

FACTORS AFFECTING PUBLIC PROCUREMENT OF HOSPITAL SUPPLIES IN PUBLIC HEALTH INSTITUTIONS IN KENYA

A CASE STUDY OF KISII TEACHING AND REFERRAL HOSPITAL, KENYA

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Abstract

Procurement of supplies in public hospitals has faced constraints that affect service delivery. The purpose of the study was to assess the factors affecting public procurement in public health institutions. The specific objectives of the study were to establish the effect information communication technology, internal ethical issues and accountability on procurement. The study was guided by the quality management theory in procurement, procurement capability reviews assessment model and the agency theory. This being a case study, descriptive survey design was adopted. The population for the study was 183. A stratified random sample of 55 respondents forming thirty per cent sample as suggested by Kothari (2003) was used to represent the population. Data was collected from the field using questionnaires and interview guides. The collected data was analyzed using descriptive statistics. The findings revealed that there is 60% relationship between factors affecting public procurement and suppliers of hospital.

Keywords: Public procurement, Supplies, quality management, Hospitals, accountability

INTRODUCTION

The term public procurement refers to a contract between public entity and private companies. The public procurement contracts are regulated by the Public Procurement Act, which specifies the rules under which the public procurement should be performed and sets conditions of award procedures of public contracts. The quality of execution of the award procedure influences the

efficiency and the transparency of the contract. Kovacs (2004) defined procurement procedures as the guidelines for or means of acquiring of appropriate goods and /or services at the best possible cost to meet the needs of the organization in terms of quality, quantity, time and location. Providing health facilities with drug and medical supplies is a very complex process that involves a large variety of actors from both the private and public sectors. Government's health ministries often lack the management skills required to write technical specifications, supervise competitive bidding, and monitor and evaluate the contract performance. Corruption can occur at any stage of the process and influence decisions on the model of procurement (direct rather than competitive), on the type and volume of procured supplies, and on specifications and selection criteria ultimately compromising access to essential quality medicines (Smith, 1990).

According to health sector performance report 2013 and 2014 health institutions are ailing from shortage of drugs or holding on expired drugs. Health centres and dispensaries are hardly stocked with the recommended medicines. It indicates that high rate of expired drugs in dispensaries and other public hospitals indicates poor planning and high wastage of public resources in the counties this affects efficient delivery of quality services. Procurement is an important part of efficient management and supply and wastage is critical for all of level care institutions. An effective procurement process ensures the availability of the right Medicals in the right quantities, available at right time for the right patient and at the right prices and at recognizable standards of quality (WHO, 2007).

The health system in Kenya is organized and implemented through a network of facilities organized in a pyramidal pattern. The network starts from dispensaries and health clinics/ posts at the bottom, up to the health centers, sub-district hospitals, district hospitals level 4, provincial general hospitals level 5 and at the apex there is the Kenyatta National Hospital. The Ministry of Health (MoH) is the major financier and provider of health care services in Kenya. Out of all the health facilities in the country, the MoH controls and runs about 52% while the private sector, the mission organizations and the Ministry of Local government runs the remaining 48%. The public sector controls about 79% of the health centers, 92% of the sub-health centers. Country Procurement Assessment Report (CPAR), prepared by a team of Government officials, World Bank and donor staff, and national consultants, reveals substantial inefficiency in public procurement and concludes that the principle of "value for money" is not achieved. This is true for both governments financed and donor financed procurement. The main findings of the 2002 Country Portfolio Performance Review of World Bank projects also reviewed slow project implementation and disbursement among other factors due to, a large extent of inadequate procurement planning, non-transparent procurement procedures and poor contract

management in 60% of the dispensaries. The NGO sector is dominant in health clinics, maternity and nursing homes controlling 94% of the total while also controlling 86% of the medical centers in the country (CBS, 2004).

Statement of the Problem

Despite the Public Procurement and Disposal Act 2005 being in place with an aim of guiding the procurement function in public institutions, specific internal procurement factors affect the efficiency of the procurement process. Country Procurement Assessment Report (CPAR), prepared by a team of Government officials, World Bank and donor staff, and national consultants, reveals substantial inefficiency in public procurement and concludes that the principle of “value for money” is not achieved. As indicated in the health sector performance report 2013-2014, hospitals in Kenya are grappling as Kenyans especially the poor suffer from Medical stock-out, Medical wastage or lack of prescribed drug in public hospitals (Gatonye 2015). This is a major challenge since all recommended commodities must be available in all facilities at all times for effective delivery of quality services. The management of public procurement function is vested in the hands of all stakeholders involved throughout the implementation of the procurement cycle (PPOA, 2009). These stakeholders include: Supply chain management officers, Authority to Incur Expenditure (AIE) holders, Suppliers, Finance, Audit, Development Officers and Technical Support Staff. Effective management of the function would require joint or collaborative efforts of all of these stakeholders. Study done by Ngugi and Mugo 2014 surveyed internal factors affecting procurement process of supplies in government ministries and gave generalised finding. This will be a case study of Kisii Teaching and Referral Hospital to establish the internal factors affecting the procurement of hospital supplies.

General Objective

To evaluate factors affecting public procurement of hospital supplies in public health institutions, a case of Kisii Teaching and Referral Hospital.

Specific Objectives

1. To establish the effect of information communication technology (ICT) on procurement of hospital supplies at Kisii Teaching and Referral Hospital
2. To find out the effects of ethics on procurement of hospital supplies at The Kisii Teaching and Referral Hospital.
3. To establish the effect of accountability procedures on procurement of hospital supplies at The Kisii Teaching and Referral Hospital.

4. To establish the effect of operating procedures on procurement of hospital supplies at the Kisii Teaching and Referral Hospital.

EMPIRICAL LITERATURE

Accountability is government's obligation to demonstrate effectiveness in carrying out goals and producing the types of services that the public wants and needs (Segal and Summers 2002). Lack of accountability creates opportunities for corruption. 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; watchdog organizations, health boards or other civic organizations to demand explanation of results; performance incentives to reward good performance; and sanctions for poor performance. In South Africa, a district health planning and reporting system was used to improve management control and hold government agents accountable for their decisions. By combining financial and service data, the reporting system drew attention to clinics and programmes that had unusual indicators, and helped officials to explore root causes for performance differences, including possible corruption (Vian and Collins 2006).

ICT adoption government officials and elected leaders have increasingly come to realize that public agencies must utilize ICT in order to enhance the procurement processes in the public sector. Faced with tight budgets and a retiring workforce, today's government agencies are operating in an environment defined by the need to 'do more with less'. Public authorities are expected to provide excellent service to their constituents in an effective and transparent manner, all the while working under constant resource constraints by adopting ICT (Hagén, and Zeed, 2005). In order to meet today's operating challenges, regional and local governments are turning to ICT to enhance the services for residents, businesses and visitors, and improve internal efficiencies by lowering costs and increasing productivity. Public authorities are implementing scalable communication infrastructures to promote economic development, attract new businesses and residents, and above all, provide excellent service to constituents (Abouzeedan and Busler, 2002). From a business perspective, implementing scalable communication infrastructures such as wide area networks (WANs) accommodates the various types of services government agencies require on a day to day basis, including provision of broadband internet access for online services and internal collaboration, handling administrative data.

RESEARCH METHODOLOGY

Research Design

This study adopted a descriptive survey design. The researcher used descriptive design for this research because it offered an opportunity to the researcher to view perceptions, attitudes and behavior of various parties involved directly or and indirectly in the procurement of medical supplies. Mugenda and Mugenda (1999) define descriptive survey as a strategy used to collect information from a large population by use of structured interviews, questionnaires among other methods. This study design is appropriate because according to Saunders et al (2009), survey strategy tends to be important in descriptive and exploratory research because it can collect a large amount of data from a sizeable population in an economical way. design therefore will enable the researcher to establish more information and relationship among the variables in the study.

Target Population and Sample Size

Population is the entire group of individuals, events or objects having common observable characteristics which the researcher wants to generalize results of study, Mugenda and Mugenda (1999). All the hospital employees in various departments relevant to these study formed the population as follows

Table 1: Target Population

Category of staff	Number
Hospital administration staff	30
Procurement	26
Departmental Heads	34
Section heads	93
Total	183

Source: Hospital human resource department

Sample Size and Sampling Technique

According to Oso and Onen (2009), a sample is part of the target population that has been procedurally selected to represent it. Stratified random sampling was used in this study as it gave each respondent in each category an equal opportunity to be selected. Kothari (2003) suggests that a sample should be optimum and should fulfil the requirement of efficiency, representativity, reliability and flexibility. This sample should range between 10% and 30%. This study involved a sample size of 30% of the target population from each strata as shown in the table below.

Table 2: Sampling

Category of Staff	Population	Sample Ratio	Sample	Percentage
Hospital administration staff	30	0.3	9	16.36
Procurement	26	0.3	8	14.54
Departmental Heads	34	0.3	10	18.18
Section heads	93	0.3	28	50.90
Total	183	0.3	55	100

Random sampling technique was used to select from each category the respondents participate in the study.

Data Collection Instrument

Primary data was used to answer research questions. The primary data was obtained through the use of a questionnaire. Closed ended questions formed the major instrument of data collection in this study. The questions were constructed based on a Likert scale response offering five alternative responses. A questionnaire was suitable because it collected a lot of information over a short period of time.

DATA ANALYSIS

Two types of analyses were conducted and these were qualitative and quantitative analysis. The collected data was then analyzed using descriptive statistics such as mean scores, frequencies and measures of dispersion including variance and standard deviation.

Factors Affecting Procurement in Public Health Institutions in Kenya

Effect of ICT on Procurement in Public Hospitals

Table 3: Effect of ICT on Procurement

Statement	SD	D	N	A	SA
Ict system enables effective audit trails of procurement of hospital supplies.	4%	10%	5%	31%	50%
Ict system eases interoperability within the hospital.	50%	31%	5%	9%	6%
Electronic invoicing eases the burden of storage and transmission and is accepted by the suppliers	1%	4%	5%	30%	60%
Electronic record management ensures accountability of hospital supplies' use.	20%	34%	9%	23%	14%
Structured coding of goods and services has enabled easy trace and identification	30%	23%	4%	24%	21%

SD- Strongly Agree **D-** Disagree **N** –Neutral **A** – Agree **SA-** Strongly Agree

The findings in the table 3 revealed that ICT system enables effective audit trails of procurement of hospital supplies as strongly agreed by 50% of the respondents, 31% agreed, 5% were neutral, 10% disagreed while 4% strongly disagreed. It also revealed that Ict system has not eased interoperability within the hospital as 50% strongly disagreed, 31% disagreed, 5% were neutral 9% agreed and only 6% strongly agreed. Electronic invoicing has eased the burden of storage and transmission and is accepted by the suppliers as 60% strongly agreed, 30% agreed, 5% remained neutral, 1% strongly disagreed while 4 % disagreed. The respondents disagreed that electronic record management ensured accountability of hospital supplies' use as 34% disagreed, 20% strongly disagreed, 9% were neutral, 23% agreed while on 14% strongly agreed. Structured coding of goods and services has not enabled easy trace and identification as revealed by 30% strongly disagreed, 23% disagreed, 4% remained neutral, 24% agreed and 21% strongly agreed.

Effect of Ethics on Procurement at the Kisii Teaching And Referral Hospital

Table 4: Effect of Ethics on Procurement

Statement	SD	D	N	A	SD
Ethical behavior includes avoiding conflict of interest and not making improper use of individuals' position	1%	4%	5%	30%	60%
Regular reviews and audits of procurement processes are be done to ensure probity is being considered and achieved	56%	20%	10%	10%	4%
Separation of key internal functions contributes to professionalism, accountability and an efficient procuremeant system .	25%	31%	5%	12%	24%
Officials conducting procurement need to be able to demonstrate that their decisions are fair and equitable, and made in accordance with the law, agency rules and guidelines and conditions of contact	4%	10%	5%	31%	50%
Tender bids, evaluation take longer than expected because of corruption at various levels.	1%	4%	5%	30	60%

SD- Stongly Agree **D-** Disagree **N** –Neutral **A** – Agree **SA-** Strongly Agree

The findings in the table 4 revealed that 6% strongly agreed that ethical behavior includes avoiding conflict of interest and not making improper use of individuals' position, 30% agreed with the statement, 5% were neutral, 4% disagreed while only 1% strongly disagreed. Further regular reviews and audits of procurement processes are not done to ensure probity is being considered and achieved as indicated by 56% who strongly disagreed, 20% disagreed, 10% were not sure 10% agreed and 4% strongly agreed. On the statement that separation of key

internal functions contributes to professionalism, accountability and an efficient procurement system, 25% strongly disagreed, 31% disagreed, 5% were not sure 12% agreed while 24% strongly agree. The study also revealed that officials conducting procurement need to be able to demonstrate that their decisions are fair and equitable, and made in accordance with the law, agency rules and guidelines and conditions of contract as 50% strongly agreed, 31% agreed 5% were neutral, 10% disagreed, 4 strongly disagreed. it was also revealed by 60% who strongly agreed that tender bids, evaluation take longer than expected because of corruption at various levels, 30% agreed, 5% were neutral, 4% disagreed while 1% strongly disagreed.

Effect of Internal Accountability Procedures on Procurement

Table 5: Internal Accountability

No.	Statement	SD	D	N	A	SA
1.	Carefully defined processes at every level are maintained to ensure accountability in this hospital	(9%)	(51%)	(7%)	(11%)	(22%)
2.	Procurement activities are always well accounted for to ensure adherence to best practice	(3%)	(48%)	(19%)	(2%)	(28%)
3.	Evaluations of the procurements are always conducted by the evaluation committee to ensure accountability	(2%)	(63%)	(9%)	(17%)	(9%)
4.	Stringent mechanisms are in place to ensure accountability in the procurement process in the hospital	(9%)	(39%)	(24%)	(24%)	(4%)
5.	Punishments and sanctions are in place for procurement officials who fail to be accountable or adhere to procurement procedures/laws.	(9%)	(37%)	(9%)	(39%)	(7%)

SD- Strongly Agree **D-** Disagree **N** –Neutral **A** – Agree **SA-** Strongly Agree

From Table 5 findings show that more respondents (60%) disagreed the statement that carefully defined processes at every level are maintained to ensure accountability in this hospital in this public hospital compared to those who concurred at (33%) while only 7% were not sure. This implies that in most cases, carefully defined processes at every level to ensure accountability are not maintained at Kisii teaching and referral Hospital. 51% disagreed the statement that Procurement activities are always well accounted for to ensure adherence to best practice compared to those who concurred (30%) while only 19% were not sure. This implies that procurement activities are not well monitored to ensure adherence to best practice at Kisii Teaching and referral Hospital. 65% disagreed with the statement that the evaluation committee

at the Kisii Teaching and referral hospital always conduct evaluations of the procurements to ensure accountability compared to those who concurred (26%) while only 9% were not sure. This implies that in most cases, the evaluation committee at Kisii teaching and referral Hospital does not always conduct evaluations of the procurements to ensure accountability

48% disagreed with the statement that stringent mechanisms are in place to ensure accountability in the procurement process in the hospital compare to those who concurred (28%) while 24% were not sure. This implies that in most cases, stringent mechanisms are not in place to ensure procurement compliance at the Kisii teaching and referral Hospital.

An equal proportion of respondents (46%) disagreed the statement that punishments and sanctions are in place for procurement officials who fail to be accountable or adhere to procurement procedures/laws and people who do not adhere to procurement procedures/laws are usually punished like those who concurred (46%) while only 9% were not sure. This implies that some people who do not adhere to procurement procedures/laws are usually punished while others are not.

CONCLUSION

The study determined that ICT adoption affected procurement process at Kenyan hospitals to greater extent. However the ICT system in place in public hospital is well understood by the staff of this hospital. There is need to educate the worker the ICT system on procurement for positive outcomes. Also ethics affected procurement process at the Kisii teaching and referral hospital. From the findings proper procurement has been begged on proper ethical conduct of the people entrusted with the procurement process. Ethic and integrity of these public officers need to be addressed.

Further studies can be done on the integrated financial management system (IFMIS) and its effect on procurement in the public hospitals in Kenya. The researcher further recommends a similar study to be conducted in other hospitals.

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