



TRANSPARENCY AND PROCUREMENT PERFORMANCE IN LOCAL GOVERNMENT INSTITUTIONS IN UGANDA

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Abstract:

A critical necessity for effective competitive selection is that the procurement process must be clear and visible to all stakeholders. This transparency is crucial as it fosters confidence among potential bidders across different levels, ultimately enhancing procurement performance. This research aimed to assess how transparency impacts the procurement performance of local government institutions. The study utilized a case study design and employed purposive and simple random sampling methods to select 80 respondents from Moyo District Local Government (MDLG). Qualitative data was analyzed through content analysis, while quantitative data was assessed using descriptive statistics and a multiple regression model. Findings indicated that publication of procurement plan and budget was significant at $\beta=0.258$, $P<0.05$. Access to key procurement information was significant at $\beta=0.193$, $p<0.05$. Open communication was also significant at $\beta=0.169$, $p<0.05$. The study concluded that ensuring transparency while conducting procurement processes improves performance in terms of cost optimization and purchase of quality products which are delivered on time. The study recommended MDLG to provide timely and sufficient information to the public and other stakeholders most especially about upcoming contracts and status of ongoing procurement processes through publication on public notice boards and online government procurement portals for easy accessibility.

Keywords:

Transparency; Procurement; Performance of procurement; Local Government Authorities; Uganda

1. Introduction

Transparency plays a pivotal role in enabling decision-makers and stakeholders to make well-informed choices regarding the cost, quality, and socio-economic and environmental impact of planned projects (Korir, 2015). According to United Nations Office for Projects Services [UNOPS] (2011), these elements include the release of procurement policies, advance publication of procurement plans, advertising of tender notices, and the disclosure of assessment criteria in tender documentation. developing accurate and effective grievance redressal channels; requiring public procurement authorities to disclose their financial and conflict of interest; posting supplier penalty lists and publication of procurement contracts and amount paid are all examples of procurement transparency (UNOPS, 2011). As per Cheseto et al. (2019), the procurement process should prioritize safeguarding integrity, preventing any misconduct, and promoting informed decision-making. This necessitates that public entities make decisions grounded in dependable data and ensure that all requirements are fulfilled.

According to the Organisation for Economic Co-operation and Development [OECD] (2013), it is crucial for public procurement entities to openly disclose the selection criteria and the complete details of the awarding process well in advance of commencing procurement. In cases where an open and competitive tendering process is not employed,

these entities should publicly justify their decision to prevent manipulation of the decision-making process (OECD, 2013). In many instances, individuals involved in the procurement process may not be satisfied with the status quo. Therefore, the greater the transparency in identifying who is making purchases or approvals, the easier it becomes to pinpoint areas where cost savings and efficiency improvements can be achieved (Precoro, 2019). On the contrary, a lack of transparency in public procurement obstructs these objectives and limits opportunities to fully capitalize on the benefits of public procurement (Kaspar & Puddephatt, 2012). Consequently, transparency plays a significant role in enhancing accountability and elevating performance. As the saying goes, opportunity breeds misconduct, and transparency ensures there is always oversight.

In general, public procurement accounts for approximately 13% to 20% of a country's GDP, as indicated by World Bank data in 2020. Moreover, global spending on procurement is estimated to be nearly 9.5 trillion US dollars. Concurrently, according to the United Nations Office on Drugs and Crime, corruption can result in the loss of 10% to 25% of the total value of a public contract (United Nations [UN], 2013). Given the immense financial resources involved, public procurement is undeniably susceptible to various forms of misconduct in the procurement process (Morgner & Chêne, 2014). Hence, effective management of the public procurement sector, combined with increased transparency, becomes imperative for fostering economic growth and enhancing shared prosperity for all, as emphasized by the World Bank in 2020.

Many governments have taken significant steps to enhance the transparency and accessibility of government procurement data to the general public. For instance, Tanzania has initiated the implementation of a new e-procurement system, while Uganda is actively working on adopting the Open Contracting Data Standard (OCDS) and is in the process of launching its own e-procurement system (Adam, 2019). In both of these countries, the key drivers of public procurement transparency are the respective public procurement agencies: the Public Procurement Registry Authority (PPRA) in Tanzania and the Public Procurement and Disposal of Public Assets Authority (PPDA) in Uganda (Adam, 2019). The availability of procurement data to the public serves as a means to monitor processes and assess the delivery of goods and services, enabling the identification of issues such as corruption, mismanagement, fraud, inefficiencies, or contract violations. This transparency not only saves governments time and money but also reduces barriers for smaller businesses looking to participate in procurement opportunities (OECD, 2014). Consequently, transparency encourages citizen engagement, fosters greater accountability, and contributes to the fight against corruption, all of which collectively strengthen governance (Tejedo-Romero & Araujo, 2018).

Efforts to improve transparency have recently switched from the national to the local level. Increasing local transparency has been identified as a critical component in addressing some of the barriers to long-term development (Adiputra, Utama, & Rossieta, 2018). While transparency in public administration is a widely supported principle, the spotlight has predominantly been on national and provincial governments, often overlooking the importance of transparency at the local government level (Galera et al., 2014). Nonetheless, at the local level, the availability and accessibility of public information play a pivotal role in shaping the public's perception of government transparency (Armstrong, 2011). It's essential to recognize that local governments hold substantial administrative, legislative, and adjudicative authority within their jurisdictions, making them a significant component of government (Araujo & Tejedo-Romero, 2016).

2. Methodology

The study chose a case study design as it aimed to conduct a thorough investigation into the relationship between transparency and procurement performance. This approach was selected to obtain deeper insights into the variables under examination. The design was relevant since it allows gathering and analyzing data for further understanding (Namukasa, 2017). The study was conducted in Moyo District Local Government since it was one of the local government entities in Uganda highlighted by the PPDA Audit report (2018) with high level of malpractices and irregularities in the procurement process. Structured and semi-structured questionnaires were administered to a total of 80 respondents comprising of 10 members of the procurement unit, 10 accounting personnel, 13 user department members, 10 stores unit workers, 8 contracts committee members, 18 community leaders and 11 contractors selected from across Moyo Town Council and the five Sub-Counties of MDLG including Lefori, Metu, Moyo, Laropi, and Difule respectively using purposive and random sampling techniques. From the 80 questionnaires administered, 77 questionnaires were filled up indicating that a 96.3% response rate was attained.

Variable constructs were measured using a Five-point Likert scale coded such that SA meant Strongly Agree, A meant Agree, NS meant Not Sure, D meant Disagree and SD meant Strongly Disagree ranging from 5, 4, 3, 2 and 1 respectively. Some of those literature reviewed (Kaspar & Puddephatt, 2012; Korir, 2015; Cheseto, Gudda & Mbuchi, 2019) identified early publication of procurement plans and budget, easy access to key procurement information and open communication by implementing suitable and timely mechanisms for lodging complaints, protests, or resolving disputes as transparency dimensions in public procurement. These were thus adopted in this study as the predictor variables while the outcome variables were cost optimization, quality procurements and timely deliveries as identified by Ahmadi et al. (2018) and Hamza et al. (2016).

The qualitative data underwent coding and analysis through content analysis, while the quantitative data was assessed using descriptive statistics. Further, multiple regression model was employed to assess the statistical relationship and change influenced by transparency to performance of procurement. According to Kothari (2004), multiple regression analysis helps to establish whether there is any cause-and-effect relationship between one variable on one side and two or more variables on the other side, of what degree and in which direction, thus this model was relevant in testing the relationship between the variables. The model was run using the formulae;

$$Y = \beta_{(0)} + \beta_{(1)} X_{(1)} + \beta_{(2)} X_{(2)} + \beta_{(3)} X_{(3)} + e_i$$

Where;

Y = Procurement Performance

β_0 = Constant/Y-intercept.

$\beta_1, \beta_2, \beta_3, \beta_4$ = Slopes of regression equation

$X_{(1)}$ = Publication of procurement plan

$X_{(2)}$ = Access to key procurement information

$X_{(3)}$ = Open communication

e_i – error term at 95% confidence level.

2.1. Reliability and validity of data

Both validity and reliability were tested. Content validity was assessed using the Content Validity Index (CVI), and the reliability of the measurements was evaluated using Cronbach's Alpha Coefficient. The results presented in Table 1 indicate that the research instrument demonstrated reliability, with items relevant to the study, as evidenced by the Content Validity Index exceeding the acceptable threshold of 0.7 (Kothari, 2004). Furthermore, all variables displayed Cronbach's alpha coefficients above 0.7, indicating that the instrument was capable of yielding consistent results, in line with the assertion made by Burns and Burns (2012).

Table 1: Validity and reliability test

Variable	Content Validity Index	Cronbach's Coefficient Alpha	Number of items
Procurement Performance	0.851	0.781	3
Transparency	0.842	0.826	3

3. Findings and Discussion

Respondents were requested to express their degree of agreement or disagreement through statements generated on the study variables. It was measured using mean score index adopted from Linyiru (2015) where a mean score closes to 0 to 2.5 showed disagreement, 2.5 to 3.4 represented a neutral stand while one from 3.5 to 5 showed agreement with the issue being discussed. From results obtained in Table 2, an average mean value of 3.4762 and standard deviation 1.31811 were obtained for all the statements on transparency showing that the influence of transparency on performance of procurement was to a moderate extent.

Table 2: Influence of transparency on procurement performance (n=77)

Statement	Mean	Standard Deviation
1. Timely publication of procurement plans and budgets for public access.	3.3247	1.38071
2. Access to key procurement information by the public	3.8701	1.15109
3. Open communication between the entity and the community to promote competition in tendering process	3.2338	1.42253
Average	3.4762	1.31811

2.2. Relationship between transparency and procurement performance

A multiple regression analysis was carried out to investigate whether Publication of procurement plan, access to key procurement information, and open communication could significantly affect performance of procurement. It was found that 94.8% variation in Procurement Performance at MDLG can be explained by transparency (publication of procurement plan, access to key procurement information and open communication) as shown by the value of $R^2 = 0.948$ as presented in table 3. From table 3, it was found that the model was significant in linking Procurement Performance with the predictor variables publication of procurement plan, access to key procurement information, and open communication, $F(3,73)=329.131$, $p=0.00$. While publication of procurement plan ($\beta = 0.258$, $p<0.05$), access to key procurement information ($\beta = 0.193$, $p<0.05$) and open communication ($\beta = 0.169$, $p>0.05$) all contributed significantly to the model with P values less than 0.05 ($P<0.05$). The final predictive model was:

$$Y=1.893+ 0.258 \text{ [(PPP)] } _1+0.193 \text{ [(AKPI)] } _2+0.169 \text{ [(OC)] } _3+e_i$$

Table 3: Model Summary, Anova and Regression Coefficients

MODEL SUMMARY						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
	0.974 ^a	0.948	0.945	0.18905		
ANOVA						
		Sum of squares	df	Mean Square	F	Sig.
Regression		47.052	3	11.763	329.131	0.000
Residual		2.573	73	0.036		
Total		49.625	76			
COEFFICIENTS						
		Unstandardized coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
(Constant)		1.893	0.088		21.416	0.000
Publication of Proc plan		0.258	0.061	0.441	4.204	0.000

Access to Proc Info	0.193	0.069	0.275	2.801	0.007
Open communication	0.169	0.082	0.237	2.055	0.043

a. Dependent Variable: Procurement Performance

b. Predictors: (Constant), Publication of procurement plan, Access to proc information, open communication.

Results obtained from the regression analysis in table 3 showed that publication of procurement plan, access to key procurement information and open communication all had a positive and significant relationship with Procurement Performance at MDLG. This result aligns with a study conducted by Michael (2013), which emphasized that stakeholders involved in the procurement process should have the ability to perceive and understand the procurement procedures. This transparency helps instil confidence among bidders, assuring them that the procurement process adheres to established guidelines and regulations. This will thus result in whoever is capable participating once a tender is advertised as they are assured of a transparent selection process.

As outlined by Singleton (2014), one of the fundamental prerequisites for a competitive selection process is its transparency. This means that all participants in the process, including bidders and project sponsors, should possess comprehensive knowledge of the procedural rules and should be capable of easily ascertaining whether these rules are being adhered to. However, the PPDA integrity report (2018) points out that although procurement reforms have generally improved transparency, during the evaluation stage, bidders are often left uninformed about the criteria employed in the selection process, and the evaluation report is not typically shared with competitors. This observation aligns with statements from key informants who also noted this issue

“...Sometimes I think information regarding the tendering process is only given to few and specific suppliers because some of us are always in dilemma of what is going on and what to expect. I wish the district authorities would work on improving the means of disseminating necessary information so that it is easily accessible to whoever needs to access them...” (MDLG, 02 July, 2021).

Waruguru (2015) elucidated that there is a significant and increasing demand for transparency in democratic societies, where people assert their right to access government information. Transparency is viewed as a practical means to combat corruption by encouraging citizen vigilance. However, it's often the case that government agencies only provide limited information for public access, which restricts the availability of necessary information. This discovery is consistent with a statement from one of the key informants.

“...Transparent procedures help people to know whether what is being done is right or wrong, but here it is quite difficult since almost every procurement information is classified confidential so you just settle for whatever information that is availed to you since most of the times you will not be given the information you're looking for even if you request for it...”(MDLG, 13 July, 2021).

Transparency literature suggests that organizations should embrace transparency as a means to enhance trust and, consequently, improve performance. However, it's worth noting that some scholars advise caution, highlighting potential drawbacks of transparency, including privacy breaches, the direct cost of disclosure, and the exposure of sensitive information (Waruguru, 2015). Therefore, robust procurement systems, emphasizing principles like transparency and publicity, play a pivotal role in effectively promoting transparency and accountability throughout the purchasing and supply processes, ultimately enhancing overall procurement performance (Luketero, 2016).

4. Conclusion and Recommendations

The study aimed to investigate how transparency affects the procurement performance of local government institutions, with a specific focus on MDLG as a case study. The study found that timely publication of procurement plans, access to key procurement information and open communication during tendering process all significantly influenced performance of procurement. From the interviews, the study found that the public and stakeholders in MDLG find it quite a challenge getting access to key procurement information as publication of the required information is hardly done by the entity. This according to some respondents was attributed to the fact that most

procurement information is considered to be confidential so sometimes information is only given to a few and specific people hence the level of transparency in the selection process is limited. It was therefore concluded that ensuring transparency while conducting procurement processes improved performance in terms of cost optimization and purchase of quality products which are delivered on time.

The study recommended MDLG to provide timely and sufficient information to the public and other stakeholders involved in the procurement process most especially about upcoming contracts and status of ongoing procurement processes through publication of such information on public notice boards and online government procurement portals for easy accessibility. The study will have implications to local government institutions, the PPDA in Uganda, regulatory agencies and other government agencies involved in public procurement activities. Others who can benefit from this study and use it as a source of knowledge are, policy makers, researchers and scholars with interests in public procurement.

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