

**EFFECTS OF OPEN TENDERING SYSTEM ON PROCUREMENT PROCESS  
AMONG PUBLIC SECONDARY SCHOOLS IN NYERI CENTRAL SUB- COUNTY,  
KENYA**

**NGUMI JACKSON KIRUKI**

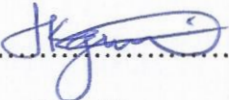
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## DECLARATION

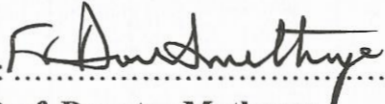
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Signature: .....  ..... Date: 07/03/2015


**Ngumi Jackson Kiruki**

**B211-0002-2012**

This thesis has been submitted for examination with our recommendation as Dedan Kimathi University of Technology Supervisors.

Signature: .....  ..... Date: 26/03/2015

**Rev. Fr. Prof. Donatus Mathenge**  
Department of Business Administration  
Dedan Kimathi University of Technology

Signature: .....  ..... Date: 07/03/2015

**Dr. David N. Kiragu**  
Department of Business Administration  
Dedan Kimathi University of Technology

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## **DEDICATION**

I dedicate this research to my wife Peninnah and my children Roy, Leon and Mark for the understanding, encouragement and support they gave me as I undertook this course.

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## **LIST OF ABBREVIATION AND ACRONYMS**

**FDSE** : Free Day Secondary School Education

**PPOA** : Public Procurement Oversight Authority

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## ABSTRACT

The study sought to investigate the effects of open tendering on procurement of goods and services by Public Secondary Schools in Nyeri Central Sub- County of Nyeri County in Kenya. The study had four objectives namely to; Analyze the effect of Open tendering system on the quality of goods and services procured: Examine the influence of Open tendering system on the cost of goods and services procured: Assess the effectiveness of Open tendering on the accountability in procurement of goods; Evaluate the influence of Open tendering on the suppliers' confidence in the procurement system of Public Secondary Schools in Nyeri central. The researcher adopted the descriptive survey design. The population of the study consisted of 288 respondents consisting of 112 tendering committee members of the 14 Public Secondary Schools in the Sub- County and 176 registered suppliers in the Sub- County. From a population of 176 registered suppliers, snowballing was used to draw a sample of 122 suppliers. A census was carried out on the committee members. Data analysis was done using descriptive and inferential statistics. Statistical Package for Social Scientists version 21 (SPSS) was used to generate frequencies, percentage and mean to present the measuring parameters of each objective. A regression model was computed to establish the relationship between each independent variable with the dependent variable. Further a multi-regression model was also computed to establish the relationship between all independent variables with the dependent variable. It was found that open tendering improves the quality of goods and services procured; open tendering reduces cost of goods and services procured; Open tendering increases accountability in the procurement process and also open tendering increases suppliers' confidence. The research concludes that though Public Secondary Schools are using open tendering, all the laid down procedures are not being followed. It therefore follows that introduction of the open tendering have not adequately improved accountability or improved the quality of goods and services.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Worldwide Public Procurement drives the domestic market accounting for about 9- 13% of the Gross Domestic Product of individual countries. In developing countries, Public Procurement is increasingly recognized as essential in service delivery (Basheka and Bisangabasaija, 2010), and it accounts for a high proportion of total expenditure. For instance, Public Procurement accounts for 60% in Kenya (Akech, 2005), 58% in Angola and 70% of Uganda's public spending (Wittig, 1999; Basheka and Bisangabasaija, 2010). A well managed Public Procurement can therefore spur economic development and enable the government meet its developmental obligations and provide essential goods and services such as health, education and infrastructures (Arrowsmith, 1998).

Controversy however often shrouds Public Procurement activities especially in the developing countries where award of government contracts is often used as a conduit to siphon public funds by individuals (Ntayi *et al.*, Wittig, 2002). The Public Procurement in Kenya has however evolved significantly over the last decade from an unregulated system in 1960s to treasury controlled system in 1970s, 1980s and 1990s. Public Procurement and Disposal Act was later introduced in 2005 and further, new standards were introduced by Procurement Regulations of 2006 (PPOA, 2006).

In the heart of the procurement reforms is the Open tendering system. Open tendering as per the Kenya Gazette Supplement No. 92, 2006, involves invitation of prospective suppliers to

compete for an advertised contract where the lowest tenderer in terms of price will be accepted. The lowest bidder should nevertheless be deemed qualified to perform the contract (Reddy and Berger, 1983). The Public Procurement Regulations of 2006 (part IV) states that 'for each procurement, the procuring entity shall use open tendering or an alternative procurement procedure under Part VI' (National Council for Law Reporting, 2010. P.20). In spite of this alternate procurements are subject to written approval by the tendering committees and documented reasons should be provided (Kenya *et al.*, 2010).

The Public Procurement and Disposal Act decentralize procurement activities to various public entities which include government departments, courts, public schools, colleges and public Universities among others. For Public Secondary Schools, the Act has granted teachers and subordinate staff the power to control the tendering and procurement process by setting of Tendering Committees to oversee the whole process of procurement. This is a departure from the previous process where procurement was solely performed by Principals.

This procurement system for Secondary Schools is particularly useful with introduction of Free Day Secondary Education (FDSE). FDSE have resulted in a surge of students seeking after secondary education. As such enrolment has risen from 860,000 students in 2003 to over 1 million in 2006 (Munavu et al, 2008). In addition, the number of secondary schools has also increased from a total of 6,566 in 2008 to 7,308 in 2010 and the existing ones have undergone expansion (ibid). To cater for the expansion of these Secondary Schools, enormous amount of public funds is being used to procure necessary goods and services.

To ensure the schools obtain quality goods and services in a timely manner, the tendering committee is supposed to use Open tendering system. This requires that the schools should, among other things advertise the tender. The advert should provide the name and address of the procuring entity, indicate where to obtain and submit the tenders. The advert should provide enough information to allow fair competition among the participants (National Council for Law Reporting, 2010).

A study by Kenya *et al.*, (2011) observes that although the Act has strengthened the Public Procurement System in Secondary Schools, weaknesses still exist in practice.

Mutahi(2003) further explains that, transparency and accountability in the management of expenditure in Secondary Schools remains elusive due to inadequate enforcement. It is clear that the procurement functioning in Secondary Schools needs to be developed further and considerable effort put into defining strategies on how to make open tendering achieve its initial objectives. These objectives include efficiency, promoting competition and ensuring that competitors are treated fairly while promoting integrity, transparency, accountability and increase public confidence in the procurement procedures (National Council for Law Reporting, 2010).

In Nyeri central Sub- County there are 14 public secondary schools. According to the Ministry of education (2012), 11 of the 14 schools have been undertaking various projects including construction of classrooms, administration blocks and equipping laboratories and have been using open tendering as a default procurement process. The ministry audit report of 2013 indicated that in total the 11 schools undertook 200 procurements between 2011 and

2012. About 90 % of the procurements were open tendering while 10% were quotations (Ministry of education 2013). Further, a familiarization visit by the researcher revealed that 9 Secondary Schools in the Sub- County have stalled projects, some immediately after commencement while others when nearing completion. As a result some facilities remain unutilized due none completion. The major reason for non-completion of the projects according to the Ministry of Education is procurement of poor building materials, nonpayment to the suppliers and the lengthy procurement procedure (Ministry of Education, 2012).

### **1.2 Statement of the problem**

Procuring entities such as Public Secondary Schools are supposed to use open tendering as the main method of procurement to ensure efficiency, fairness among suppliers, transparency and accountability. However, the open tendering has inherent weaknesses prone to abuse by procuring entities and therefore the Pubic Secondary Schools fails to achieve the intended benefits. For example, a tender may be openly advertised as required but eligibility rules manipulated to fit a given supplier in exclusion of other suppliers. In Nyeri Central Sub-County though most Public Secondary Schools using open tendering to procure goods and services they have stalled projects, some immediately after commencement while others while nearing completion. Research done reveals the major reasons for non- completion of the projects is nonpayment to the suppliers, the lengthy procurement procedure and lack of honesty among the suppliers.



### **1.3 General objective of the Study**

To investigate the effectiveness of Open tendering system on procurement process in Public Secondary Schools in Kenya.

#### **1.3.1 Specific objectives**

- i. To analyze the effect of the quality of goods and services on the procurement process in Public Secondary Schools in Nyeri Central Sub- County.
- ii. To examine the influence of the cost of goods and services on the procurement process in Public Secondary Schools in Nyeri Central Sub- County.
- iii. To assess the effect of accountability on the procurement process in Public Secondary Schools in Nyeri Central Sub- County.
- iv. To evaluate the influence of suppliers' confidence on the procurement process in Public Secondary Schools in Nyeri Central Sub- County.
- v. To assess the combined influence of open tendering characteristics, that is, quality of goods and services, costs of goods and services, accountability and suppliers' confidence on procurement process in Public Secondary Schools in Nyeri Central Sub- County.

#### **1.4 Research Questions**

- i. What effect does the quality of goods and services have on the procurement process of Public Secondary Schools in Nyeri Central Sub-county?.
- ii. What influence does the cost of goods and services have on the procurement process of Public Secondary Schools in Nyeri Central Sub- County?.

- iii. What effect does accountability have on the procurement process of Public Secondary Schools in Nyeri Central Sub- County?
- iv. What influence does suppliers' confidence have on procurement process of Public Secondary Schools in Nyeri Central Sub- County?
- v. What is the influence of open tendering characteristics, that is, quality of goods and services, costs of goods and services, accountability and suppliers' confidence on procurement in Public Secondary Schools in Nyeri County?

### **1.5 Justification of the Study**

This study is timely and critical since it revealed the factors that significantly affect the implementation of the regulations of especially the Open tendering system. The information will not only fill the existing research gap on the implementation of procurement regulations, but equip formulators of policies and regulations on procurement process with information on areas that requires changes or enhancement.

The schools managements will be able to identify the weak points of open tendering systems and strengthen them to avoid loss of public funds. The procurement oversight body will also benefit from the findings by gaining an insight into the implementation level of open tendering by Public Secondary Schools and invent more effective enforcement mechanism.

### **1.6 Limitations of the Study**

Information on procurement is sensitive due to potential damage on the integrity of individuals and institutions that do not comply with the required regulations. Like in any

other sensitive topics, in some instances the participants tended to over-report on the compliance with open tendering system of procurement which therefore tended to give biased information on its effects on procurement process.

### **1.7 Scope of the Study**

The study covered the effects of open tendering on the procurement of goods and services by public secondary schools. The study was confined within Nyeri Central Sub- County.

### **1.8 Operational Definition of Terms**

**Open Tendering:** Invitation to prospective suppliers to compete for an advertised contact

**Procurement:** Process of purchasing goods and services.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides a review of both theoretical and empirical literature concerning public procurement process. A review of public procurement reforms and its impact as presented by existing literature is also presented. Relevant theories on Open tendering and possible factors that may affect its implementation was be analyzed as presented and the research gap at the end of the chapter.

#### **2.2 Public procurement**

Modern economic theories of procurement use mechanism design to model the procurement problem as characterized by information asymmetry and moral hazard (Laffont and Tirole, 1993). This means that the seller has information about production costs that the buyer does not have. The buyer screens the seller by offering a menu of contracts from which the seller selects a particular contract, thus revealing his private information.

The relationship between parties involved in procurement can also be explained by the agency theory. It can be viewed as involving at least two parties with different goals, a buyer and one or more suppliers competing for the contract. However in addition to the agency relationship between buyer and competing supplier, there may be a number of internal stakeholders possibly with conflicting goals, adding complexity to the procurement process. These groups of internal stakeholders may include staff, procurement personnel, line managers, financial officers and cost controllers. These may have conflicting interests even

though there may not be an agency relationship between them (Jones, 1995, Hill and Jones, 1992)

### **2.3 Open tendering**

A number of methods are specified in the public procurement laws and regulations. These are, Open Tendering, Restricted Tendering, Quotations and Proposals, Direct Procurement / Single Source Procurement (Odhiambo and Kamau, 2003). In the heart of the procurement reforms is the Open tendering system. Asian Development Bank (2006), observes that, open tendering is the method of choice in many countries accounting for the largest share of goods and services procured. Though other procurement methods such as restricted tendering and request for proposals are provided for, they entail risks of abuse and corruption (Asian Development Bank, 2006).

Open tendering as per the Kenya Gazette Supplement No. 92, 2006, involves invitation of prospective suppliers to compete for an advertised contract where the lowest tenderer in terms of price will be accepted. However, the lowest bidder should be deemed qualified to perform the contract (Jack Reddy and Abe Berger, 1983).

The Public Procurement Regulations Act of 2006, part IV, states that 'For each procurement, the procuring entity shall use Open tendering or an alternative procurement procedure under Part VI' (National Council for Law Reporting, 2010. P.20). However, such alternate procurements are subject to written approval by the tendering committees and documented reasons should be provided (Kenyan *et al*, 2010). According part VI of the act, the tendering entity should among other things advertise the tender providing the name and

address of the procuring entity indicate where to obtain and submit the tender documents and enough information to allow for fair competition among the participants (National Council for Law Reporting, 2010).

## **2.4 Theoretical Orientation**

### **2.4.1 Institutional Theory**

Institutional Theory can be used to explain the effect of open tendering on the procurement of goods and services. Obanda (2010), observes that, Institutional Theory is normally used to examine Public Procurement from varying perspective, theoretically, institutions are composed of cultural-cognitive and regulative elements that together with associated activities and resources give meaning to life (Scott, 2004). Scot, (2004) further explains that the mainstays of any institutions are regulatory, normative and cultural- cognitive. Regulatory refers to rules and laws and the enforcing mechanism; the normative elements include norms and values while cultural-cognitive are the shared beliefs and understanding. In the context of the study the procurement process of the Public secondary Schools are governed by Public Procurement Regulations. Universities, Colleges, Primary and Secondary Schools are recognized as procurement entities (Odhiambo and Kamau, 2003).

### **2.4.2 Agency Theory**

Similarly, the Principal Agent Theory is also relevant to the study. The theory is based on the relationship between the principal and the agents where, the principal influences performance of some task by the agent in favor of the principal (Health and Norman, 2004). In the context of this study, the procurement committees are the agent and the principal is the school

management. Owing to the influence of the school management (resulting from power of appointment), the school procurement committees are pressured to compromise Open tendering regulations in favor of entities affiliated with school managers.

#### **2.4.3 Socio-Economic Theory**

Sutinen and Kuperan (1999) propounded the socio-economic theory of compliance by integrating economic theory with theories from Psychology and Sociology to account for moral obligation and social influence as determinants of individuals' decisions on compliance. Lisa (2010) also adds that psychological perspectives provide a basis for the success or failure of organizational compliance.

#### **2.4.4 Legitimacy Theory**

According to Wilmshurst and Frost (2000), the Legitimacy Theory postulates that the organization is responsible to disclose its practices to the stakeholders, especially to the public and justifies its existence within the boundaries of society. This theory, which focuses on the relationship and interaction between an organization and the society, provides a sufficient and superior lens for understanding government procurement system. From this theory, the perceived legitimacy of Public Procurement rules has been identified as one of the antecedents of Public Procurement compliance behavior (Meyer and Rowan, 1977).

## **2.5 Empirical Review**

### **2.5.1 Open tendering system and the quality of goods and services**

Open tendering allows the procuring entity to invite a variety of suppliers and select those who can offer quality goods and services at the lowest price. However, an Open tendering system, which can provide more transparent procedures and has better objectivity with little room for the ordering party's discretion, also has some disadvantages (Odhiambo and Kamau 2003). A study by Kanemoto and Kidokoro(1999) in the procurement of building services in Japan revealed that it is difficult to prevent low-quality and disqualified builders from tendering, and as a result, it can be difficult to maintain a high quality level of tendering parties. The study revealed that builders with lower tender prices perform poor quality work or additional charges for design changes might be charged to the procurer too frequently.

Lazarides, (2011) also argues that open tendering requires an increased amount of evaluation work by the ordering party, especially when a large number of suppliers submit bids. Unless proper scrutiny of suppliers takes place, the organization can end up into the following situations: purchases made from unethical suppliers, purchases of sub-standard goods, purchases from suppliers who have poor track record. In Public Secondary Schools the question whether the procuring systems used enables them to get value for the money is a matter of concern.

While several studies (Onsongo, Okioga, Otieno and Mongare, 2012) have looked into the effects of procurement on financial management in Secondary Schools and the challenges



faced in implementation of open tendering, the effects of open tendering specifically on the quality of goods and services have not received any attention.

### **2.5.2 Open Tendering and Cost of Goods and Services**

One of the basic rules of procurement is that in the end, it is important to think in terms of the total cost of goods and services. This includes not only the purchase price, but also time and resources that are expended in the pursuit of the ownership of goods and services. By understanding the steps involved in procurement, it is possible to get a better understanding of the real cost involved in attaining any good or service (Baily *et al*, 2004). Many public procurement activities suffer from neglect, lack of direction, poor co-ordination, lack of open competition and transparency, differing levels of corruption and most importantly not having a cadre of trained and qualified procurement specialists, who are competent to conduct and manage such procurements, in a professional, timely and cost effective manner. Inflexible and bureaucratic systems of procurement contribute to unacceptable contract delays and increased costs.

While Mutahi (2003) noted that little was known about the extent to which many schools had integrated procurement reforms in their systems, the study conducted by IPAR (2007) underscored the inadequacy of literature and documentation on weaknesses in the expenditure management in Public Secondary Schools especially cost management.

### **2.5.3 Open tendering and Accountability**

According to Thai (2001), the basic principles of good procurement practice include accountability. This is where effective mechanisms must be in place in order to enable

procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public. Accountability shows how the public interest has been protected in the expenditure of public funds. Maintaining integrity in public procurement is one of the most important pillars of modern national procurement systems (Barrett, 2000). The accountability of procurement officials is not only important from a public or administrative law perspective, but also has economic implications. Brinkerhoff (2004) identifies three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior. Strategies to help increase accountability include information systems which measure how inputs are used to produce outputs and watchdog organizations to demand explanation of results; performance incentives to reward good performance; and sanctions for poor performance (Vian and Collins 2006).

Secondary schools in Kenya are bound by the Procurement Act to be accountable in their procurement activities. However, according to Transparency International (2007), single sourcing of goods, services and works remains a common practice among some schools; while in others, school heads collude with their Boards and political leaders to subvert procurement and tendering procedures. As such it is not clear about the extent to which the new procurement regulations have taken root in public secondary especially on the accountability of the procurement activities.

#### **2.5.4 Open tendering and Suppliers confidence**

The private sector is mainly the supplier of goods and services to the government institutions thus their confidence in public procurements process is critical. Their confidence can be affected by unfamiliar regulations, unfavorable conditions set for participation among others. For example Public Procurement Oversight Authority (2007), reveals that ‘limited private sector training supply remains a major constraint to the unfolding of the procurement market potential, as many private bidders lack adequate procurement knowledge to take part in procurements’ (P. 20). Further, some contracts require huge financial resources, but small and medium enterprises faces difficulties in obtaining credit a situation that is worsened by delays in payment of contracts PPOA (2007).

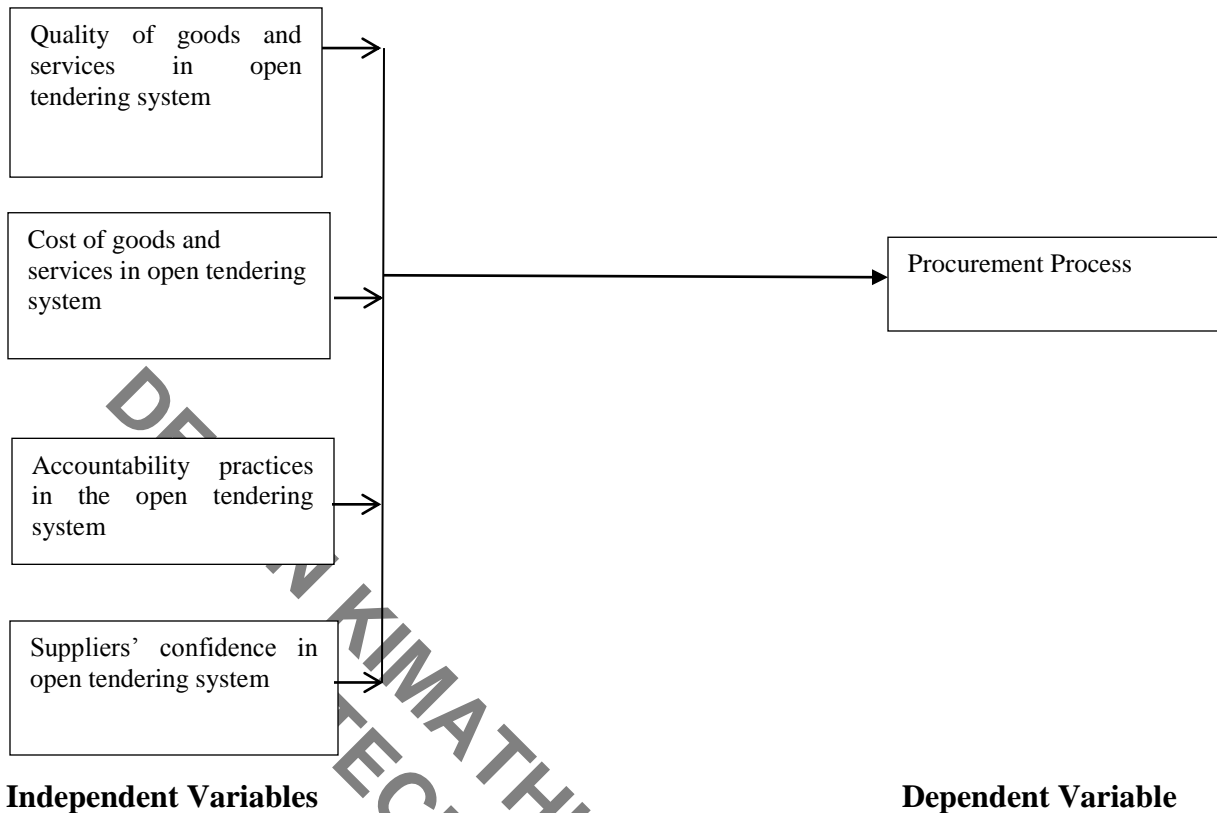
Asian Development Bank (2003), observes that ‘Unreasonable restrictions on tendering for public contracts, such as eligibility requirements or certification, restrict bidders from participating’ (p. 18). Apparently the restrictions are supposed to protect local suppliers while barring fraudulent and incompetent suppliers. However, the current thresholds are prohibitive and only a small number of firms can qualify to bid for government contracts (PPOA, 2007). For instance, according to the Register of Approved Building Contractors (2007) , only 4.7% of contractors on the register are in category (A) and eligible to bid for large scale government buildings. The restrictions not only limit competition but breeds corruption.

Deliberate failure of tendering (where there is inadequate response from bidders) results in justification for use of Direct contracting, limiting the number of participants (Asian

Development Bank, 2003). Manipulation of rules through inadequate disclosure of tender information or unrealistic requirements is another factor that can result to tender failure. PPOA (2007) complains about limited access to procurement information given the importance of public access to relevant procurement information in developing a credible system.

## **2.6 Conceptual Framework**

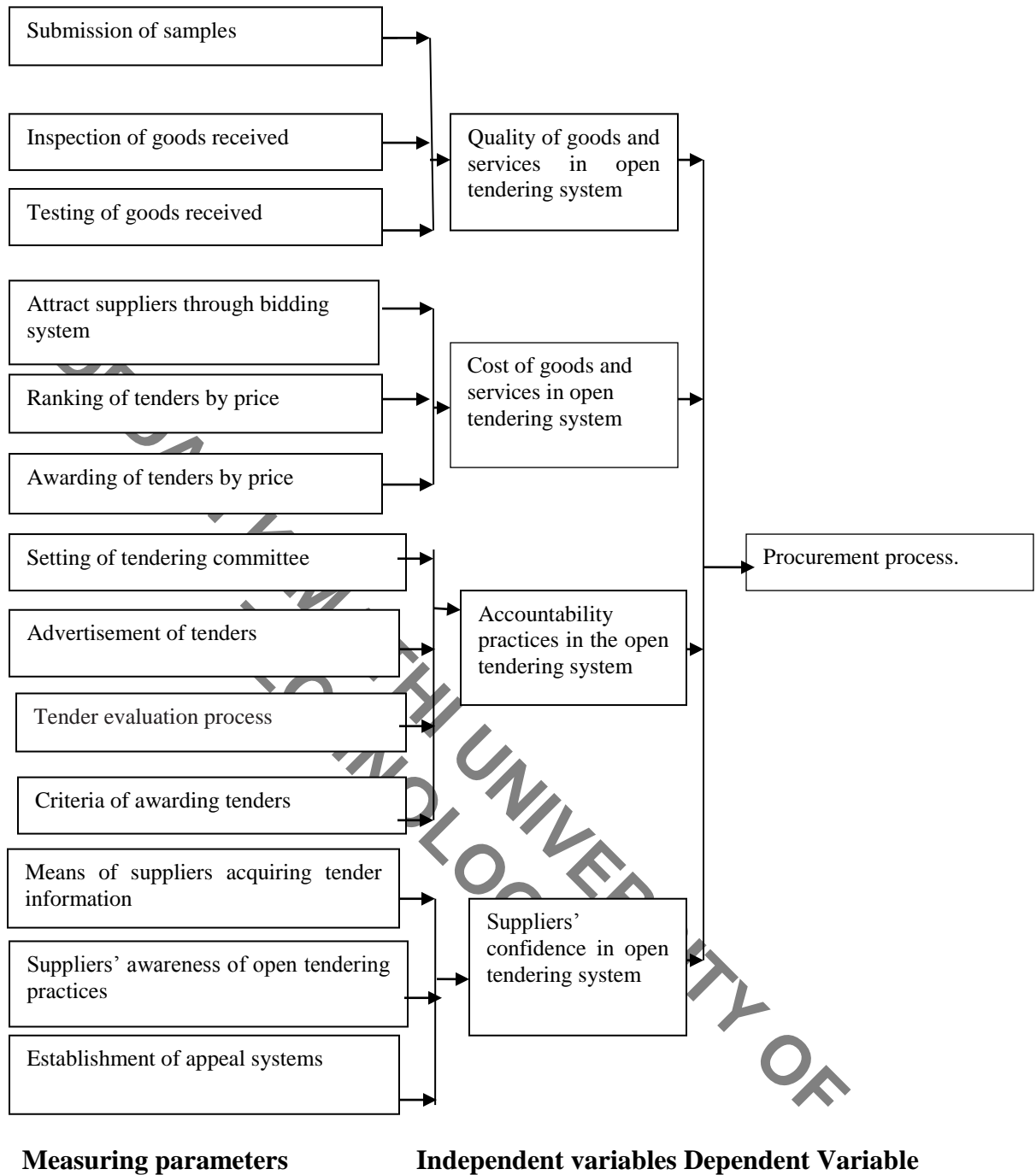
The conceptual frame work shows the relationship between the independent and dependent variable. Based on the theory and literature review it is clear that open tendering has an effect on cost and quality of goods and services procured. Open tendering also brings about accountability and supplier's confidence in the procurement process.



**Figure 2.1 Conceptual Framework**

### 2.7 Operational Framework

The operational framework provides the measuring parameters of each of the independent variables. Figure 2 presents the measuring parameters of quality practices in open tendering, Costing and pricing practices in open tendering, accountability practices in the open tendering and supplier's confidence in open tendering process.



**Figure 2.2 Operational Framework**

## 2.8 Research Gap

Study carried out after the introduction of the Procurement and Disposal Act,(2007). reveals that Open tendering is not yet fully embraced by many public institution. Mutahi (2003), found out that little is known about the extent to which many schools had embraced and integrated procurement reforms in their systems. Though empirical studies brought out this fact, none has investigated how Open tendering (in whichever stage and form its being practiced) affects the procurement process in public institutions especially Secondary Schools

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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Descriptive survey research design was used. This choice of the design was guided by the fact that descriptive design enabled an in-depth study of the relevant variables in order to establish existing conditions in the schools procurement systems (Orodho, 2009). Studies that are concerned with what people think and what they do can utilize this research design.

#### **3.2 Location of the Study**

Nyeri Central Sub- County occupies a total of 183.10 square kilometers with a population of 119,273 as at 2010 according to the 2009 Kenya Population and Housing Census. The Sub- County has a total number of 14 Public Secondary Schools according to Kenya open data (2007). The Sub- County is subdivided into two educational zones namely Municipality South and Municipality North. Municipality South hosts 10 Public Secondary School while the Municipality North hosts 4.

#### **3.3 Population of the Study**

The population of the study was the tendering committee members of the 14 Public Secondary Schools in the Sub- County and the registered suppliers in the Sub- County. There were 8 members of the tendering committee in each Public Secondary school. Therefore there were 112 tendering committee members in the Sub- County. On the other hand there were 176 registered suppliers in the Sub- County according to the Nyeri County tendering



committee. In total, therefore, the population of the study was 288 individuals consisting of 112 tendering committee members and 176 suppliers.

### 3. 4 Sampling procedure and sample size

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Mugenda and Mugenda, 1999). The study conducted a census of the committee members in all the 14 public secondary schools in the Sub- County. Thus 112 committee members participated in the study.

On the other hand snowballing method was used to pick on the suppliers that participated in the study. To determine the sample size  $n$ , for target known population,  $N$ , the study adopted the formula of Israel (1992) as shown in the equation below.

$$n = \frac{N}{1 + N(e^2)}$$

Where;

$n$  = optimum sample size,

$N$  = number of individuals to be interviewed.

$e$  = is the level of precision at 95% confidence level.

$$n = \frac{176}{1+176(0.05)^2} \approx 122$$

The sample size was therefore 234 individuals and distributed as shown in Table 3:1. In this case the procurement committee members provided information on how the Secondary Schools comply with the procurement while the suppliers provided information on the transparency of the Open tendering system as used by Public Secondary Schools.

**Table 3. 1 The Sample Distribution**

	<b>Population</b>	<b>Sample size</b>
Committee members	112	112
Suppliers	176	122
<b>Total</b>	<b>289</b>	<b>234</b>

### **3.5 Data collection Instruments**

Questionnaire was used to collect data in this study. Questionnaire was preferred for its suitability to this study as a method of data collection because it allows the researcher to reach a large sample within limited time and ensures confidentiality of the information given by the respondents. The self-administered questionnaire had both close ended and open ended questions. The committee member's questionnaire had three sections. Section one inquired how the Open tendering help Public Secondary Schools manage cost of goods and services. Section two dealt with accountability of the process while section three dealt on the effect of open tendering on the quality of goods and services. The suppliers' questionnaire inquired on the suppliers' confidence of the procurement process of public secondary school. The data collection tool is presented in Appendix I.

### **3.6 Reliability of Data Collection Instrument**

Mugenda and Mugenda (2003) define reliability as a measure of the degree to which a research instrument yields consistent results or data after repeated trial. In this study Split-Half technique of reliability testing was employed, where a number of questionnaires were divided into two equivalent halves and then distributed to two groups of respondents during a pilot study. A Spearman correlation coefficient of 0.9 was achieved, an indication that the degree to which the two halves provided similar tests. Based on this score, the data collection instrument was deemed to have adequate internal consistency. According to Orodho (2009) a minimum correlation coefficient of 0.8 is recommended to indicate that an instrument is reliable.

### **3.7 Validity of Data Collection Instrument**

Validity is defined as the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda and Mugenda, 2000). In other words, validity is the degree to which results obtained from the analysis of the data actually represents the phenomena under study. According to Borg and Gall (1989), validity is the degree to which a test measures what it purports to measure and can be improved through expert judgment. The researcher sought the assistance of supervisors who as experts in research helped to improve content validity of the instrument.

### **3.8 Data analysis**

According to Mugenda and Mugenda (2000), data analysis is the process of bringing order, structure and meaning to the mass of information collected. Data analysis was done using

Statistical Package for Social Scientists (SPSS) version 21. Quantitative data was analyzed using descriptive statistical methods to generate frequencies, percentage and central tendency measures. The mean score was computed for all the elements of costing, accountability, suppliers' confidence and quality of goods and services. Graphs were used to compare the mean score of each element of the objectives to establish which among them was commonly practiced by the schools. Pie charts were also used to compare percentages.

After the descriptive statistics, the study generated a multiple linear regression model to show the relationship between the independent variables (quality procedure, costing procedure, accountability and suppliers' confidence) and dependent variable (effectiveness of procurement). The model was in form of  $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

Where:

Y= Effectiveness of procurement process of goods and services

$\alpha$ =Constant

$X_1$ = Quality of goods and services

$X_2$ = Costing of goods and services

$X_3$ = Accountability of the procurement process

$X_4$ = Suppliers confidence on the procurement process

### **3.9 Ethical Consideration**

Much of the information provided by respondents was sensitive due to the fact that it was outlining the participating Public Secondary Schools' compliance to Public Procurement Acts. For this reason, the confidentiality of information collected during the study was of fundamental importance. A number of mechanisms were used to protect the confidentiality

of the information collected, including: No names of the participants were written and ensured the participants were aware of the nature of study and information required to enable them make informed decision on whether to participate or not.

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## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the findings of the study. The findings are presented for each objective of the study. The study objectives were to assess the effects of open tendering system on the quality of goods and services procured by public secondary schools in Nyeri county; analyze the role of open tendering system on the cost of goods and services procured by public secondary schools by secondary schools in Nyeri county; establish the effect of open tendering on the accountability in procurement of goods and services by public in Nyeri county; assess the effect of open tendering on the suppliers' confidence in the procurement system of public secondary schools in Nyeri county.

#### 4.2 Response Rate

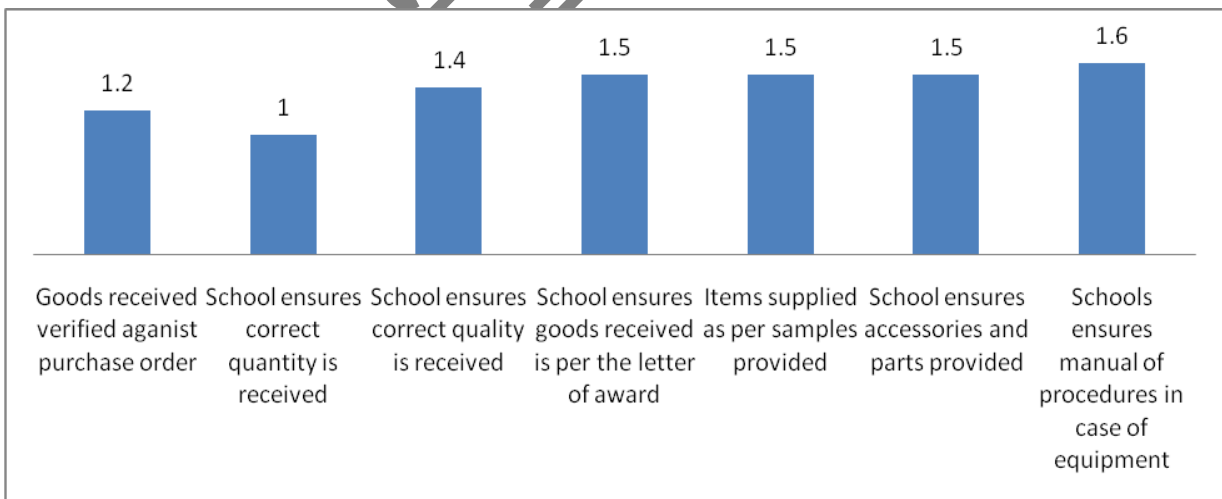
The study had about 57% response rate which consisted of 57 committee members and 76 suppliers as shown in Table 4.1

**Table 4. 1 Respondents Distribution**

	Sample size	Percent
Committee members	57	43
Suppliers	76	57
<b>Total</b>	<b>133</b>	<b>100</b>

### 4.3 Effect of Quality of Goods and Services on procurement process

The first objective of the study was to examine the influence of Open tendering system on the quality of goods and services in the procurement process of Public Secondary. The effect of open tendering on the quality of goods and services in the procurement process was measured in terms of the practices used by schools to ensure the quality of goods procured conforms to the requirement. Figure 4.1 presents the results which show that schools ensure they have manual of procedures of equipments bought by the schools. This was the commonly used methods of ensuring quality of goods by secondary school and had the highest mean score of 1.6. The respondent also indicated that goods and services are supplied as per the specifications as per letter of award all accessories and spare parts are provided. The least performed procedure was always ensuring quality and quantity are correct.



**Figure 4. 1 Quality of Goods**

### 4.3.1 Bivariate Linear Regression of quality of Goods and Services on Procurement process

The mean score of the quality of goods items were regressed on the procurement process the results were represented in Model summary in Table 4.2 was generated. The table show  $R^2 = 0.860$ . Further the regression coefficient as represented in Table 4.3 shows a  $\beta$  value of .301 and significance level of 0.000. The statistics indicate that there was a relationship between open tendering and quality of goods in the procurement process in the secondary schools. Further, it implies that 86% of the variation of the quality of goods in the procurement process is accounted for by open tendering.

**Table 4. 2 Model Summary for Quality of Goods and Procurement Process**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927	.860	.859	.929

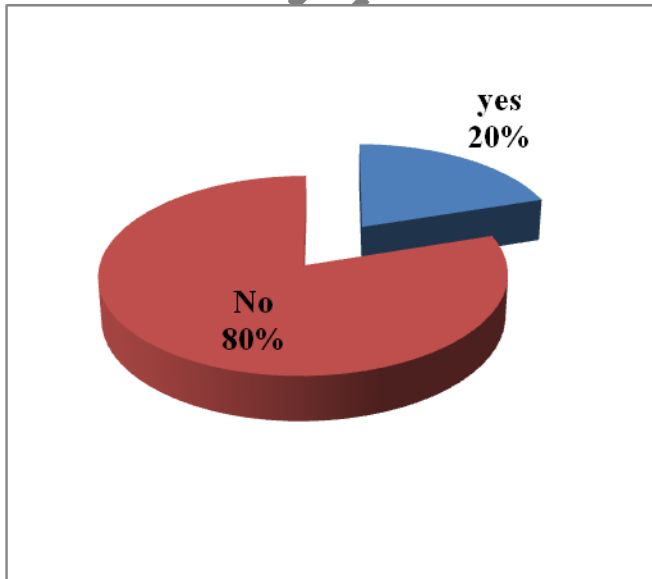
**Table 4. 3 Linear Regression Coefficients for Quality of Goods**

Model	Unstandardized coefficients		Standardized Coefficient	T	Sig
	B	Std.Error	Beta		
(Constant)	1.961	.237		8.285	0.000
Quality of Goods and Services	.301	.011	.927	26.203	0.000



#### 4.4 Influence of Cost of Goods and services on Procurement Process

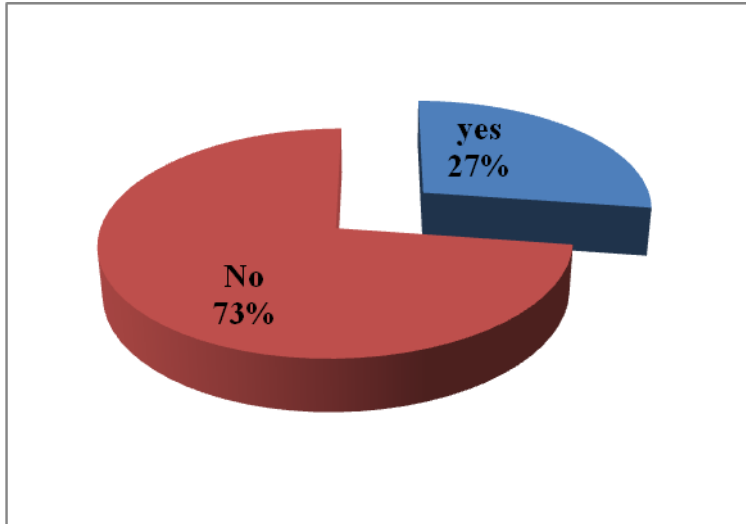
The second objective of the study was to analyze the effect of open tendering on the cost of goods and services in the procurement process of public secondary school. The committee members were supposed to indicate whether, they always accept the lowest bidder in the procurement process. Figure 4.2 present the results where 20% of the respondents indicated that they do not always accept the lowest bidder while 80% of the respondents indicated that they do always accept the lowest bidder.



**Figure 4. 2 Lowest bidder acceptability**

Further, the study sought to investigate whether, there is any justification provided for rejecting the lowest bidder. Figure 4.3, 27% of the respondent indicated that they always provide justification while 73% do not provide justification. It follows therefore that while

the schools procure goods and services from the cheapest suppliers, they do not always provide any justification for not accepting the lowest bidder.



**Figure 4. 3 Justification for Rejection of Lowest Bidder**

#### **4.4.1 Bivariate Linear Regression of Cost of Goods on Procurement Process**

When the mean score of the cost items were regressed on the procurement process the Model summary as represented in Table 4.4 was generated. The table show  $R^2 = 0.87$ . Further the regression coefficient as represented in Table 4.5 shows a  $\beta$  value of .369 and significance level of 0.000. These statistics shows that there was a relationship between open tendering and cost of goods procured by secondary schools. Further it implies 87% of variation of costs of good in procurement process is accounted for by open tendering.

**Table 4. 4: Model Summary for cost of the Goods**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.935	.874	.873	.881

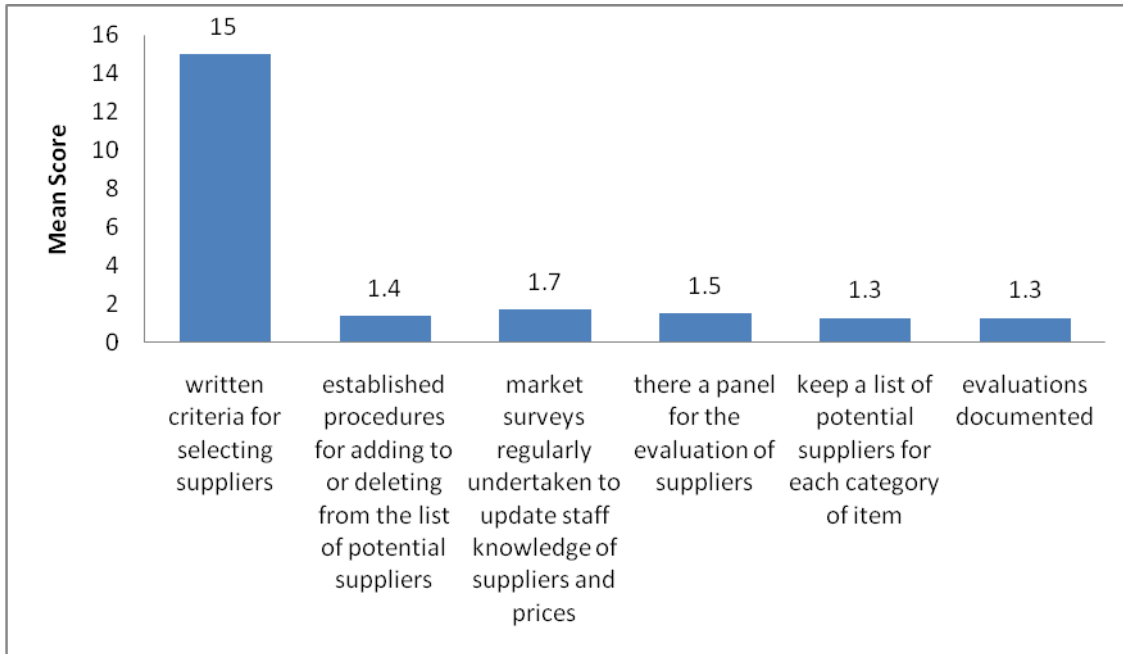
a Predictors: (Constant); Cost of goods

**Table 4. 5 Linear Regression Coefficient for Cost**

Model	Unstandardized coefficients		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
(Constant)	.061	.288		.213	.831
Cost of Goods	.368	.013	.935	27.88	.000

#### 4.5 Effect of Accountability on Procurement Process

The third objective of the study was to assess the effect of open tendering system on the accountability in the procurement process of Public Secondary Schools in Nyeri sub-county. The schools committee members were required to indicate whether they undertake procedures to ensure accountability. Figure 4.4 present the results which shows that market survey was the one of the accountability procedure undertaken by most schools. Market survey had mean score of 1.7. The second most carried out procedure was formation of a panel to evaluate suppliers with a mean score of 1.5. The least accountability procedure carried out by schools was documenting the evaluations. These findings reveal therefore that schools mostly use market survey to update the members of the tendering committee on the prevailing prices so that they make informed decisions



**Figure 4. 4 Accountability Responses**

#### **4.5.1 Bivariate Linear Regression of Accountability on Procurement Process**

The mean score of the accountability items were regressed on the procurement process the Model summary as represented in Table 4.6 was generated. The table show  $R^2 = 0.792$ . Further the regression coefficient as represented in Table 4.7 shows a  $\beta$  value of .242 and significance level of 0.000. The statistics indicate that there was a relationship between open tendering and accountability of secondary schools. Further, it implies that 79% of the variation of the accountability in the procurement process is accounted for by open tendering.

**Table 4. 6: Model Summary for Accountability**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890	.792	.790	1.131

a Predictors: (Constant), Accountability

**Table 4. 7: Linear Regression Coefficient for Accountability**

Model	Unstandardized coefficients	Standardized Coefficient	t	Sig
	B	Beta		
(Constant)	2.684		10.082	0.831
Accountability	.242	.890	20.52	0.000

#### 4.6 Influence of Suppliers' Confidence on Procurement Process

The fourth objective was to evaluate the influence of Open tendering system on the suppliers' confidence in the procurement process of Public Secondary Schools in Nyeri Central Sub-County. Table 4.8 presents the results which indicate that 20% of the participating suppliers indicated that tenders of public secondary constitutes less than 10% of their business volume while 17%, indicated that school tenders account for 11-20% of their business. However, none of the participant indicated school tenders constitute more than 95%. This implies that school tenders constitutes up to 40% of business to 50% of the respondent as shown in table 4.8. These findings reveal that the school suppliers have reasonable experience in supplies

required by the schools and can easily source goods and services as per the specification required.

**Table 4. 2: Percentage of Public Schools Tenders**

Percentage of Public School Tenders	Frequency	%
Less than 10	15	20
11-20	13	17
21-30	10	13
31-40	7	9
41-50	8	11
51-60	3	4
61-70	9	12
71-80	4	5
81 – 90	2	3
91-95	5	7
More than 95	0	0
<b>Total</b>	<b>76</b>	<b>100</b>

The suppliers participating in the study indicating that they supply building materials, books and stationeries, food stuffs, laboratory chemicals and equipment. As Shown in the Table 4.9, 30% of the suppliers supply foods stuffs, 28% supply books and stationeries, 24% supplies laboratory chemicals and equipment and 18% supplies building materials. This implies that secondary schools do business with suppliers mostly for food stuff, books and stationeries.

**Table 4. 3 Supplies to School**

<b>Supplies to Schools</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Building Materials	14	18
Books and stationeries	21	28
Food Stuffs	23	30
Laboratory Chemicals and Equipments	18	24
<b>Total</b>	<b>76</b>	<b>100</b>

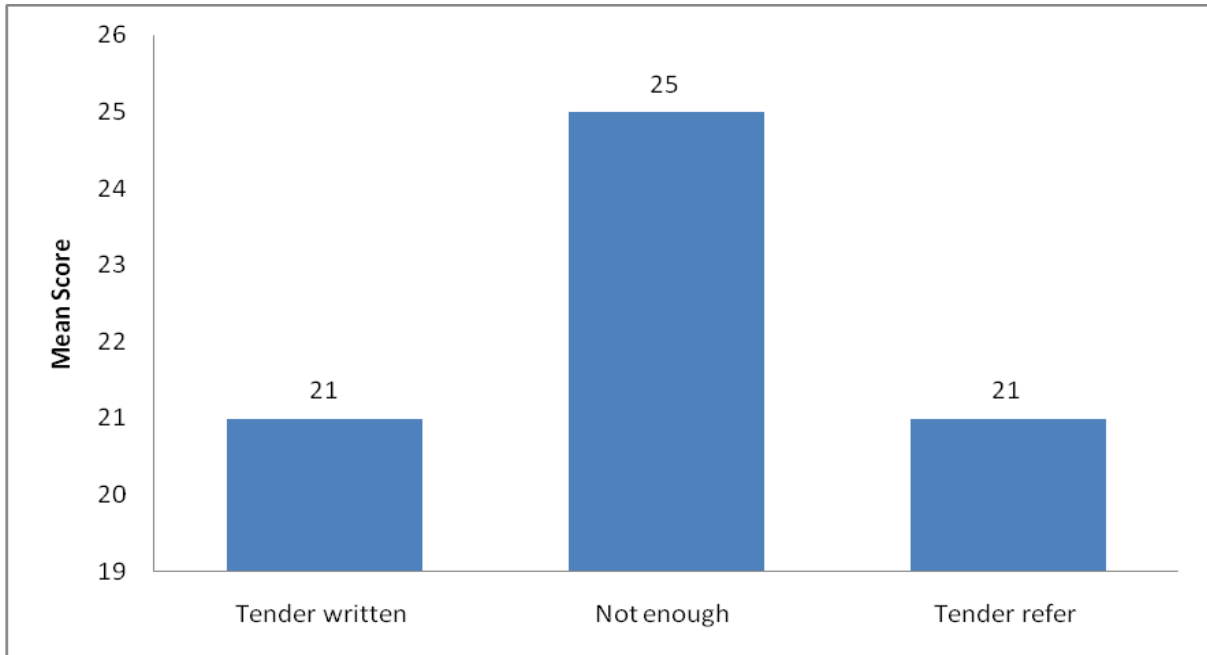
The suppliers' confidence was measured by how suppliers come to learn about the information about secondary schools' tenders. As presented in Table 4.10, 32% of the suppliers indicated that they learn about secondary school tenders through local newspaper. However, the most important source of information was other publically available tender sources such as the Ministry of Education. Such information is normally available on the notice boards within the premises of the ministry of education. The least source of information was through engagement with secondary procurement committees where only 8% of the respondents indicated the committees' members as the source of information for secondary schools tenders. The findings therefore reveal that information of secondary schools' tenders are fairly publicly available thus reducing chances of corruption which in turn boosts the suppliers' confidence.

**Table 4. 4 Sources of Tender information**

<b>Sources of tender information</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Through local newspapers	24	32
Through other publically available tender sources (e.g. Ministry of Education)	34	45
Through a network of other suppliers	12	16
Through direct engagement with secondary procurement committees	6	8
<b>Total</b>	<b>76</b>	<b>100</b>

The suppliers' confidence was also measured by the ease with which information on tenders is user friendly. The suppliers were asked whether the tender information provided by the secondary schools target specific suppliers or brands. Further, the respondents were to indicate whether the tender information contains enough detail in terms of technical specifications to enable suppliers provide required goods and services. According to the findings, suppliers indicated that there was no enough provision of enough technical specification that may allow them to provide required goods and services. This particular item had the highest mean score of 2.5. However, the respondents indicated that tenders were not necessarily in favor of a certain brand. This particular item had a mean score of 2.1. Further, the suppliers indicated some of the tenders were in favor of specific suppliers as shown in figure 4.5. The findings therefore reveals that the suppliers' confidence is to the procurement process was mostly affected by the technical information provided by the schools. Lack of enough information makes it difficult for the suppliers to source and provided the required goods and services.





**Figure 4. 1 Tender Information**

#### **4.6.1 Bivariate Linear Regression of Suppliers Confidence on Procurement Process**

The mean score of the supplier confidence model items were regressed on the procurement process the results were represented in Model summary in Table 4.11 was generated. The table show  $R^2 = 0.920$ . Further the regression coefficient as represented in Table 4.12 shows a  $\beta$  value of .368 and significance level of 0.000. The statistics indicate that there was a relationship between open tendering suppliers confidence in the procurement process in the secondary schools. Further, it implies that 92% of the variation of suppliers' confidence in the procurement process is accounted for by open tendering.

**Table 4. 5 Model for Suppliers**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956	.920	.919	.700

**Table 4. 6 Linear Regression Coefficient of Suppliers Confidence**

Model	Unstandardized coefficients	Standardized Coefficient	t	Si g	
	B	Std.Error	Beta		
(Constant)	.760	.205		3.711	0.000
Suppliers confidence	.386	.010	.959	35.939	0.000

#### 4.7 Effect of Open Tendering on Procurement Process Characteristics

In order to assess the combined effect of Open Tendering characteristics on procurement process, the weighted scores of the study independent variables were regressed on the weighted scores of procurement process and a multiple linear regression model was generated. The results of the regression are presented in Table 4.13. The result shows that  $\beta$  value of the regression model was lower than those of  $\beta$  value when each of the variables is considered singly. The regression model summary is presented in Table 4.13 the model shows that 95.7% of effectiveness of the procurement process was accounted for jointly by the quality of goods and services practices used by secondary schools, costing practices, accountability practices and suppliers' confidence.

**Table 4. 7 Model Summary for the effect of open Tendering on Procurement Process**

Model	R	R square	Adjusted R square	Std Error of the Estimate	R Square change	F change	df1	df2	Sig. F change
1	.978	.957	.955	.523	.957	601.822	4	109	.000

The model shows that quality of goods practices, cost of goods practices, suppliers' confidence and accountability practices were important factors of the open tendering that influence the effectiveness of the procurement process. The model had significance value of 0.00 which indicates that these are important practices as far as effectiveness of the procurement process is concerned. As shown in the Table 5.4, accountability had the highest  $\beta$  value of 0.177, which implies that ensuring that practices that brings about accountability the most important factor as far as effectiveness of the procurement process is concerned. Ensuring the quality of goods and services practices had a  $\beta$  value of .036 and had the least influence on the effectiveness of procurement in secondary schools. Quality of goods and services had a  $\beta$  value of .086, cost of goods had  $\beta$  value of 0.086.

**Table 4 8 Linear Regression Coefficient of the Effect of Open Tendering on Procurement Process**

Model	Unstandardized Coefficient	Std Error	Standardized Coefficient	t	Sig
(Constant)	.447	.176	Beta	3.101	.002
Quality of goods	.086	.023	.217	3.777	.000
Cost of Goods	.036	.013	.132	2.685	.008
Accountability	.067	.019	.207	3.524	.001
Suppliers Confidence	.177	.023	.462	7.760	.000

Thus the study's model was as follows

$$Y = 0.447 + 0.086 X_1 + 0.036 X_2 + 0.067 X_3 + 0.177 X_4 + 0.176$$

Where 0.447 represent the value of the procurement process which is practiced by secondary schools without considering open tendering.

Y=The effectiveness of procurement process

X<sub>1</sub>= quality of goods and services

X<sub>2</sub> = Cost of goods and services

X<sub>3</sub> = Accountability

X<sub>4</sub> = Suppliers Confidence

## CHAPTER FIVE

### SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter provides the summary of the findings as discussed in chapter four. It was also draw conclusions based on the findings as per the objectives of the study. The objectives of the study were to; Analyze the effectiveness of open tendering on the quality of goods and services procured by Public Secondary Schools in Nyeri Central Sub- County; Examine the influence of Open tendering system on the cost of goods and services procured by Public Secondary Schools by secondary schools; Assess the effectiveness of open tendering in ensures accountability in procurement of goods and services by Public Secondary Schools ; Evaluate the suppliers' confidence in the Open tendering procurement system used by of Public Secondary Schools.

#### 5.2 Summary of the Findings

##### 5.2.1 What is the Effect of Quality of Goods and Services on Procurement Process in Public Secondary Schools in Nyeri Sub-county?

To assess the effect of quality of goods and services on procurement process,the respondents were required to indicate the procedures used to determine quality of goods and services on the procurement process. Schools ensure they have manual of procedures of equipments bought by the schools. This was the commonly used method of ensuring quality of goods by secondary school. The respondent also indicated that goods and services are supplied as per

the specifications as per letter of award. All accessories and spare parts are provided. The least performed procedure was always ensuring quality and quantity are correct.

### **5.2.2 What is the Effect of Cost of Goods and Services on Procurement Process in Public Secondary Schools in Nyeri County?**

To assess the effect of the cost of goods and services on procurement process, the respondents were required to indicate the procedures used to determine the cost of goods and services. The findings of this study showed that there is a statistical significance of cost of goods and services on procurement process in Public Schools in Nyeri County. Schools pick on the lowest bidder as means of controlling the cost of the goods and services procured. In case the lowest bidder was not accepted the schools have to provide justification for the rejection.

### **5.2.3 What is the Effect of Accountability on Procurement process in Public Secondary Schools in Nyeri Sub- County?**

To assess the effect of accountability on procurement process, the respondents were required to indicate the procedures used to determine Accountability on the procurement process. Market survey was the one of the accountability procedure undertaken by most schools. The second most carried out procedure was formation of a panel to evaluate suppliers. The least accountability procedure carried out by schools was documenting the evaluations. These findings reveal therefore that schools mostly use market survey to update the members of the tendering committee on the prevailing prices so that they make informed decisions.

#### **5.2.4 What is the Effect of Suppliers Confidence on Procurement Process in Public Secondary Schools in Nyeri Sub-County?**

To assess the effect of the suppliers' confidence on procurement process, the respondents were required to indicate the procedures used to determine the suppliers confidence on the procurement process. The participating suppliers carries a substantial amount of business with the schools. The study revealed that suppliers learn about secondary school teachers through local newspaper. However, the most important source of information was other publically available tender sources such as the Ministry of Education. The least source of information was through engagement with secondary procurement committees where.

#### **5.3 Discussion**

Secondary schools in Nyeri central- Sub- County practice Open tendering as required by the Procurement Act 2010. However, the schools fail to observe critical procedures as required such as advertisement of tender, documentation of the evaluation process and failure to justify rejection of the lowest bidder. This confirm Transparency International (2007) observation that single sourcing of goods, services and works remains a common practice among some schools; while in others, school heads collude with their Boards and political leaders to subvert procurement and tendering procedures.

In terms of cost schools always accept lowest bidder, however some schools indicated they do not necessarily accept the lowest bid. While the Kenya Gazette Supplement No. 92, 2006, state that procuring entities should advertise contracts where the lowest bidder in terms of

price will be accepted. Reddy and Berger (1983) observes that the lowest bidder should not always be deemed qualified to perform the contract. Though rejection of the lowest bidder should be justified, the findings reviewed that most schools do not justify such action.

Gaining suppliers confidence to the procurement process is one of the intention of open tendering. Participating suppliers in Nyeri secondary schools were found to supply food stuff stationeries laboratory chemicals and building materials. The major concern of the suppliers is lack of enough technical specification information that may allow them provide required goods and services. As such the suppliers have to refer to the schools for more information. This confirms that Public Procurement Oversight Authority (2007) observation that suppliers' confidence can be affected by unfamiliar regulations, unfavorable conditions set for participation among others.

#### **5.4 Conclusion of the Study**

In conclusion secondary school in Nyeri practice Open tendering in procuring goods. However they do not necessarily follow the laid down procedure as required by the Procurement Act 2010. While the schools avail information through advertisement, use of informal means such notice boards or consulting the tender committee is still being used by the schools. The quality of goods and services is also not always confirmed as required. It therefore follows that introduction of the Open tendering have not adequately improved accountability or improved the quality of goods and services.



### **5.5 Recommendation of the Study**

- i. In cases where the school tendering committees don't award tenders to the lowest bidder justification of rejection of the lowest bidder should be provided.
- ii. Adherence to procurement regulations should be strengthened to ensure single sourcing of goods, services and works is not commonly practiced among some schools without any justification.
- iii. For suppliers to gain confidence with the system enough technical specification information should be provided for the required goods and services.
- iv. The study suggests a further research in the challenges that hinder the implementation of open tendering by public institution.

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