurement is central to the management of these risks. The effective delivery of these projects requires procurement to be a key component in the journey to effective delivery to ensure that the right service provider is engaged; with the right contract and contract management systems, enables Government to achieve the right result (UNRA, 2008).

According to the PPDA report, Kotido District Local Government is one of the poor performing local governments in the provision of services to the community according to the audit report for financial year 2012/2013. The district procurement practices have been unsatisfactory with 100% high risk according to the sampled contracts and this was due to Procurement outside the

procurement plan, use of inappropriate methods, conducting financial evaluation without technical evaluation, no evaluation reports. In a number of procurements, there were no Contracts Committee minutes, award without competition, missing files, poor record keeping, lack of training to the Entity by PPDA, understaffed PDU, interference by political heads and other heads of departments; lack of working tools like computers and photocopiers, lack of electricity in the procurement office leading to poor service delivery. It is therefore against this background that the researcher investigated the role of procurement practices on the performance of service delivery in Kotido district local government.

## **1.2 Statement of Problem**

With the increased investment in public infrastructure, goods and services all over the world by governments, the private sector and individuals with the aim to achieve value for money, good procurement practices is sought to be the driving vehicle behind effective service delivery in the public sectors.

However, because of unprofessional procurement practices in the districts the services are still undesirable with increased cases of corruption, frauds, bribes and poor contract management. Good procurement practices are not only about achieving value for money but also to be efficient, effective, transparent and accountable in achieving major local government objectives. Unfortunately, procurement is prone to errors and to deliberate abuse of the process for personal gain by officials or by contractors and suppliers (UNCDF, 2013). It is because of all these scandals in local governments' procurement practices that the researcher picked the interest to assess the role of procurement practices on the performance of service delivery in local governments in Uganda.

### **1.3 Purpose of the Study**

The study investigated the role of procurement practices on the performance of service delivery in local governments in Uganda. The study particularly looked at procurement practices in terms of overall procurement practices, contract management and budgeting on the performance of service delivery in local governments in Uganda particularly in Kotido district local government.

### **1.4 Objectives of the study**

The study was guided by the following objectives:

- ❖ To assess the effect of procurement practices on the performance of service delivery in Kotido district local government.
- ❖ To assess the effect of contract management on the performance of service delivery in Kotido district local government.
- ❖ To establish the relationship between budgeting and the performance of service delivery in Kotido district local government.

### **1.5 Research Questions**

- ❖ What is the effect of procurement practices on the performance of service delivery in Kotido district local government?
- ❖ What is the effect of contract management on the performance of service delivery in Kotido district local government?
- ❖ What is the relationship between budgeting and the performance of service delivery in Kotido district local government?

## **1.6 Significance of the study**

A large portion of the local government budget 70% passes through the procurement systems, therefore failure to procure goods and services cost effectively and efficiently can put the achievement of key local government objectives at risk.

- ❖ This study will enhance and promote procurement practices awareness in local governments in Uganda and suggest appropriate changes to policy makers.
- ❖ The report from this study will help local governments to take corrective measures on how to improve on the performance of their service delivery cost effectively and efficiently.
- ❖ This finding will also be used by other stakeholders like donor countries, relevant Non-Governmental Organizations (NGOs), academicians and managers in the public and private sectors in management decisions on procurement practices.

## **1.7 Justification of the study**

Despite the efforts and momentum exhibited in the procurement practices, the current procurement practices in the public enterprises are at a high risks due to fraudulent acts, corruption tendencies, misappropriation of funds and technicalities in the overall procurement processes that affect service delivery to the communities. Poor contract management, poor planning, and budgeting are all the roadblocks to effective and efficient delivery of works, goods and or services to the community. Public Procurement in the local governments are not being properly planned, budgeted, monitored and the processes/criteria followed in contract management have not been of standard as parties who are involved in the management are either slightly related or not related at all during signing of the agreement, execution or after the completion of work by the contractors. The efforts have not perfectly geared towards efficiency, effectiveness and transparency in service delivery in the local governments as the key indicators



of good procurement practices. The study was carried on these variables and their respective dimensions to address how services can be delivered to meet the expectations of the community especially in Kotido district local government.

## **1.8 Scope of the study**

The study scope comprised of geographical scope, conceptual scope and time scope.

### **1.8.1 Geographical scope**

The study was carried in Kotido district local government, Northeastern Uganda. The district lies between latitude 2.41°N'3'15 and, 33°49 and 34°35'E. The data was collected from the district procurement units, user departments, and different concerned stakeholders of the district who are involved directly or indirectly in the procurement practices.

### **1.8.2 Conceptual scope**

The study focused on the role of procurement practices on the performance of service delivery in Uganda with consideration to contract management and budgeting and how these influenced service delivery measured in terms of transparency, efficiency and effectiveness, in Kotido District local government.

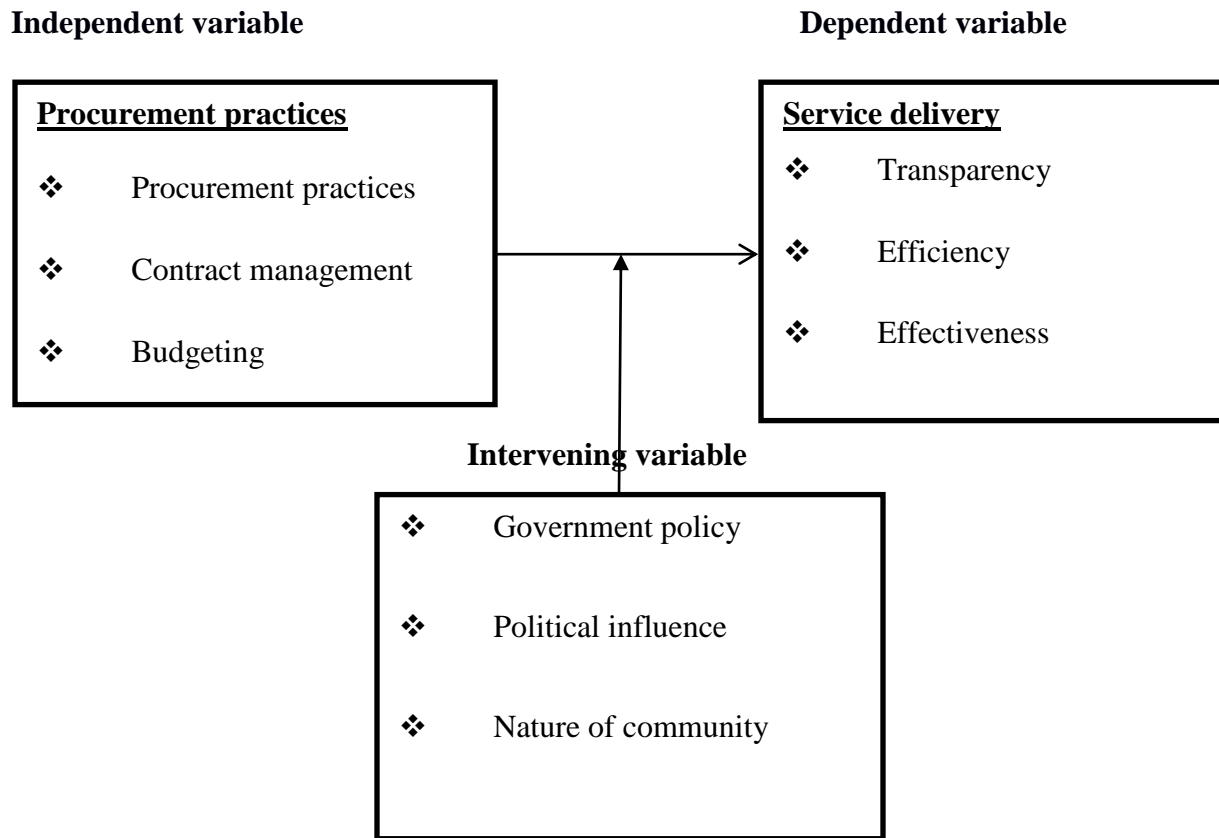
### **1.8.3 Time scope**

The study covered a period of five months and this allowed the data to be fully collected, summarized, analyzed, and reported.

## 1.9 Conceptual framework

The conceptual framework was developed by the researcher from the reviewed literature on the study objectives showing the effect of independent variable on dependent variable while controlling the effect of moderating variables.

**Fig.1 shows the conceptual framework of the study.**



The conceptual framework above indicates the effects of procurement practices, contract management, and budgeting that affect the performance of service delivery. Performance was measured in terms of transparency, efficiency and effectiveness of service delivery in the local government. During the study, the researcher was in position to control the moderating variables so as to obtain more accurate and reliable information on the relationship between independent and dependent variables.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents literature reviewed from different scholars on the related topics and the views presented on procurement practices on the performance of service delivery in local governments. The chapter also presents the agreements and disagreement between different scholars on the role of procurement practices on the performance of service delivery in the local governments based on the research objectives and finally gives the conclusion of the chapter.

According to PPDA Act (2003), "procurement" means acquisition by purchase, rental, lease, hire purchase, license, tenancy, franchise, or any other contractual means, of any type of works, services or supplies or any combination.

Procurement practice refers to the methods, techniques, procedures and tools used by procurement professionals and practitioner to provide effectiveness, efficiency, accountability and transparency in the provision of goods, works and or services to the community by both government and private sectors. Procurement process is considered effective when the roles of procurement have been fully achieved in an efficient, effective and economic manner. The goods, services, and or works procured must be of the right quality, right specification and of the right price, delivered at the right time. Good procurement practices aim at ensuring that the process is fair, free and transparent to all the stakeholders as per the code of business ethics (Twikirize, 2002)

## **2.1 Effects of Procurement Practices on the performance of service delivery**

Following the advice of the International Monetary Fund (IMF) and World Bank, coupled with global demands for deregulation, Uganda adopted decentralization and liberalization policies. These policies led to the revision of many established legislation, including Public Procurement and Disposal of Assets (PPDA). The legislation led to the creation of the amended Local Government Act 2006 which was enacted with an aim of eliminating the weaknesses in procurement practices that was characterized by the central tender board at local government level. However, despite the enacting of new laws, cases of poor service delivery have increased with frequent reports of corruption in the local government contract committees, provision of sub-standard services, and denying some consumers relevant services (Joseph, 2006).

The Inspector General of Government (2006) in National Integrity survey (NIS) found that Local Government Tender Boards (LGTB) was the second most corrupt institutions in Uganda (Joseph, 2006). The empowerment of local government has meant that they can employ private sector to do some of the activities that are more suitable for the sector. In other words, there is no need for local government to recruit staff that is expensive to maintain while the job can be done by the private sector at a lower cost. As supported by Hunja (2003), the problem of corrupt practices is common in all countries although the level of corruption also vary across countries. Good practices may be a basis for reducing poverty and attaining social and political goals, getting the most out of the limited state funds and can lead to the growth of the small scale enterprises and thus the local economy.

Every day, billions of dollars are being invested in public infrastructure, goods and services all over the world by governments, the private sector and individuals, and all have the same objective i.e value for money. However, good procurement practices are not only about money, but also about efficiency, effectiveness, transparency and accountability which are all good governance indicators. Unfortunately, procurement is prone to errors and to deliberate abuse of the process for personal gain by officials or by contractors and suppliers. In this context, it is clear that good governance in procurement can bring immediate benefits in terms of money savings and/or improved quality of the goods, works or services procured (UNCDF, 2013).

A failure in procurement is very likely to put service delivery or resource absorption at risk. Procurement is therefore a crucial importance to the Government's delivery agenda. Public procurement is the process whereby the public sector organizations acquire goods, services and works from second parties. It also includes a growing trend where the private and third parties provide key services directly to Government. Procurement therefore embodies the journey from planning, initiation, tendering, contract placement and the implementation (UNRA, 2008).

McCrudden (2004) further adds that good practices attract donors, investors, and they may condition access to foreign markets. Poor practices that corrupt the process lead to extra expenditures for public budgets, reduce competition, and quality of services, discourage investment and innovation thus disabling an economy. According to him, tenders should be awarded to the most advantageous, low cost according to the evaluation criteria stipulated in the notices. The GPA allows third world countries to negotiate exclusion clauses in preferences of

local firms. Local procurement reduces monitoring costs, boosts local economy, and creates employment.

Hoekman agrees that the favoring of local firms may breed corruption as cited by (Tadeo. M et al, 2008). Most developing countries, for various reasons, have chosen not to subject their procurement policies to international scrutiny. Outsourcing for Local governments in road maintenance may achieve a number of goals, including reducing costs, increasing efficiency, improving quality, speeding up project delivery; spurring innovation; enhancing risk management; and overcoming a lack of expertise. Some of these objectives may be contradictory. For example, it may not be possible to realize significant cost savings and, at the same time, dramatically improve quality. However, many of these objectives are complementary. For example, gaining access to expertise, improving efficiency, and spurring innovation are all somewhat related. One benefit of outsourcing is that there isn't a one-size-fits-all answer.

According to the procurement audits by PPDA (2005), many central government ministries and agencies are not following prescribed practices, out of 322 contracts audited as at end 2005, only 7 (2%) were assessed as being clean, i.e. carried out in accordance with the law and with internal structures observed. Among the key weaknesses identified were inadequate procurement planning, leading to an excessive use of direct procurements and failure to align procurement with the budgetary process; poor record-keeping, leading to many procurement documents being untraceable (or procurements having taken place without documentation); and abuse of process, for example, contracts having been awarded to a company other than the best evaluated bidder, retrospective approvals for contracts, inconsistencies in tender evaluation and interference in the contract award process by unauthorized parties (Agaba and Shipman). In fact, public/private

partnerships afford policy makers an opportunity to make tradeoffs between different goals and customize the outsourcing package that meets their specific needs and goals. Improve overall system efficiency through competition and specialization (Segal et al 2003).

Three elements can be used to characterize public service delivery and may lead to greater inequality among citizens: the quality of the service, its cost (official and unofficial) and its availability. Empirical research has shown that bad governance and corruption reduce the quality of publicly provided services and investment in the public sector (Gupta, Davoodi, Alonso-Terme, 1998; Davis, 2004). Overall, service delivery is weakened by bad governance, since the latter reduces the ability and incentives of policy makers and users to monitor providers (World Bank Development Report, 2004). According to the report, good public management and administration, with emphasis on accountability and responsiveness to customer needs; against the backdrop of serious accountability scandals, has been seen as an aspect of good governance by donor agencies supporting reforms in developing countries Economic Commission for Africa(2003) as cited by (World Bank, 2004).

Accountability in the conduct of public affairs has been a major problem in a number of African countries (Therkilsden, 2001); and highly centralized forms of governance have been blamed for the generation of administrative pathologies (Friedman, 1992); but these administrative pathologies can as well be within decentralized systems. That is why; mechanisms of ensuring accountability are necessary within decentralized governance systems. An important element of the promise of decentralization is the ability to tailor local public sector policy and service delivery to the needs of local populations, while at the same time providing incentives for an effective, efficient and locally accountable public sector (Mullins, 2003). With the trend towards

decentralization of government functions, it puts the decision-making on procurement in the hands of those responsible for delivery of services. It has been argued that in such a scenario, accountability is established, and at the same time, public visibility into how public funds are being spent is enhanced (African Development Bank, 2000).

In Uganda, Agaba & Shipman (2007); an estimated 34% of the government expenditure takes place at the local government level. The quality of the service provided is not the only dimension through which bad governance may affect users. Bad governance, by promoting misallocation of resources and poor accountability, may raise the cost of services (both official and unofficial) and limit the access of users to public services. Users with lower income or firms of different size may pay less or more in terms of bribes than others to obtain the same public service (Hunt and Laszlo, 2005; Svensson, 2003).

Procurement systems implemented with sound management practices in place ensure successful service delivery to stakeholders. The sound practices demand that those responsible for implementing procurement should ensure that the objectives are clear and that quality services are sustained. There should be sound client and contract deliverer competencies in communication, team building relationships and sound planning for control (Walker and Sidwell 1996). He also says that performance quality should not be measured on the basis of time and cost only but also service quality as well plus other relevant measures. One of the opinion leaders was of the view that competition at district level is also reducing with the creation of more districts. Some of the new districts have no even a single viable road constructor. They outsource contractors from other districts, especially from the central region (Tadeo. M et al 2008).



## **2.2 Effect of Contract Management on Performance of Service Delivery**

In a political environment that is often characterized by rising expectations of services and an unwillingness to pay, governments seek out and utilize a variety of means of efficiently providing goods and services that residents desire. At the local government level, productive efficiency can take many forms, from consolidation and annexation to inter local cooperation and outsourcing. The choices that local governments make over the myriad alternatives are not unconstrained by outside forces. Important among these external forces are the rules that state governments place on local governments (Salamon, 1981).

He further asserts that contracting for goods and services that have been historically provided by the public sector pose accountability challenges through what is sometimes called “third-party governance. Posner (2002), agreed with him by so saying that questions of accountability for what and to whom become far more difficult to answer as contractual relationships among public agencies, contractors, and subcontractors grow more complex and functionally ambiguous.

Government is becoming more reliant on its service providers as implementers, both for the delivery of services and for the creation of new or improved processes to support service delivery. This is because of the recognized fact that in many cases the private sector has achieved levels of efficiency that government cannot achieve. The key issue is choosing the right provider at the right price and time of delivery. Procurement is the vehicle through which these efficient service providers are safely engaged and contracts managed to conclusion (UNRA, 2008).

According to (Behn and Kant 1999; Heinrich 2007), one way to achieve accountability is through contract incentives that come in two forms, i.e positive incentives or rewards after the

satisfactory performance and negative incentives or sanctions for unsatisfactory performance. A growing number of contracts have incentives as a means of holding contractors accountable for their performance. Given the rise of contracting as an alternative to direct service provision, contract managers are required to have management competences to effectively manage contracts (Grasnler et al, 2002). These tasks include assessing appropriateness of a service for contracting, planning, structuring, and executing competitive bidding processes (Lavery, 1999; Shetterly, 2000), ensuring vendor performance evaluation and ensuring external relations to ensure market competitiveness. However, these tasks are unique to managing contracts and hence governments need special management capacities, such as mastery of contract law, when they out source. None the less, it is easy to overstate the differences in management requirements between delivering the same service via contract.

According to Gilbert(1999, for a variety of reasons service contracting has become a frequently chosen technique during the final decade of this century. Miranda and Anderson(1994) comment that some services appear to be more suitable than others for contracting, using for-profit and nonprofit contractors, based on international city management association (1994) survey report. Once a contracting authority has entered into a contract with an economic operator, the arrangement cannot just be left to run. It must be managed to enable both the contracting authority and the economic operator to meet their contractual obligations. Contracts are frequently complex, may involve multiple actors, may last a long time and may consume many resources. It is therefore vital that they are properly managed. If an economic operator realizes that the contracting authority is not monitoring progress, it may get careless and delivery will be less than acceptable, or it may create and demand variations not provided for in the contract.

In the local government contracting, two of the most common questions have been why do jurisdictions contract for services (the make-or-buy decision), Hefetz and Warner 2004; and, when they contract, what determines whether they choose to go with for profit, nonprofit, or other government vendors (sector choice), Lamothe, et al 2008; Levin and Tadelis 2010.

None the less, it is easy to overstate the differences in management requirements between delivering the same service via contract. Recently, however, as inter-organizational resource exchanges become a prevalent practice in both the private and public sectors, scholars' interests have shifted from simply choosing between hierarchy-or-market prototype governance modes toward exploring the nature of the relationships among exchange partners and different management strategies emerging from their interactions. Notably, two contrasting governance regimes regulating inter-organizational relations: formal and relational governance (Adler 2001; Hill 1990; Poppo and Zenger 2002; Uzzi 1997).

They continued further that some contracts are managed in a transparent manner. This is however not consistent, particularly with regard to single-sourced arrangements. Government's failure to enact the Freedom of Information Bill has weakened citizens' right to insist on appropriate access to information on contracts and tenders. The issue of the right to access to information is critical. If Government fails in establishing the right to access information, no matter how well we are able to craft effective implementation strategies, the citizens will always be left out. There is a clear lack of political will on the part of leaders who ideally have the responsibility for putting such laws in place. The lack of political will itself derives from a

number of factors, including the fear by government officials that greater public access to information which freedom of information laws will engender, will make them vulnerable to their political opponents; put their personal interests at risk; expose the failure of government programmes and policies, etc.” After decades of operating in this manner, there has emerged an ingrained culture of secrecy among civil servants and public officials and it has become extremely difficult for many of them to change. There is a need for massive public education to enlighten both those in power or authority and the public service as well as the larger society about these issues and the ideal power relations.

Formal governance, as the name implies, relies heavily on detailed, formalized contracts that explicitly lay out expectations and sanctions. Relational governance, on the other hand, is looser and depends more heavily on norms of cooperation to ensure task completion and to protect the property rights of participants. While there has been a tendency in the literature to dichotomize the relational versus formal governance question as an “either/or” proposition (Amirkhanyan 2009).

According to Van Slyke (2007) formal and relational management practices may coexist. For example, in her study of performance measurement, Amirkhanyan (2009) finds that “joint decision making (a form of collaboration associated with relational governance) may in fact validate and enhance the existing (i.e., formal) contract monitoring procedures.” Furthermore, Van Slyke (2007) and Amirkhanyan (2009) stated that how contracts are written and managed might vary in ways that indicate the coexistence of formal and relational mechanisms. Unfortunately, governments do not always effectively manage service delivery via contract. A

regrettable but oft-cited presumption is that governments choosing contracting reduce their direct management capacities in the same way that they reduce their direct service production capacity. That is, in addition to eliminating personal and equipment associated with producing service, contracting governments also eliminate the managers responsible for service quality and efficiency.

Despite the burgeoning literature acknowledging the importance of trust and its seemingly significant contributions to the effectiveness of interorganizational relations, exploring the possible origins of trust has rarely been attempted in public governance studies. An essential question is why do contracting governments trust their vendors and assume that they will fulfill their obligations to deliver public services? Answering this inquiry could provide important scholarly as well as practical implications to understanding contract management and oversight systems and studying public governance in general. Particularly, the need to examine the conditions under which trust is formed in government-vendor relations is imperative as we try to move away from the past literature's nearly exclusive focus on transaction-based formal contracting with the assumption of adversarial relationships and toward embracing the role of relational and collaborative governance in managing third-party service delivery systems (Amirkhanyan 2009).

In a study of social service contracting in New York, Van Slyke, 2003 finds that contracting counties and the state agencies lacked the capacity to monitor and manage and increasingly noncompetitive social service market and exposed themselves to heightened risks of fraud, abuse and poor performance. The viability of contracting depends to a great extent on the environmental circumstances of jurisdiction.

He further added that the age of the community for example, provides an indication of the degree to which informal practices have developed that may obscure understanding of component tasks in the production of outputs. Service delivery contracting including not just allocating to vendors responsibility for producing the service but also includes delegating to vendors important responsibilities, such as monitoring the quality of service outcomes. As such, altruistic behavior is not expected and aggrieved participants utilize third-party remedies, such as courts, to resolve problems. Formal contracts are, at their extremes, characterized as “sharp in/sharp out” and resemble spot markets in that there is no expectation of an ongoing association among the participants of such transactions, given the assumption of the ample presence of potential suppliers and buyers in the market (Macneil, 1978).

Relational contracts or, more broadly, relational governance since not all resource exchanges take contractual forms in these types of relationships are on the other hand, less rigid than their formal counterparts, with the key components being flexibility, cooperation, and information sharing (Poppo and Zenger 2002). Maintenance of the relationship, as opposed to simple dispute resolution, is a primary concern; hence legal, third-party remedies are not preferred (Carson, Madhok, and Wu 2006). Rather, there is an expectation of ongoing communication and coordination over the lives of such contracts. When problems occur, as they are expected to (Macneil 1978), they are dealt with in ways that focus on salvaging and continuing the relationships and the partners are expected to be adaptable (Beinecke and DeFillippi 1999).

Scar(2000), one of the major reasons for the focus on cooperation and maintenance of the relationship is that the parties to such contracts often see themselves as essentially dependent upon one another. Taken to the extreme, relational contracts resemble “clans” in which individual and group goals are in close alignment (Ouchi 1980). From this perspective, formal and relational governance are thought of as substitutes in that informal agreements between exchange partners based on trust and reputation can supplant the detailed legal maneuvers involved in formal contract negotiation (Adler 2001; Gulati 1995; Larson 1992). Some researchers draw a more explicit contrast and assume a hostile relationship between formal and relational varieties of governance by arguing that strict adherence to formal control may hinder trust-building processes and thus work against relational governance (Ghoshal and Moran 1996) and increase opportunism (Bernheim and Whinston 1998). In their well-cited study, Poppo and Zenger (2002) challenge the mutual exclusion thesis and argue complementary roles of formal and relational governances.

According to their contention, formal contracts do not discourage relational governance. Rather, clear and specific contracts, in conjunction with commitments to ongoing associations promote cooperation among exchange partners by reducing risk. Formal structure is argued to be especially useful in the early stages of exchange where mutual trust based on repeated and continuous performance has yet to be built. Goo et al. (2009) confirm Poppo and Zenger’s position (i.e., complements rather than substitutes) as they find that well-developed service-level agreements in formal contracts are positively associated with relational governance attributes such as harmonious conflict resolution and an emphasis on mutually beneficial relationships.

Similarly, Lamothe and Lamothe(2012) pointed out that Management style is expected to be more flexible and collaborative (i.e., more relational) than what contract features indicate as public managers may see needs to adapt to changing environments after contract terms are formally codified. Generally, many of these adjustments will fall within the broad boundaries set by formal contract structures and are influenced by the same factors shaping written contracts. That is, hard service contracts with clear language regarding contractors' obligations and sanction clauses enable, and to a degree compel, public managers to be more faithful to the legal structures they create.

On the other hand, the ambiguity characterizing soft service contracts may force managers to become more relational in nature to allow for the flexibility and adjustment, which, in many ways, will simply be a necessity. Similarly, when there are anticipations of continuing relationships or few vendors in the market, more relational management styles are predicted. These expectations are heavily driven by the idea of dependence. If the contracting government feels the provider would be very difficult to replace, regardless of whether it is because they perceive them as partners or they are simply "stuck" because of market conditions, maintenance of the relationship may be of paramount importance. Formal, arms-length styles of managing contracts under such circumstances would seem inappropriate. Divergence is expected when hypothesizing how ownership and jurisdictional characteristics affect public managers' management style, as compared to contract writing.

Furthermore, recent empirical findings suggest that public managers tend to treat other government contractors differently from private for-profit as well as nonprofit vendors in that



they display significant degrees of deference and institutional trust toward their fellow government vendors. This intimate sharing of identity may result in a completely “hands-off” approach rather than frequent contacts and coordination in managing contracts.

Regarding jurisdictional characteristics, locales with high capacity, as might be revealed by the presence of professional managers and metro status, should be more likely to communicate with vendors during implementation but less likely to exercise discretion when issuing sanctions. We expect the reverse for low capacity locales. The logic is straightforward-ward-high capacity indicates the existence of resources that can be deployed to efforts at information sharing and coordination, which may increase the probability of successful contracting, making such activity desirable.

On the other hand, when capacity is low, public managers lack the resources for “hands-on” management and thus should participate in less coordination. This diverges from dichotomous expectations on governance in that high capacity, in this instance, is expected to lead to relational rather than formal management styles, despite the potential presence of formally written contracts. However, we do not expect high capacity will increase the use of discretion in sanctioning since, as we argue above, professionalized governments should tend to write more explicit contracts that unambiguously lay out vendor expectations, performance measures, and sanction procedures. When transgressions occur, both sides are aware of the procedures and consequences, mitigating the need for costly negotiations and thus reducing rather than increasing the use of discretion in sanctioning.

Meanwhile, less professionalized government with low capacity are less likely to have written highly formalized contracts; thus, when problems are encountered, they will necessarily have to be more willing to negotiate settlements as sanctioning terms and mechanisms are not fully developed. Taken together, the above arguments lead us to posit that professionally managed locales should exercise sanction clauses as written, but engage in more contacts and coordination (because they can). Conversely, rural and suburban jurisdictions should engage in less communication but exercise more discretion when imposing sanctions (Lamothe. M and Lamothe.C, 2012).

### **2.3 Relationship between Budgeting and Service Delivery**

Budgeting may be defined quite simply as the process of computing budgets and subsequently adhering to them as closely as possible (Maitland, 2000). Ablo and Reinikka (1998) also defined budgeting as the process of preparing and using budgets to achieve management objectives. He refers to budgeting as a systematic and formalized approach for stating and communicating the firm's expectations and accomplishing the planning, coordination and control responsibilities of management in such a way as to minimize the use of given resources.

Mathews et al. (1990) also defined budgeting as the process of planning, adopting, executing, monitoring and auditing the fiscal program for the government for one or more future years. It is a process that turns managers' perspectives forward, thereby, looking to the future and planning, managers are able to anticipate and correct potential problems before they arise.

Throughout developing World, citizens are demanding for greater government accountability and responsiveness as well as better delivery of public services. Economic inequalities accentuated by globalization, lagging public sector reforms, entrenched corruption, and persistent concern about the overall legitimacy of government decision making at all levels have fuelled such demands, budgeting and service delivery short-coming (Anuwar, 2007).

He further asserts that a consensus among development specialists favors the creation of more effective and participatory policy-making mechanisms to exert greater design and operation, but implementing such mechanisms has proven difficult. Stronger citizen voice demand side pressure for reform should result in better incentives from public officials to budget and deliver services of the type and amount desired by the public.

He continued further that appropriate legal and institutional frameworks can create significant participatory spaces opportunities-often grounded in individual and collective rights for the public exert such agency and make meaningful choices about service delivery quality, access, accountability, efficiency and equity. A wide range of contextual factors however, complicates straight forward emphasis on these formal interactive organizational arrangement factors that include background policies and power relations, sociocultural norms and Civil Society Organization (CSO) capacity.

### **2.3.1 The Budget Process**

According to African Programs Parliamentary Centre (2010), the budget process is essentially about events and activities in the budget cycle involving the determination of resources and their uses for the attainment of government goals. The center argues that a sound budget serves as a tool for economic and financial management and accountability. It can also serve as a

mechanism for resource allocation among different needs and priorities as well as bringing about economic stability.

The process of budgeting generally involves an iterative cycle, which moves between targets of desirable performance and estimates of feasible performance until there is, hopefully, convergence to a plan which is feasible and acceptable (Stasavage and Moyo, 1999). Campos et al. (1996) asserts that in order to understand the budgeting process, it is important to ascertain the basis on which budget decisions are taken, what value considerations are taken into account and what are the results of the decisions taken.

According to Thornhill (1984), the most important features of a public budget are; The budget is enforceable after approval by the legislative authority and the money allocated has to be spent accordingly. The results of most of the objectives to be realized by the budget are not quantifiable therefore; the taxpayer does not always see or experience the results that were originally intended by the budget. The budget brings together a variety of considerations. Various objectives must be made possible through the budget to achieve the aims of government. Coordination and integration of government activities is therefore essential. The processes for determining the contents of a public budget therefore become unique.

According to Erasmus and Visser (1997); Lee and Johnson (1989), the budget cycle consists of four clearly distinguishable processes, namely the preparation phase, approval phase, execution phase, and the control phase. The cycle covers a number of steps generally involving

the Ministry of Finance as the co-coordinating ministry, other implementing ministries, cabinet and Parliament as the legislative body (Africa Programs Parliamentary Centre, 2010).

### **2.3.2 Budget Policy and Planning**

A policy and planning system should enable governments to understand better the realities of what is affordable over the medium term and to address sectoral priorities strategically. The system needs to provide: a medium-term framework for public expenditure by identifying the resources that are to be available and the sectoral priorities that will drive resource use; political ratification to the policies and programs that will be the basis of subsequent public expenditure proposals (MoFPED, 2008).

### **2.3.3 Budget Preparation**

The process of annual budget preparation provides an analysis of budget execution during the financial year. It illustrates performance of resources and expenditures and also provides highlights of sector physical achievements. In addition to the reporting formats used in previous budget performance reports, this report uses the Government Finance Statistics Methodology of 2001, (GFSM, 2001) to assess the sources and uses of funds channeled through the GoU budget. The section on expenditure performance also reports on actual expenditure as measured by Electronic Fund Transfers alongside budget releases, both of which are provided for by the Treasury, (Batarla, 2005).

In practice, most budgets are incremental, taking last year's allocation as base, adding a small percentage for inflation and, perhaps, a little real growth. Incremental budgeting usually reflects a mismatch between policies and resources and excessive focus on funding, at the expense of policy, in budget deliberations, (MoFPED, 2008).

The purpose to involve citizens' in the budget formulation processes is to maintain transparency. The assessment in the 10 districts reveals that citizens are generally powerless where budget formulation is concerned. The current state of decentralisation (the lack of it) has significantly limited citizens' involvement in consultations on budget formulation. A majority felt that the national budgetary process in Zambia is not consultative and inclusive enough. This they stated is especially the case when it comes to the constituencies who are not consulted in the budget process. One thing to note is that civil society is invited to place their views on the National Budget in preparation of the Medium Term Expenditure Framework. However, neither are they invited to participate in the process of budget preparation/allocation (CSPR Zambia, January to June, 2010).

#### **2.3.4 Budget Execution**

Constrictions in the "plumbing" of the budget are a major cause of poor program and project implementation, of failure to translate strategic priorities into results on the ground and of inefficient resource use. Even when there is provision in the estimates, Finance Ministries may still make tactical budget cuts by authorizing expenditure levels well below those provided for in the estimates, (Batarla, 2005). Cuts tend to fall heavily on non-staff operating and management costs, thereby compounding the effect on the operation of government services.

Another likely candidate is capital spending. Outlays on salaries, however, are rarely touched. Even where expenditure has been authorized, there can still be problems caused by delays in authorizations, by insufficient funds in Ministry or District bank accounts, or by the requirements of government tendering procedures, (Batarla, 2005). These problems are often compounded in the Development Budget by the multiplicity of donor disbursement procedures. Another issue relates to the use of funds. Expenditures may reflect budget categories but may be applied for purposes different from those originally intended. For example, vehicle operating costs intended for an agricultural extension staff service may be used by Ministry headquarters. This will often be the case where expenditure items are undercoated in the estimates. Funds may be misappropriated either directly or indirectly, (DDSP, 1998).

### **2.3.5 Evaluation**

Project evaluation is the assessment at one point in time that concentrates especially on whether the objectives of the project have been achieved and what impact has been made. It is about judging the merit or worth of interventions or outputs, generally focusing on the quality, quantity and/or performance of the outputs of pieces of work. It is an on- going activity, which is essential at every stage of the project/programme, (Secker, 2005).

A well-functioning evaluation system permits managers to determine how the use of resources is contributing to the achievement of objectives. A rule of thumb is that no major new program should be launched without either an extensive evaluation of similar earlier programs or a pilot program. Close monitoring followed by an interim evaluation could provide valuable information for decision making on expansion, modification or termination of a program, (Batarla, 2005).

Evaluation can be ex ante, during implementation and ex post. Well-focused and properly timed evaluation can provide the information needed to bring about mid-course corrections in programs and projects, allow for the analysis and resolution of systemic or policy issues, improve the design of future operations, and contribute to strategic policy and program decisions. Regular evaluation is most effective and should include staff involved in implementing the program, (Young, 2003). Regular independent evaluations should also be carried out. Evaluation skills within a Ministry of Finance are needed so that budget proposals can be rigorously scrutinized based on cost-effectiveness or cost-benefit analysis, (MoLG, 2002).

In order to ensure that service delivery is constantly improved, national departments and provincial administrations should outline their specific short, medium and long term goals for service provision (Powell, 1996). There should be need to provide annual and five yearly targets for the delivery of specific services. The objectives to be pursued therefore may include that of welfare, equity and efficiency, etc. It also means a complete change in the way that services are delivered. A shift away from inward-looking, bureaucratic systems, processes and attitudes, towards new ways of working which put the needs of the public first, is better, faster and more responsive to meet those needs (Powell, 1996).

The first and most important step to effective financial planning is developing and implementing a budget. The ability to budget effectively is a very important part of being a successful organization. A budget can be useful in setting standards of performance, motivating board and staff members, and providing a tool to measure results. Fulfilling the organization's mission is



the main goal, and budgeting makes it possible. The budgeting process begins with zero-based budgeting, which is recommended at least every two years. Starting at zero and determining the needs of each department and program can provide a far more accurate budget than allowing for a simple incremental increase each year.

Additionally, budgets should be conservative. Expenses should be overestimated by as much as 10%, and revenues should be underestimated to allow some flexibility, (Young, 2003). Good governance dictates that government operations and decisions should be made openly and with the active participation of those people influenced by them. The budget is the primary economic policy document of the government; for this reason transparency and participation in the budget are particularly important. Indeed, it can be argued that the public has a basic right to information about the budget and to have its views considered in budget decisions. The benefits of transparency include:

Legislatures, the media, civil society and the public will be better able to hold the executive to account if they have information on its policies, practices and expenditures. Elected office holders and public servants may be more likely to act in a responsible manner if their decisions are open to public scrutiny. Holding governments accountable can provide a check on corruption, (Stewart & Walsh, 1992). With a clear understanding of government's policies and actions, international and local agencies may be willing to invest more resources in a country including donor aid to facilitate service provision, (Wanna, O'Fairchealligh & Weller, 1992).

## **2.4 Conclusion**

The chapter reviewed the literature on procurement practices and service delivery. Procurement practices are considered to be good if it can lead to effectiveness, efficiency and transparency in service delivery thus achieving the value for money. The chapter considered procurement practices in terms of contract management and relationship between budgeting and service delivery.

However the chapter failed to show how procurement practices can effectively lead to quality service delivery in terms of contract management and budgeting in the local governments and this prompted the researcher to go out to the field

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter includes research design, study area, study population, sample size, sampling techniques and procedures for data collection, data collection instruments, validity and reliability of data, data analysis, ethical considerations, limitations of the study and conclusion.

#### **3.1 Research Design**

A case study research design was used with both quantitative and qualitative methods to address its research objectives. The data was collected from Kotido district local government Procurement Disposal Entity (PDE), user departments and key officials of the district.

#### **3.2 Study Area**

The study was carried in Kotido District local government headquarters one of the Districts in Uganda located in North Eastern Uganda and lies between latitude 2.41°N'3'15 and, 33'49 and 34'35'E. The study concentrated on the district headquarters and Kotido town council.

#### **3.3 Study population**

A study population was the complete collection of all the elements that were of interest in a particular investigation (Amin 2005). The population of study considered 75 employees (According to Audit report, 2013) out of which a sample size of 63 employees was used for the study. This comprised of Accounting Department, Contract committee, Procurement and

Disposal Unit (PDU), Audit department, and user departments that comprised of Administration, Works, Health, Planning, Education, Production, Finance and Environment and Natural Resources.

### **3.4 Sample size and Determination**

#### **3.4.1 Sample size**

A sample size of 63 employees (Krejcie and Morgan, 1970) was used in the study. This sample size was appropriate and sufficient enough that enabled the effective and efficient data collection given the time frame of the study.

#### **3.4.2 Sampling procedures**

The sampling technique used included simple random sampling comprising of key actors like contract committees, Accountants, Procurement Officers, Education department, Production department, Environment and Natural resources, and Administration that were used in data collection.

### **3.5 Data Sources**

#### **3.5.1 Primary Data**

The primary source included data from the respondents that was obtained through the use of self administered questionnaires that were supplied to respondents to freely feel in what they think about the performance of service delivery in the district.

### **3.5.2 Secondary Sources**

Secondary data was obtained through the review of related literature from different scholars, publications from different ministries; Text books, journals and articles were also used in data collection.

### **3.6 Data collection method and instrument**

The researcher used questionnaire surveys during data collection. The questionnaire was the only data collection tool used where by respondents was given questionnaires to fill in the answers of their own choice which the researcher then analyzed. This method helped the researcher to get first hand, additional accurate information about on the performance of service delivery.

### **3.7 Validity and reliability**

To ensure quality data collection, analysis and presentation, the researcher availed data collection instrument to the technical expert to check on its validity and reliability.

The data collected was also handled with high degree of confidentiality and care from the respondents and nothing was added nor subtracted that would have otherwise compromised the information analyzed.

Appropriate sample size was also used that enabled data collection from many respondents that enabled various views and opinions to be captured on the performance of service delivery in Kotido district local government.

### **3.8 Procedure of data collection**

The researcher officially introduced himself to top management who is the Chief Administrative Officer through introductory letter authorizing him to carry out research in that organization. The

researcher through top management was officially allowed to collect data and this was done through availing questionnaires to the respondents which were self-administered.

### **3.9 Data analysis and Presentation**

The data collected was processed and analyzed using Statistical Package for Social Sciences (SPSS). To establish the relationship between budgeting and performance of service delivery Pearson correlation coefficient was used. It was presented in from of tables and the interpretation was inform of description.

### **3.10 Ethical consideration**

- I. The researcher followed a formal procedure through introducing himself and presenting recommendation letter from the institution, Identity card to the top management and also gave the purpose of the study to all respondents.
- II. The data collection instruments were made polite, precise and simple to understand that made it easier for the respondents to answer them with a lot of ease within the given time range.
- III. The researcher has also provided sources especially for secondary data through citing and referencing the work to show and appreciate the contribution of other scholars that enabled him to build on the literature.

### **3.11 Limitations of the study**

- I. The study scope was limited to only Kotido district local government that did not give the nation-wide information on the procurement practices in the local governments.
- II. The time scope for the study was limited and this posed difficulties in primary data collection especially within the field.
- III. There was also limited literature on the relationship between budgeting and service delivery.

## CHAPTER FOUR

### Data Analysis, Interpretation and Presentation of the Findings

#### 4.0 Introduction

The study objectives was to assess the effect of procurement practices on service delivery, effect of contract management on performance of service deliver and to establish relationship between budgeting and performance of service delivery in Kotido district local government. In the findings, 52 questionnaires were returned that gave a response rate of 82.5% and 11 questionnaires were not returned giving a percentage of 17.5% of those who did not response or failed to return the questionnaires due to unknown circumstance of the total 63 questionnaires that were designed and distributed to respondents.

#### 4.1 Background Information of Respondents

In this section, the researcher aimed at establishing the personal characteristics of the respondents to the study. These included information like; Gender, Age group, Education background and Working duration in Kotido District local government.

**Table 4.1.1 showing the Frequency Distribution for gender of respondents**

	Frequency	Percent (%)
Male	38	73.1
Female	14	26.9
<b>Total</b>	<b>52</b>	<b>100.0</b>

*Source; Primary data, 2015*



The findings revealed that there were more male respondents than females who participated in the study with a response rate of 73.1% and 26.9% respectively. This showed that there is no gender balance in the district.

#### 4.1.2 Age

**Table 4.1.2 Table showing Frequency Distribution for Age group of respondents**

<b>Age Group</b>	<b>Frequency</b>	<b>Percent (%)</b>
18-24	5	9.6
25-30	2	3.8
31-34	2	3.8
35-40	7	13.5
41-45	7	13.5
46-50	11	21.2
51 and above	18	34.6
<b>Total</b>	<b>52</b>	<b>100.0</b>

*Source; Primary data, 2015*

The findings above revealed that respondents of different age groups ranging from 21-51 years and above participated in the study. From the findings, respondents of age group 51 and above years participated mostly in the study with a frequency of 18 and a percentage of 34.6%, followed by 46-50 years with a frequency of 11 and a percentage of 21.2% then followed by 36-40 and 41-45 with a frequency of 7 and a percentage of 13.5%, age group of 21-25yearsalsoparticipated with a frequency of 5 and a percentage of 9.6% placing it second last in

participation and age groups 26-30years and 31-35years came last each with a frequency of 2 and a percentage of 3.8%.

The greatest participation of age group of 51 and above years shows the true characteristic of a public sector that comprises mostly of employees approaching their retirement age.

### 4.1.3 Education Background

**Table 4.1.3 Frequency Distribution for Education level of respondents**

Education level	Frequency	Percent (%)
Certificate	6	11.5
Diploma	15	28.8
Degree	17	32.7
Masters	12	23.1
PhD	2	3.8
<b>Total</b>	<b>52</b>	<b>100.0</b>

*Source; Primary data, 2015*

From the findings respondents have qualifications of Certificates, Diplomas, Degree, Master's Degree and PhD. The results reveal that Degree and Diploma holders formed the majority of the respondents with frequencies of 17 and 15 and percentages of 32.7% and 28.8 % respectively while respondents holding Masters Degree came second last with a frequency of 12 and a percentage of 23.1% and PhD holders came last with a frequency of 2 and a percentage of 3.8% of the total respondents.

Respondents with degree qualification indicates the true characteristic of a public sector where majority of employees do not upgrade themselves after getting jobs due to their employment demands or failure to get recommendation from senior authorities for further studies.

**Table 4.1.4 Frequency Distribution for respondents' working duration**

<b>Duration</b>	<b>Frequency</b>	<b>Percent</b>
1-2 Years	10	19.2
Over 3 years	42	80.8
<b>Total</b>	<b>52</b>	<b>100.0</b>

*Source; Primary data, 2015*

The findings revealed that majority of respondents with frequency of 42 and a percentage of 80.8% have worked for more than three years in Kotido district local government and others with a frequency of 10 and a percentage of 19.2% have worked for less than three years.

The working duration of more than three years shows that public sectors especially local governments takes quite a long time to recruit employees because they are regulated being regulated by the Ministry of Public service that takes long to respond to the request.

Respondents/employees who have worked for more than three years also have enough experience and this allow them to fill the questionnaire with a lot of maturity and intellect thus leading to data reliability and accuracy.

## 4.2 Procurement Practices and Performance of Service Delivery.

**Table 4.2 Showing effect of Procurement Practices on performance of service delivery**

Procurement practices	N	Min	Max	Mean	Std. Dev.
Bribes in procurement practices	52	1	5	3.60	1.071
Frauds in procurement practices	52	1	5	3.87	0.886
Delays from central government	52	1	5	3.88	0.943
Procurement planning and monitoring	52	1	5	3.52	0.980
Corruption in procurement practices	52	1	5	3.87	0.929
Fairness and transparency in proc. Practices	52	2	5	3.81	0.929
Long steps and procedures in proc. practices	52	1	5	3.87	0.886
Good practices on local gov't expenditure	52	2	5	3.92	0.737

*Source; Primary data, 2015*

Since the score scale ranged from 1 to 5 (strongly disagree-1 to strongly agree-5), an average score between 1.00 – 2.50 implied no agreement to the procurement practices attribute, a score between 2.51- 3.50 implied neutrality to the procurement practices attribute and an average score that lied between 3.51- 5.00 implied strong agreement to the selected attribute.

From the findings, it's evident that attributes associated with procurement practices have average scores above 3.51. This indicates that respondents were equally in agreement with the practices involved in procurement practices in Kotido district local government.

Form the findings, respondents agreed that bribes exist in procurement practices with average mean of 3.60 which affect service delivery in the local government. Though respondents agreed

that there is bribe in procurement practices others have differing views giving a dispersion of standard deviation of 1.071.

From the findings, frauds exist in procurement practices in the local government with an average mean of 3.87 while others have different views shown by a standard deviation of 0.886. (Van Slyke, 2003) states that contracting counties and the state agencies lacked the capacity to monitor and manage and increasingly noncompetitive social service market and exposed themselves to heightened risks of fraud, abuse and poor performance.

The findings further reveal that there is corruption in procurement processes that result into poor service delivery with average mean of 3.87 and a dispersion level of a standard deviation of 0.929 showing the level of differences in respondents' views. This is in agreement with Evenet (2003) finding that revealed that corruption at local government level is rampant and is one of the main causes of poor service delivery. As further evidenced by the Inspector General of Government, 2006 in National Integrity survey (NIS) Local Government Tender Boards (LGTB) was found the second most corrupt institutions in Uganda (Joseph, 2006). The empowerment of local government has meant that they can employ private sector to do some of the activities that are more suitable for the sector.

Respondents also agreed that procurement planning, budgeting and monitoring leads to improved service delivery with average mean of 3.52 though some respondents had differing views witnessed by a standard deviation of 0.980 showing the level of dispersion in agreement.

Respondents also agreed that transparency and fairness in procurement practices can lead to quality service delivery in Kotido district local government with average mean of 3.81 and a standard deviation of 0.929 showing the level of respondents' differences in their views.

The findings further reveal that long steps and procedures involved in procurement processes lead to delays, increased cost and low output in service delivery with average mean of 3.87 and with a standard deviation of 0.886 showing the level of their different views. As supported by (World Bank, 2011) the rules governing procurement are seen as complex and obscure where staff, officials, contractors and suppliers are familiar with the steps of the procurement process, they may not understand the purpose of some important steps. Procurement is supposed to ensure best value for money, but officials often complain that procurement rules cause delays, increase costs and lower quality of output than could be achieved "if we were allowed to just get on with it."

With an average of 3.92, and dispersion level of agreement of standard deviation of 0.737 of their response, respondents agreed that good procurement practices help reduce local government expenditure on service delivery to the community. Furthermore in contention with the findings, Agaba& Shipman (2007); added that an estimated 34% of the government expenditure takes place at the local government level therefore, good procurement practices may help reduce local government expenditures on service delivery.

### 4.3 Contract management and performance of service delivery

**Table 4.3 Showing effect of Contract Management on the performance of service delivery**

Contract management	N	Min	Max	Mean	Std. Dev.		
Giving clear roles	52	1	5	3.73	1.069		
Good management skills	52	2	5	3.77	0.921		
Early payment to service providers	52	2	5	3.69	0.961		
Thorough risk assessment	52	2	5	3.92	0.837		
Inability to access information	52	1	5	4.0	1.010		

*Source; Primary data, 2015*

Overall, study results have revealed that effective contract management is vital for quality service delivery in the local government.

From the findings, respondents agreed that inability to access information on contract and tenders by the community leads to poor service delivery in the local government; 4.0. Though respondents agreed that inability to access information lead to poor service delivery, there was a great response differences shown by a standard deviation of 1.010. Access to appropriate information can help the community to track the performance of service providers that can lead to improved service delivery however when they are denied then there is a possibility of poor service delivery.

This is in agreement with (Adler 2001; Hill 1990; Poppo and Zenger 2002; Uzzi 1997) that government's failure to enact the freedom of information bill has weakened citizens' right to insist on appropriate access to information on contracts and tenders. The issue of the right to access to information is critical and if Government fails in establishing the right to access

information, no matter how well we are able to craft effective implementation strategies, the citizens will always be left out thus leading poor service delivery by the providers.

Respondents further agreed that thorough risk assessment by the client helps determine the future risks of the contract with average mean of 3.92. There was also a great deviation by respondents on risk assessment evidenced by a standard deviation of 0.837. During contract management, the buying organization should ensure that the likelihood of risk occurrence during contract is assessed to avoid contract failure and or delays. This is in line with SIGMA (2011) report that perceived or anticipated risks should be identified in advance when preparing the procurement and can then be dealt with in the contract documents with clear and appropriate allocation of responsibility and corresponding acknowledgment and understanding of the consequences.

The findings further reveal that having good management skills by contract managers during contract management; 3.77. Though there was an agreement by respondents on good management skills, there was also an existence of differing views on management skills shown by a standard deviation of 0.921. As supported by Grasnler et al (2002) with the rise of contracting as an alternative to direct service provision, contract managers are required to have management competences to effectively manage contracts. These tasks include assessing appropriateness of a service for contracting, planning, structuring, and executing competitive bidding processes (Lavery, 1999; Shetterly, 2000), ensuring vendor performance evaluation and ensuring external relations to ensure market competitiveness.



Furthermore, respondents agreed that giving clear roles; 3.73, to service providers improve efficiency and effectiveness in service delivery though there was a great deviation on their responses as shown by a standard deviation of 1.069. Service providers should be availed with all the roles and responsibilities in order for them to perform efficiently and effectively.

Respondents also agreed that early payment to service providers; 3.69 lead to efficient service delivery. Early payment helps service providers to plan and budget on the inputs and delivers in a timely manner thus leading to efficiency in service delivery. As noted by (SIGMA, 2011) payment of economic operators is a control in itself, but the power that contracting authorities have at this stage of the procurement process must not be used to unjustly delay or withhold payment to economic operators who have completed work. To do so will damage the relationship between the economic operator and the contracting authority.

#### 4.4 Budgeting and service Delivery

**Table 4.4.1 showing relationship between Budgeting and Service Delivery**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Late and under funding of budget by central government <b>1</b>	1					
Budgeting with community engagement has improved the quality of services delivered. <b>2</b>	0.311* 0.025	1				
Effective budgeting is a tool for economic and financial management for service delivery in the local government. <b>3</b>	0.279* 0.045	.426** .002	1			
Service delivery has improved because of good budgeting in the local government. <b>4</b>	0.506** 0.000	.269 .054	0.290* 0.037	1		
There has been effective and efficient service delivery in the local government due to proper needs assessment during budgeting. <b>5</b>	0.440** 0.001	0.309* 0.026	0.057 0.687	0.370** 0.007	1	
Poor service delivery in the local government has been due to poor planning during budgeting. <b>6</b>	0.148 0.295	0.217 0.123	0.109 0.443	0.335* 0.015	0.452** 0.001	1

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

Before assessing the impact, it was necessary to examine the relationship among the variables under study i.e. elements of budgeting and service delivery.

From the findings above, the study revealed that there is a positive and significant relationship between budgeting with community engagement and performance of service delivery given by Pearson correlation coefficient of ( $r=0.440^{**}$ ,  $P<0.01$ ). As supported by CSPR Zambia (2010) the

purpose to involve citizens in the budget formulation processes is to maintain transparency in service delivery but the current state of decentralization (the lack of it) has significantly limited citizens' involvement in consultations on budget formulation.

Furthermore, the study revealed that there is a positive and significant relationship between effective budgeting as a tool for economic and financial management and effective and efficient service delivery in the local government with a Pearson correlation of ( $r=0.506^{**}$ ,  $P<0.01$ ). This is in agreement with African Programs Parliamentary Centre (2010) that a sound budget serves as a tool for economic and financial management and accountability. It can also serve as a mechanism for resource allocation among different needs and priorities as well as bringing about economic stability. The positive relationship above therefore affirms that a relationship exists between effective budgeting and service delivery.

The study further revealed that there is a positive and significant relationship between late and under funding of budget by central government and poor service delivery given by Pearson correlation coefficient of ( $r=0.452^{**}$ ,  $P<0.01$ ).

#### **4.6 Conclusion**

The above chapter has provided a detailed synthesis of study results. Specifically, descriptive statistics have been provided for; procurement practices, contract management and relationship between budgeting and service delivery. The performance of service delivery in the local government was also examined using averages and standard deviation in responses. The next chapter provides a detailed discussion of study findings, conclusion and recommendations for bet

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents the summary, conclusions and recommendations on the role of procurement practices and the performance of service delivery in Kotido district local government. The basis of the findings, conclusion and recommendations were to assess the role of procurement practices on the performance of service delivery in Kotido district local government from the perspective of contract management and budgeting.

According to the study, most of the respondents who participated were males with a population of 38 and a percentage of 73.1% and the age group of 51 years and above taking the greatest number of employees with a percentage of 34.6% almost approaching their retirement age. Most of the employees have worked for more than three years that showed that they are experienced in their employments.

According to the study, there is poor procurement practice in Kotido district local government with the increase cases of bribes, frauds and corruption in the process that leads to lack of transparency, poor service delivery and increased cost in delivering services to the community.

#### **5.1 Summary of Findings**

##### **5.1.1 Procurement practices and performance of service delivery**

The study found out that there is need for good procurement practices in Kotido district local government in order for it to deliver quality services to the community. As stated by Calendar&Mathews (2000), Public procurement is an important function of government for

economic growth and development. It has been utilized as an important tool for achieving economic, social and other objectives as cited by (Arrowsmith, 1998; Thai, 2001). It is therefore a big threat to any public organization to deliver services to its community without good procurement practices in place. As UNDP (2006) states, in the provision of many services, public officials are more likely to disadvantage low resource users and ask them for bribes. It is exactly small businesses and the poor who don't possess alternatives in their demand of public services. Agencies ridden by corruption are more likely to discriminate against the poor by limiting access to basic services.

From the findings, respondents agreed that bribes and frauds do exist in procurement practices in Kotido district local government leading to lack of transparency in service delivery. Bribes and frauds affect procurement practices especially during solicitation processes when contract committee and procurement officials are involved in the vice. The study further revealed that delays from the central government to release finances affect service delivery in the local government. Delays in finances make budget implementation difficult thus affecting service delivery.

Respondents also agreed that there is need for procurement planning and monitoring if the local government is to delivery services in a transparent manner but their absence can lead to misallocation of resources. In a similar note, respondents further agreed that there is corruption tendencies in Kotido district local government that lead to poor service delivery to the community. Furthermore, respondents agreed that good procurement practices should aim at fairness and transparency to all involved parties. They further agreed that long steps involved in procurement processes lead to delays, increased cost and low output due to unnecessary documentations during the bidding process to both the suppliers and the contracting authority.

Respondents agreed further that good procurement practices reduce Kotido district local government expenditures on service delivery through reduction in corruption, bribes and discrimination in the process.

### **5.1.2 Contract Management and performance of Service delivery**

Basing on the findings, giving clear roles and responsibilities to service providers is important in contract management. It also revealed that procurement practitioners need good management skills and capacity to effectively manage contracts in order for them to provide quality services.

The study further revealed that early payment to service providers lead to efficiency in service delivery in Kotido district local government. On the same note, the study revealed that a thorough risk assessment help determine future risks in the contract that will affect service delivery in Kotido district local government. It further revealed that the inability to access appropriate information on contract and tenders by the community leads to poor service delivery in Kotido local government.

### **5.1.3 Relationship between Budgeting and performance of Service delivery**

The findings revealed a positive and significant relationship between budgeting and the performance of service delivery. It revealed that effective budgeting is a primary tool for all the local government projects that leads to achievement of goals and objectives in the government programs.

The study further revealed that there is a positive relationship between late and under funding of budget and poor service delivery to the community. The study further revealed that proper planning during budgeting improves service delivery due to the fact that all priorities are taken into considerations during planning stage.

## **5.2 Conclusion**

### **5.2.1 Procurement practices and performance of service delivery**

Due to unprofessional procurement practices in Kotido district local government evident by increased corruption, frauds and bribes during procurement processes there is poor service delivery to the community. In order for the local government to improve on its service delivery The tendency of Despite of the attempt by the local government to deliver services through procurement there is still poor practices evidenced by corruption, frauds and bribes leading to poor quality services delivered.

### **5.2.2 Contract Management and Performance of Service delivery**

There is still poor contract management leading to delays in service delivery and poor performance by suppliers. Lack of management skills by contract managers put service delivery at a risk as at times the contract fail due to incompetent management skills. Service providers should be paid promptly to increase on service efficiency and effectiveness.

### **5.2.3 Relationship between budgeting and performance of service delivery**

Local government depends on the money channeled through the central government to finance its projects since its lack an alternative source of resources to finance those projects. Budgeting is the major driver of all the activities involved in service delivery, thus failure to formulate and implement it properly will lead to poor service delivery.

Engaging community in budgeting process leads to improved service delivery in the local government.

### 5.3 Recommendations

Though good procurement practice can lead to effectiveness, efficiency and transparency in service delivery in both private and public sectors the following recommendations should be put into consideration to enhance better delivery of services in local government.

- ❖ Establish external controls before introducing internal controls and reliable internal controls should be put in place before devolving managerial responsibility. Again, staff enhancement packages especially for the finance departments should be enhanced to reduce on errors made when making such budgets.
- ❖ The senior authorities should put in place an effective internal control to curb the vice of corruption and frauds involved in procurement practices. This can lead to effectiveness, transparency and fairness in procurement practices.
- ❖ All spending sub sectors of local government should be fully involved in the budget formulation so that they understand and own their budgets.
- ❖ The local government should look for other alternative sources of funds like exercise duty for financing small projects to avoid over dependence on central government funds which are at times unreliable.
- ❖ Internal procurement audit should be given serious attention if the local government is to achieve Value for Money (VFM) in service delivery.
- ❖ All procurement stakeholders should be trained and sensitized by PPDA professionals to equip them with the required skills and knowledge needed in procurement practices.
- ❖ Contract management should be taken into consideration to involve both the contract authorities and service providers to improve contract performance..



#### **5.4 Suggestion for further research**

- ❖ Measures to be employed to curb down procurement malpractices in public sectors.
- ❖ Effect of Contract management on the performance of service delivery in public sectors.
- ❖ Impact of procurement stakeholders training on procurement performance in local governments.
- ❖ Effect of political influence on combating corruption in procurement practices.

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## **APPENDICES: 1 Definition of Terms**

**Procurement:** The complete process of obtaining something, usually a capital item (works or goods) or a high-value service. Procurement includes developing specifications, market research, price search through bidding or negotiation, purchase and taking delivery.

**Procurement practices:** Refers to the methods, techniques, procedures and tools used by procurement professionals and practitioner to provide effectiveness, efficiency, accountability and transparency in the provision of goods, works and or services to the community by both government and private sectors.

**Performance:** Refers to the accomplishment of a given task, measured against preset known standards of accuracy, completeness, cost and speed. It also refers to the fulfillment of an obligation in a manner that releases the performer from all the liabilities under the contract.

**Service delivery:** Refers to a relationship between policy makers, service providers, and consumers of those services, and encompasses both services and their supporting systems.

**Effectiveness:** The ability of providing goods/services and or works at a low cost than the expected value.

**Efficiency:** The ability to deliver goods, services and or works within the stipulated time frame to the community.

**Works:** Refers to any contract in which the principal component of the costs is construction or repair work on-site and resulting in an output that is fixed in one place like buildings, roads, canals, etc.

**Goods:** Essentially any type of material object that is not works.

**Quality:** The ability of a good(s), works and or services to conformance to standards.

**Budgeting:** Is a process of determining the future revenue of a local government for a given period i.e within one year and then allocating that revenue between the Local Government needs and priorities.

**Contract:** A legally enforceable agreement between two or more parties.

**Contract Management:** Refers to administrative activities associated with handling of contracts, such as invitation to bids, bid evaluation, award of contract, contract implementation, measurement of work completed and computation of payments.

**Conditions of Contract:** The document that states the obligations of the parties to the contract, supervision arrangements, the criteria for release of payments, provisions for dealing with any problems that arise during implementation, arrangements for settling disputes, etc.

**Threshold:** A limit (estimated) value above which a particular procurement method must be used. For example, if the threshold for open competitive bidding is \$10,000, contracts up to that value may be procured by shopping but open competitive bidding must be used for higher-value contracts.

**Variations:** Instructions by the employer to increase or decrease the quantity of works, goods or services, agreed in the contract. Variations are usually priced according to the unit prices submitted by the bidder.

**Technical Specification:** A document that defines the required quality of goods or works.

**Public service:** Is a product delivered or activity that is carried out that meets the needs of a wide section of user

## Appendix 2: Research Instrument

Dear Respondent,

I am **Okullo clement Ogwang**, a student of Uganda Martyrs University carrying out a research in this organization for the fulfillment of the requirement of award of Bachelor Degree in Business Administration and Management of Uganda Martyrs University.

The purpose of this study is to assess the “**Role of Procurement Practices on the Performance of Service Delivery in Uganda**” with a case study of **Kotido District Local Government**.

I humbly request you to spare some few minutes of your time to answer the questions below and the information that will be provided will be used for academic purposes only and treated with utmost degree of confidentiality.

### Section A:

#### General Information

Please tick in the appropriate box provided below.

#### 1. Gender:

Male  Female

#### 2. Marital status:

Single  Married  Separated  Divorced

#### 3. Age:

21-25  26-30  31-35  36-40  41-45  46-50  51 and above

#### 4. Academic Qualification:

Certificate  Diploma  Bachelors' degree  Master Degree  PhD

**5. Duration worked in Kotido District Local Government**

a) Less than a year       b) 1-2years       d) over 3 year

**Section B: Use the following scale to answer the questions below.**

Scale	1	2	3	4	5
Particulars	Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree

**1. Effects of procurement practices on the performance of service delivery**

		1	2	3	4	5
1	Bribe from bidders during procurement processes affects the quality of service delivery in the local Government.					
2	Frauds involved in procurement practices from local politicians leads to poor service delivery in the Local Government.					
3	Delays from the central government to release finances cause delays to local government to deliver services.					
4	Procurement planning, budgeting and monitoring leads to improved service delivery to the community.					
5	Corruption tendencies involved in procurement practices affect the quality of services delivered in the local government.					
6	Good procurement practices aim at ensuring that the process is fair, free and transparent to all the stakeholders for quality service delivery in the Local government.					
7	Long steps and procedures involved in procurement processes lead to delays, increased cost and low output in service delivery than if not followed.					
8	Good procurement practices reduce local government expenditures on service delivery.					

**2. Effects of contract management on the performance of service delivery.**



		1	2	3	4	5
1	Giving clear roles and responsibilities to service providers during contract management improves efficiency and effectiveness in service delivery.					
2	Procurement practitioners need good management skills and capacity to effectively manage contracts during delivery to provide quality services.					
3	Early payments to service providers lead to efficiency in service delivery in the Local government.					
4	A responsive and efficient design process of deliveries leads to a quality set of documents to service providers.					
5	A thorough risk assessment by the client helps to determine the future risks of the contract that will affect service delivery in the Local Government.					
6	The inability to access appropriate information on contracts and tenders by the community leads to poor service delivery in the local government.					

### 3a). Budgeting

		1	2	3	4	5
1	Late and under funding of budget by central government affects the efficiency and effectiveness of service delivery in the local government.					
2	Budgeting with community engagement has improved the quality of services delivered in the local government.					
3	Effective budgeting is a tool for economic and financial management for service delivery in the local government.					

### b) Service delivery

		1	2	3	4	5

1	Service delivery has improved because of good budgeting in the local government.					
2	There has been effective and efficient service delivery in the local government due to proper needs assessment during budgeting.					
3	Poor service delivery in the local government has been due to poor planning during budgeting.					

***Thank you for your co-operation!***

Uganda  
Martyrs  
University

making a difference



**Office of the Dean  
Faculty of Business Administration and Management**

Your ref.:  
Our ref.:

Nilegi, 2<sup>nd</sup> March, 2015