Influence of Procurement Compliance in Public Procurement Performance: A Case of Bahi District Council, Tanzania

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ABSTRACT

Purpose: This paper aims to investigate the factors influencing procurement compliance in public procurement performance within the Bahi District Council in Tanzania.

Design/methodology/approach: A descriptive research design was employed to gather data from 55 respondents through a closed-ended questionnaire.

Findings: The study found that internal control systems, users’ knowledge, and ethics significantly affect procurement compliance at a significance level of $p < 0.05$.

Practical implications: To enhance compliance with public procurement acts and regulations, policymakers are urged to create an enabling environment for the implementation of internal control systems, users’ knowledge, and ethical standards in public entities.

Paper type: Empirical research.

Key Words: Procurement Compliance; Public procurement Performance; Bahi District Council

1. INTRODUCTION

Globally, public procurement has become a concern of public concentration and debate and has been subjected to reforms, restructuring, rules, and regulations. Reforms and regulations aim to address issues like corruption, favoritism, and inefficiency that can arise in procurement processes. By implementing stricter rules and improving oversight mechanisms, governments strive to enhance accountability and promote competition among suppliers, ultimately benefiting taxpayers and service recipients. According to Khan (2018), public bodies in countries in the World have always been big purchasers, dealing with huge budgets. It is reiterated that public procurement represents 13% to 20% of the world's Gross Domestic Product (World Bank, 2020). Although several developing countries have taken steps to reform their public procurement systems, the process is still covered by secrecy, inefficiency, and corruption. Therefore, in all of these conditions, huge amounts of resources are misused (Ivambi, 2016).

Public Procurement regularly constitutes the largest domestic market in developing countries. Depending on how it is controlled, public procurement adds to the economic development of developing countries (Garcia & Furtado, 2014). Certainly, public procurement is the principal means through which governments meet developmental needs such as the provision of physical infrastructure and the supply of essential medicines (Ivarsson, 2014). To overcome regional economic imbalances, and support marginalized communities, many governments use public procurement to support the development of industries (World Bank, 2020). Being improved public procurement matters through public laws and regulations, procurement sections with appropriate professional staff have become an increasingly important sector in economic development as well as, in organizational performance in many Local Government Authorities of Tanzania (Mwandoboba, 2013).

Procurement performance has been an area of interest for practitioners, researchers, and those from the academic field. This is mostly due to low levels of performance, high levels of corruption, failing contracts,
and variations in contract prices in public sectors resulting from non-adherence to procurement regulations (Kakwezi & Nyeko, 2010). There has been a considerable number of reported improper procurements in government departments. Numerous allegations have been leveled against public entities relating to irregularities in procurement processes and procedures. There is rampant misuse of public funds and even though the Procurement Act of 2011 is there to guide entities in handling public procurement (Shija, 2019).

Relying on procurement performance, there are inefficient measures to ensure that government departments follow the proper procedures in the procurement of goods and services (Mgani, 2014). The misuse of such funds has resulted in high levels of corruption, inefficiency, and defying the procurement general principles of fairness, competitiveness, transparency, equitability, and cost-effectiveness. Public entities have also been confronted with procurement issues such as professionalism, limited career development opportunities for procurement staff, and weak contract management (Ivambi, 2016).

Reports on the levels of compliance with public procurement continue to be unsatisfactory in Tanzanian public procuring entities despite some efforts made by the oversight bodies such as the Public Procurement Regulatory Authority (PPRA) and Controller and Auditor General (CAG). Most procurement audits carried out have revealed non-compliance with procurement regulatory requirements (Matto, M. C. (2017). The analysis of the audit report highlighting poor compliance with the Public Procurement Laws and Regulations is a serious concern. It suggests a deeper understanding of the specific areas where procuring entities are failing to meet regulatory requirements and can help identify systemic problems that need to be addressed. Research on procurement compliance in public procurement performance is a vital endeavor that delves into the intricate dynamics of governmental purchasing processes. This field of study investigates the extent to which adherence to regulations, policies, and ethical standards impacts the overall internal control system, users’ knowledge, and ethics of procurement practices within the public sector. Based on the above information, this study set to find out the influence of procurement compliance in public procurement performance with a focus on Bahi District Council.

The compliance of public procurement is essential to eradicating public illnesses of preference in tendering processes which have severely been reported to the general public through auditing reports. Manrique de Lara, Tacoronte, and Ting Ding (2007) found when a situation of normlessness is created; conflict of interest advances into an anomic state that can easily derail public procurement management. On the other hand, in recruitment sometimes the procurement professionals are not valued, and yet the recruitment of the right professionals can add value to the organization (Tukuta & Saruchera, 2015).

Consequently, the regulatory framework of public procurement in Tanzania has passed through several reforms and changes to improve the public procurement system for better legal provisions that could facilitate the achievement of economies. Despite all such reforms and changes, public institutions in Tanzania continue to be reported by the PPRA to have non-compliance with the public procurement laws and acts (PPRA, 2019). Non-compliance with the Law in LGAs has resulted in a loss of government money, poor local service delivery, and an adverse impact on the implementation of some development projects.

Various studies have reported on compliance with the Public Procurement Act and regulations. For instance, it was revealed that the implementation of the Act was hindered by poor information dissemination, inadequate capacity and training, delay in payment of works executed by service providers, and challenges with the law itself (Esan, et al., 2015). It is also reported that factors that limited the application of Public Procurement Act procedures include lack of procurement knowledge, lack of inadequacy funds due to high dependency on donors, and improper positioning of Procurement Management Units (Mburu, 2012). Furthermore, it was revealed that the generalization of the Public Procurement Act 2011 in all institutions was the major challenge in the procurement of road construction works (Biramata, 2014).

Nowadays there are so many complaints that, the Public Procurement Process does not comply with the Public Procurement Act during the procurement process in public institutions. Despite the existence of procurement laws and regulations, instances of non-compliance persist, leading to inefficiencies and suboptimal procurement outcomes in internal control systems, users’ knowledge, and ethics. This lack of compliance not only undermines the integrity and transparency of the procurement process but also jeopardizes the government’s ability to deliver goods and services effectively to its citizens. This disconnect raises concerns about the effectiveness of existing compliance mechanisms and their impact on overall procurement performance within the Tanzanian public sector.

Furthermore, the impact of non-compliance extends beyond the internal control system, users’ knowledge, and ethics to encompass broader socio-economic ramifications, such as reduced investor confidence, skewed market competition, and compromised service delivery. Therefore, there is an urgent need to address the root causes of non-compliance in public procurement in Tanzania. By identifying and understanding the factors contributing to non-compliance, stakeholders can devise targeted strategies and interventions to enhance compliance levels, thereby improving overall procurement performance and fostering sustainable development. Consequently, there is a need to thoroughly investigate the factors contributing to
this gap in compliance and their implications for procurement performance, with the ultimate goal of proposing actionable recommendations to enhance procurement practices and governance in Tanzania.

2. LITERATURE REVIEW

A study conducted by Hawkins & Muir (2014) in the United States sought to explore knowledge-based factors affecting procurement compliance. The study used a regression model by using the data from the survey of 219 US government procurement professionals. It was revealed that the extent of compliance is influenced by buyer experience, personnel turnover, the sufficiency with which service requirements are defined, post-award buyer-supplier commission, and the sufficiency of procurement lead time.

A study conducted by Mwakibinga and Buvick (2013) about coercive means of enforcing compliance in public procurement in Tanzania, sought to investigate the effectiveness of the monitoring and sanction arrangements in enhancing procurement rule compliance in the Tanzania context. The author used data generated from cross-sectional survey conducted between December 2006 and May 2007.

A study established that the effectiveness of such enforcement means in the public sector is situational contingent and has to take into account other context-specific factors, which tend to influence the outcome. A study differs from this study hence it relies on public procurement and not public procurement auditing but also the study is based on the coercive means of enforcing compliance while this study will focus on accountability.

Thumbi & Mutiso (2018) conducted a study about the influence of procurement process audits on procurement performance in public health facilities in Kiambu County, Kenya. A study used a descriptive research design to collect data from a targeted population of 117 health facilities by using questionnaires. Data were analyzed by using descriptive analysis whereas qualitative data were analyzed by using themes and contents analysis.

The study findings revealed that the audit of procurement procedures involves both compliance audit and performance audit in most cases. Compliance criteria, against which the process is to be assessed, are based on the legal framework applicable in the particular context of the procurement law. Public procurement procedures are necessary because the public sector cannot always be presumed to behave as a normal customer in the market with a focus on choosing the best quality at the lowest price. Government auditing standards place a strong emphasis on strengthening internal controls and ensuring compliance with laws and regulations.

The study was conducted in Kenya about factors affecting the implementation of the Public Procurement Act in SACCO Societies. The main focus of the study was to assess factors affecting implementation of the public procurement in SACCO societies in Kenya. A stratified random sampling technique was used to select a sample of 20% which makes a sample size of 86 respondents. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations, and frequencies.

The findings revealed that 55% of the respondents believe that the impact of the regulator on SACCO is high. The findings indicate that, on the issue of the SACCO culture favoring good procurement procedures, 53% of the respondents strongly agree. On recommendation, the study observed that the procurement process should uphold integrity and ensure that there are no malpractices and there is informed decision-making, which requires public bodies to base decisions on accurate information and ensure that requirements are being met.

A study was conducted in Tanzania about local government authorities’ compliance with public procurement law (Mnyasenga & Athanace, 2019). The main objective of the study was to examine the law governing public procurement in LGAs and its enforcement mechanism with the view to determining why LGAs fail to comply with the law and, come up with recommendations to improve compliance with the public procurement law in Mainland Tanzania. The Questionnaire, survey, and in-depth interviews were used in the collection of field data while the documentary review was used in the collection of documentary data.

The findings of this study showed that there are several weaknesses in the legal and regulatory framework of public procurement in Mainland Tanzania which mainly contribute to LGAs’ non-compliance with the public procurement law. One of the major weaknesses is the complexity of the law, toothless organs, and institutions of enforcing compliance, centralization of the PPRA, and lack of independent oversight authority.

A study conducted in Tanzania by Mrope, Namusonge, & Iravo, in 2017, focused on determining the effect of compliance with the procurement legal and regulatory framework on the performance of the procurement function in public entities in Tanzania. The study adopted the descriptive survey as a research design combining both quantitative and qualitative then the study identified all procuring entities in Tanzania (as defined by the Public Procurement Act) to be the target population. The sampling frame consisted of 298 procuring entities that were covered (audited) in the three years under consideration whereas as sampled population of 298 entities (0.333 x 298) was calculated to obtain the sample size of 100 entities. The chosen
sampling frame of 298 entities was taken from the PPRA Annual Performance Evaluation Report for the 2013/14 FY.

The regression analysis indicated a positive linear relationship between compliance with rules and regulations (legal and regulatory framework) and the performance of the procurement function in public entities. The coefficient for “compliance with rules and regulations” is 0.471 and the t-test value is 2.634 and this coefficient is significant (p-value = 0.009 < 0.05). The implication here is that 47% of the variation in the performance of the procurement functions in public entities was explained by the level of compliance with procurement rules and regulations attained by respective entities.

3. METHODS

3.1 Participant Characteristics

The target population comprises 55 respondents such were, PMU staff, Tender Board Members, Planning Officers, Human Resource Officers, District Finance Department, District Councilors, District Engineers, District Medical Officers, Ward Executive Officers, District Education officers, and Quantity Surveyors.

3.2 Sampling Procedures

Sampling helps to determine the accuracy of the research (Singh & Masuku, 2014), also other scholars define sampling techniques as a way of selecting respondents or participants by deciding who or what to be researched (Cohen & Marrison, 2007). In this case, simple random sampling was used to select respondents; hence every respondent had an equal chance to participate in the study and thus no bias.

3.2.1 Sample Size

The sample size was calculated using the population-known formula by Yamane (1967). Then the sample size was 48 respondents from the Bahi District Council. The author held a questionnaire to the PMU staff, Tender Board Members, Planning Officers, Human Resource Officers, District Finance Department, District Councilors, District Engineers, District Medical Officer, Ward Executive Officers, District Education Officer, and Quantity Surveyor.

3.2.2 Measures

In identifying the factors that influenced credit risk, the parameters of the model for the study need to be specified. The specification procedure adopted was in line with the procedure used by Kakwezi & Nyeko (2010), Mwandobo (2013), Mgani (2014), and Garcia & Furtado (2014) were followed where the functional forms of the model to estimate the determinants of Procurement Compliance in Public procurement Performance. The structured questionnaire was developed using 5 and 3-point Likert scale items. The items for each construct were extracted from reliable research that meets the reliability and validity requirements. The pilot study was conducted in a few health centers and respondents from the selected area to check the effectiveness of the research tools before the real study.

3.2.3 Research Design

Research design is the framework that guides the research process and strategy on how the study will be collected and analyzed (Creswell, 2014). The research design aims to make sure about the accuracy, validity, and reliability of the study. This study is a cross-sectional survey. A non-probability purposive and convenience sampling technique was used to collect data from respondents such as PMU staff, economists, human resources, councilors, engineers, District medical officers, Ward executive officers, district education officers, and Quantity surveyors. This study adopted a descriptive research design. Descriptive research design aims to describe phenomena and their characteristics. Descriptive research is more concerned with what rather than how or why something has happened (Nassaji, 2015).

4. RESULTS

4.1 Factors Affecting Procurement Compliance in Procurement Performance

Multiple regression method was used to analyze the objective and the study findings were presented as it shown in the following Table 1 below:
Table 1: Model Summary for Procurement Compliance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.779</td>
<td>.607</td>
<td>.586</td>
<td>.559</td>
<td>2.121</td>
</tr>
</tbody>
</table>

From Table 1 above, it is evident that the adjusted $R^2$ for the overall model was 58.6%. Therefore, the variables of choice (internal control system, users’ knowledge and ethics) have affected the Procurement Compliance by 58.6% and the rest was affected by exogenous factors which are beyond the current study.

Table 2: ANOVA for Procurement Compliance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>27,073</td>
<td>3</td>
<td>9.024</td>
<td>28.860</td>
<td>.000b</td>
</tr>
<tr>
<td>1 Residual</td>
<td>17,511</td>
<td>56</td>
<td>.313</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>44,583</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results have been further shown in Table 2 of ANOVA above where the model as a whole proved to be significant to predict the Procurement Compliance as $F (3,56) = 28.86, p<0.000$ as shown in ANOVA Table 11 above. From these observations, the equation of the model will be as shown below:

$$Y = .144 + 0.042 \text{ (Internal Control System)} + 0.234 \text{ (Users’ knowledge)} + 0.646 \text{ (Ethics)}.$$  

Table 3: T-test

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>0.144</td>
<td>.185</td>
<td></td>
<td>0.781</td>
<td>0.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Control System</td>
<td>0.037</td>
<td>.083</td>
<td>0.042</td>
<td>0.442</td>
<td>0.001</td>
<td>0.771</td>
<td>1.297</td>
</tr>
<tr>
<td>Users’ Knowledge</td>
<td>0.217</td>
<td>.083</td>
<td>0.234</td>
<td>2.620</td>
<td>0.001</td>
<td>0.881</td>
<td>1.135</td>
</tr>
<tr>
<td>Ethics</td>
<td>0.674</td>
<td>.104</td>
<td>0.646</td>
<td>6.458</td>
<td>0.000</td>
<td>0.701</td>
<td>1.427</td>
</tr>
</tbody>
</table>

The adjusted $R^2$ for the overall model was 58.6%. Therefore, the variables of choice (Internal Control System, Users’ Knowledge, and Ethics) have affected Procurement Compliance by 58.6% and the rest was affected by exogenous factors which are beyond the current study. The conclusion was based on the adjusted $R^2$ to Potters's (2021) affirmation that Adjusted $R$-squared is a modified version of $R^2$-squared that has been adjusted for the number of predictors in the model. Thus, the use of $R$ squared is misleading.

The results show that the unit increase of the internal control system resulted in a 0.042 increase in Procurement Compliance, likewise, a unit increase in users’ knowledge has individually led to an increase in Procurement Compliance by 0.234 and finally, the unit increase of organizational culture has led to increasing of the Procurement Compliance by 0.646. These results support those of Scoleze et al. (2020) that the project governance domain and its tensions affect the project-success holistic view in both efficiency and effectiveness since the elements of internal control and compliance can create tensions that favor one project success perspective to the detriment of the others. They further increase of internal control system by the appropriate use of public procurement procedures.

5. CONCLUSION

Timeliness, availability of resources, and risk control mechanisms are positive and significantly related to procurement compliance with the Public Procurement Act and its regulations. The government should strengthen control activities by the provision of instructions that will lead to ensuring that procurement compliance in public procurement acts and regulations comply. Also, the government should spend on the quality of reports and organizational culture by providing training related to public procurement officers about procedures of public procurement through acts and regulations to equip and upgrade them with new techniques and knowledge. In the feeling of the gap in this study, however; further study can be done to examine the influence of procurements auditing in ensuring procurement compliance with Public Procurement Act and its regulations of a private institution related to public institutions. Therefore, procurement performance studies will counterpart the issue of procurement audit to a private and public institution to show procurement compliance with the Public Procurement Act.
5.1 Study Conclusion

In conclusion, this research has shed light on the critical issue of procurement compliance and its impact on public procurement performance in Tanzania. Through a comprehensive analysis of the current state of compliance, underlying factors contributing to non-compliance, and the implications of such non-compliance, several key findings have emerged. Firstly, it is evident that non-compliance with procurement regulations remains a significant challenge in Tanzania, undermining the effectiveness of the internal control system, users’ knowledge, and ethics in public procurement processes. This non-compliance not only leads to inefficiencies and corruption but also hampers the government’s ability to deliver goods and services efficiently to its citizens, thereby impeding socio-economic development.

Secondly, the research has identified various factors contributing to non-compliance, including internal control systems, users’ knowledge, and ethics. Addressing these underlying factors is essential for improving compliance levels and enhancing procurement performance in Tanzania. Thirdly, the impact of non-compliance extends beyond financial implications to encompass broader socio-economic ramifications, such as reduced investor confidence, skewed market competition, and compromised service delivery. Therefore, there is an urgent need for concerted efforts from stakeholders to strengthen compliance mechanisms and promote an internal control system, users’ knowledge, and ethics in public procurement processes.

5.2 Study Implications

The findings of this research have several implications for policy, practice, and further research. Firstly, policymakers and practitioners need to prioritize efforts to address the root causes of non-compliance and strengthen compliance mechanisms through reforms, capacity-building initiatives, and enhanced oversight mechanisms. Secondly, stakeholders must collaborate closely to promote the internal control system, users’ knowledge, and ethics in public procurement processes, thereby fostering the internal control system, users’ knowledge, and ethics in the procurement system.

Thirdly, the findings underscore the importance of investing in research and knowledge-sharing initiatives to deepen understanding of procurement compliance issues and identify effective strategies for enhancing compliance levels and improving procurement performance. Furthermore, the research highlights the need for continuous monitoring and evaluation of compliance levels and procurement performance to track progress, identify gaps, and inform evidence-based decision-making.

5.3 Area for Further Studies

While this research has provided valuable insights into procurement compliance issues in Tanzania, there are several avenues for further studies. Firstly, future research could focus on exploring the effectiveness of specific interventions and strategies aimed at improving compliance levels in public procurement processes. Secondly, comparative studies across different sectors and regions within Tanzania could provide a more nuanced understanding of the factors influencing compliance and procurement performance.

Thirdly, longitudinal studies tracking changes in compliance levels and procurement performance over time could help assess the impact of policy reforms and initiatives aimed at strengthening compliance mechanisms. Lastly, research could also delve into the role of technology and innovation in enhancing transparency, efficiency, and accountability in public procurement processes, particularly in the context of emerging trends such as e-procurement and blockchain technology. Overall, further research in these areas is essential for advancing knowledge, informing policy and practice, and ultimately, improving public procurement performance in Tanzania.

REFERENCES


