



EFFECTS OF ETHICAL PRACTICES IN PUBLIC PROCUREMENT REGULATORY COMPLIANCE IN TANZANIA: A CASE OF ILALA MUNICIPAL COUNCIL, DAR ES SALAAM

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Abstract

The purpose of this study was to assess the effect of ethical practices in public procurement regulatory compliance in Tanzania. The study adopted descriptive research design. Specifically, the study determined the effect of conflict of interest and integrity on the procurement regulatory compliance at Ilala District Council in Dar-es Salaam. The literature review on the relevant specific objectives was done. A sample size of 64 respondents were selected using purposive sampling technique. Data were collected from the key informants by use of structured questionnaires. The quantitative data generated was analyzed by use of descriptive statistics feature in SPSS to generate information. The findings revealed that 90.6% of the participants agreed that conflict of interest affect public procurement regulatory compliance while 9.4% neither agreed nor disagreed that conflict of interest affects negatively the procurement regulatory compliance. Also the about the Integrity the study revealed that 96.9% of the participants agreed that integrity affect public procurement regulatory compliance, while 3.1% neither agreed nor disagreed that integrity affects the regulatory compliance in public procurement. The study concluded that procurement regulatory compliance in public

organization in Tanzania was affected by unethical practices such as conflict of interest and integrity in procurement process. The study recommend to public organizations to make sure that procurement activities are conducted in accordance to the established regulation.

Keywords: Ethical Practice, Public Procurement, Conflict of Interest, Integrity, Regulatory Compliance

INTRODUCTION

Ethical procurement practices are acceptable norms that supply chain professionals and institutions should adopt to ensure flawless supply process. Ethical and responsible procurement is now an economic and reputational imperative, and in some contexts a legal requirement (CIPS, 2013). According to Bornstein, (2003) ethical procurement practices should consistently be monitored and evaluated so as to ensure that procurement activities are conducted in a fair, transparent and in compliant manner with the applicable legal and regulatory framework. The World Bank, (2010) indicated that many countries are yet to develop procedural frameworks that ensure: public procurement procedures are transparent and promote fair and equal treatment; public resources linked to public procurement are used in accordance with intended purposes; procurement officials' behavior and professionalism are in line with the public purposes of their organization and systems are in place to challenge public procurement decisions, ensure accountability and promote public scrutiny.

Patrick (2010), explained that systems, policies and procedures at Kenyatta national hospital (KNH) unearthed loopholes for corruption and other unethical practices. In recent years, Tanzania are eventually aware of the importance of implementing ethical behavior in procurement system. However, some of public procurement entities are still unaware of the significance of ethics and its benefits in procurement system. In this way, in ensuring that public organizations can execute ethics practices in procurement system, Public Procurement Regulatory Authority (PPRA) is conducting public procurement audit in a way to overcome unethical practices in the public procurement processes such as conflict of interest, fairness, integrity, corruption and confidentiality. Despite the importance of ethical practices in public procurement, a culture of non-compliance combined with a lack of accountability and transparency contributed to the wholesale of looting and unethical procurement practices in Tanzania. Unethical conduct of procurement officials goes along with corruption, bribery, fraud and nepotism which impacts negatively on poor quality service delivered to the people (Zitha and Mathebula, 2015). Although different studies have been conducted on regulatory compliance in Tanzania, few studies related ethical behavior and regulatory compliance. Israel

et al., (2019) analyzed the relationship between and influence of ethical public procurement practices and organization performance, the findings revealed that to a greater extent Moshi District Council adopted ethical procurement practices of transparency, accountability, fairness as well as procurement professional practices which were significantly related and associated with organization performance. Lema and Mrope (2018) determine factors influencing ethical procurement practices in public entities in Tanzania, the findings indicated that adherence to code of ethics and conduct, fairness, transparency and integrity in the procurement process; have positive influence on the level of ethical practices achieved by the entity in its procurement process. Kipilimba and Richard (2018) the study focused on assessing the effects of professional ethics on the performance of the health sector in Tanzania, findings also revealed that putting professionals' ethics first and foremost, will help in bettering the performance of the health sector in Tanzania. Also, Athumani and Minja (2017) conduct the study to determine the Individual Factors Influencing Procurement Regulatory Compliance by Tanzanian Local Government Authorities, results showed that personal qualification, staff awareness of procurement rules and regulation, staff training and employees' workload influences the compliances of procurement regulatory by Local Government Authorities. And that studies little was conducted in Local government authorities where according to PPRA and CAG reports (CAG, 2017) issues of unethical practices have been evidenced. This study aimed at filling this gap, by assess the effect of ethical practices in public procurement regulatory compliance in Tanzania. Therefore, this study sought to assess the effect of ethical practices on public procurement regulatory compliance at Ilala district in Tanzania. Specifically the study determined the effect of conflict of interest and integrity on the procurement regulatory compliance.

LITERATURE REVIEW

The study was anchored on two theories namely agent theory and legitimacy theory. Agent theory defines the relationship between the principals, such as shareholders and agents or company executives and managers. In this theory, both an agent and the principal are affected by the action of their relationship such as the agent must choose actions that have consequences for both the principal and the agent (Jensen, 1976). Indeed inadequate of information sharing between principal and agent can opportunistically take advantage of the situation, sometimes to the detriment of the principal. This latter situation is known as moral hazard and is often the result of asymmetric information which will lead on unethical practices of procurement process (Fama, 2003). The Legitimacy Theory states that the organization has the mandate to state its activities to the stakeholders, more explicitly to the public and state the

benefits the society will get from it (Wilmshurst & Frost, 2000). A state that is there when an organization's value system is in line with the value system of the society that the organization exists (Lindblom, 2010). Legitimacy of public procurement on the other hand is perceived by the level of integrity and transparency of the procurement staff and procurement process respectively (OECD, 2016). In accordance to the legitimacy theory, one of the functions of the Public Procurement Regulatory Authority (PPRA) is to monitor and report on the performance and compliance of public procurement system of the country (PPA 2011). Subsequently, the procurement laws require that reports on compliance audits conducted in the procuring entities be published and being open for public debate.

Conflict of Interest

According to Rahim (2001), conflict of interest is an inconsistency between two parties in their preferences for the allocation of a scarce resource. This inconsistency can occur at inter-personal, intra-group, and inter-group levels. Too little conflict of interest may encourage stagnancy, mediocracy, and groupthink, but too much conflict may lead to organizational disintegration. Medina, Munduate and Dorado (2005) contend that generally outcomes of conflict of interest are undesirable. For instance it causes moral disengagement. Bornstein (2003) maintains that conflict of interest is about incompatibility of group goals and completion for scarce resources. It shows that people are selfish and will try to maximize their own rewards.

Conflict of interest is at the Centre of non-compliance to procurement processes which has an adverse effect on service delivery. According to World Bank, (2010) conflict of interest may arise at various stages of the procurement process whenever public officials' decisions can be influenced by their private interests. The evaluation and award of bids is often assessed as one of the most vulnerable phases, due to the high level of technical expertise required and the specific features of evaluation committees. Therefore, conflict of interest on procurement performance to consider first, the interest of one's organization in all transactions and to carry out procurement process effectively and believe in its established policies (Philly *et al*, 2017). According to Reed (2008) conflict of interest must be properly understood as a situation and not an action, and he argues that a public official may find him or herself in a conflict of interest situation without behaving corruptly. However, such conduct constitutes an abuse of public office for private advantage and may hold a potential for non-compliance with procurement regulations, which affect the delivery of quality services to the people.

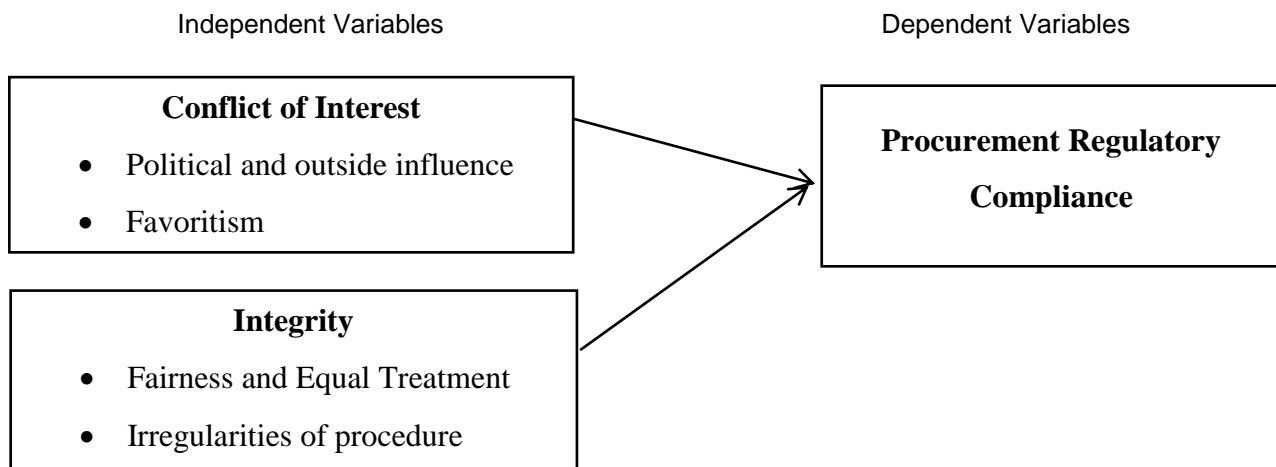
Integrity

Integrity of actors in the procurement process may significantly reduce corruption risks. Integrity refers to upholding ethical standards and moral values of honesty, professionalism and righteousness, and it is a cornerstone for ensuring fairness, non-discrimination and compliance in the public procurement process. Therefore, safeguarding integrity is at the basis of any effort to curb corruption in public procurement (OECD, 2016). Oburu, (2019) explained that integrity promotes efficient in public procurement process hence attracts wide range of suppliers who would wish to commit to do business with the organization in order to achieve a common goal. Integrity in the context of public procurement compliance implies that procurement procedures are transparent and promote fair and equal treatment for bidders, and, where bad performance is identified, especially where it concerns conduct that violates minimum standards, it should be addressed as a priority (CIPS, 2013). According to OECD, (2016), Government institutions should develop Integrity pacts with business partners, which are essentially an agreement between the government agency offering a contract and the companies bidding for it that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract.

Conceptual Framework

A conceptual framework is a scheme of concept or variable which used in operation to achieve a set of objectives Kombo, (2002). Conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables.

Figure 1 Conceptual Research Model



The study adopted a descriptive research design with quantitative method approach. The descriptive design was the most appropriate because the study was concerned with finding out

what relationship existed between the independent and dependent variables by collecting quantifiable data (Kothari, 2004). The Population of the study was 77 all from respondents who directly involved with procurement activities and using Slovins formula a Sample Size of 64 respondents was obtained. The researcher in this study used purposive sampling in the selection of respondents in order to get accurate representative samples. Krishna (2002) defines sampling techniques as the process of drawing a sample from a large population. The all sample size was taken for study and were given questionnaires. Primary data were collected using structured questionnaires. The data was analyzed by using quantitative approach. The responses that was received from the questionnaires was organized, tabulated and analyzed using SPSS (version 20). Data was presented in descriptive form supported by means, tables, frequency distributions and percentages. Researcher used Likert scale as parameter to measure the variables.

FINDINGS AND DISCUSSION

Demographic Information

The study sought to establish the demographic information of the respondents such as gender, age, education and work experience. This was to enable the study place the respondents in their right perspective.

Gender of the Respondents

In the research both male and female respondents were involved in all categories the researcher targeted. The table below illustrates the distribution of respondents according to gender. Analysis shows that 56.3% of the respondents were male while 43.8% were Female. This can be interpreted that majority of the respondents were Male.

Table 1 Gender of the Respondent

Gender of Respondents		Frequency	Percent
Valid	Male	36	56.3
	Female	28	43.8
	Total	64	100.0

Age of the Respondents

This was to establish whether the study was representative in relation to age of the respondents within the organization. Analysis from table 2 reveal that 25.0% of the respondents were aged between 18 and 30 years, 43.8% of the respondents indicated that they were aged between 31

and 40 years, 31.3% of the respondents indicated that they were aged between 41 and 50 years. These findings indicate that majority of the employees at Ilala Municipal Council are middle aged. This implies that these are experienced employees who could have given the relevant information to the study area.

Table 2 Age of the Respondents

	Age of the Respondent	Frequency	Percent
Valid	20 – 30	16	25.0
	31 – 40	28	43.8
	41 – 50	20	31.3
	Total	64	100.0

Education Level of Respondents

The researcher wanted to know the level of education respondents possessed in the organization. This was to establish the educational competence of the employees if are well-trained and having enough capacity in handling administrative and technical issues in the organization. Table 3 reveals that 12.5% have master degree and above, 75.0% have bachelor degree, and 12.5% have diploma. This shows that a great number of the workers in different departments are well educated and most of them possess bachelor degree level of education and above. Therefore, they have ability and capacity of handling administrative and technical issues in the organization.

Table 3 Education Level of the Respondents

	Education Level of Respondents	Frequency	Percent
Valid	Masters and above	8	12.5
	Degree	48	75.0
	Diploma	8	12.5
	Total	64	100.0

Working Experience at Ilala Municipal Council

The information below shows that 21.9% have been working with the organization for the period between 0 to 2 years, 34.4% between 3 to 6 years, 31.3% between 7-10 years, 12.5% have more than 10 years and above worked within the organization. This shows that there are a smaller number of new entrants in an organization compared to those who have last for long time. Most employees and especially respondents met had very good experience with the

organization and were hence able to provide adequate information concern the area of the study.

Table 4 Experience of Respondents

Experience of Respondents		Frequency	Percent
Valid	0-2 years	14	21.9
	3-6 years	22	34.4
	7-10 years	20	31.3
	10 and above years	8	12.5
Total		32	100.0

Conflict of Interest

The study sought to determine the extent to which the respondents agree about conflict of interest in procurement affect public procurement regulatory compliance. The results are presented in Table 5 from the findings 75.0% of the participants strongly agree conflict of Interest affect public procurement regulatory compliance, 15.6% agreed while 9.4% are neutral. This translated to a majority of the participants strongly agree that conflict of interest affect public procurement regulatory compliance.

Table 5 Conflict of interest

		Frequency	Percent
Valid	Strongly Agree	48	75.0
	Agree	10	15.6
	Neutral	6	9.4
	Total	64	100.0

The study also sought to determine the level of agreement on various statements based on effect of conflict of interest in public procurement regulatory compliance. The findings as tabulated in Table 6, a majority of respondents were found to be Strongly Agree with the statement posed in regard to the effects of conflict of interest in public procurement regulatory compliance in Tanzania. The study established that the Political and outside influence is being experienced in the procurement process affect compliance of PPA (Mean=4.66). The Procurement official behaviors and professionalism in the procurement process are in line with the public procurement regulation (Mean=4.56). The functions and responsibilities of those involved in the procurement function clearly established and documented (Mean=4.78). The

favoritism is more rampant in cases where there is an overlap of duties in the procurement process (Mean=4.41). The Public officials involved in procurement and financial management are subject to procurement code of ethics (Mean=4.81). The study findings imply that conflict of interest are very significant and they therefore need to be considered in any effort to enhance public procurement regulatory compliance in public organization. These results are supported by researchers such as World Bank, (2010) conflict of interest may arise at various stages of the procurement process whenever public officials' decisions can be influenced by their private interests. Philly *et al*, (2017) further indicates that conflict of interest on procurement performance is to consider first, the interest of one's organization in all transactions and to carry out procurement process effectively and believe in its established policies. Reed (2008) conflict of interest must be properly understood as a situation and not an action, and he argues that a public official may find him or herself in a conflict of interest situation without behaving corruptly.

Table 6 Descriptive Analysis of Conflict of Interest

Statement	Mean	Std
Political and outside influence is being experienced in the procurement process affect compliance of PPA	4.66	0.545
Procurement official behaviors and professionalism in the procurement process are in line with the public procurement regulation	4.56	0.564
The functions and responsibilities of those involved in the procurement function clearly established and documented	4.78	0.491
Favoritism is more rampant in cases where there is an overlap of duties in the procurement process	4.41	0.499
The Public Officials involved in procurement and financial management are subject to procurement code of ethics	4.81	0.471

Integrity

The study sought to determine the extent to which the respondents agree about integrity in procurement function affect public procurement regulatory compliance. The results are presented in Table 7 from the findings 56.3% of the participants strongly agree integrity affect public procurement regulatory compliance, 40.6% agreed while 3.1% are neutral. This translated to a majority of the participants strongly agree that integrity affect public procurement regulatory compliance.

Table 7 Integrity

		Frequency	Percent
Valid	Strongly Agree	36	56.3
	Agree	26	40.6
	Neutral	2	3.1
	Total	64	100.0

The study also sought to determine the level of agreement on various statements based on the effect of integrity in public procurement regulatory compliance. The findings as tabulated in table 8, a majority of respondents were found to be Strongly Agree with the statement posed in regard to the effects of integrity in public procurement regulatory compliance in Tanzania.

The study established that Fairness and Equal treatment is demonstrated in the procurement process thus ensure public procurement regulatory compliance (Mean=4.66). The requests to participate on evaluation of bids are correctly undertaken (Mean=4.47). Lack of adequate needs assessment in the public procurement process affect public procurement regulatory (Mean=3.59). The tender documents is comprehensive, transparent and free from restrictions or conditions which would discriminate against certain suppliers (Mean=3.88). The irregularity choice of procedure in the procurement process affect public procurement regulatory compliance (Mean=4.53). The study findings indicate that integrity are very significant and they therefore need to be considered in any effort to enhance public procurement regulatory compliance in public organization.

The study findings are in agreement with literature review CIPS (2013) integrity in the context of public procurement compliance implies that procurement procedures are transparent and promote fair and equal treatment for bidders, and, where bad performance is identified, especially where it concerns conduct that violates minimum standards, it should be addressed as a priority. Oburu (2019) the role of integrity is such that it promotes efficient public procurement process hence attracts wide range of suppliers who would wish to commit to business relationships with the organization in order to achieve a common goal. OECD, (2016) Government institutions should develop integrity pacts with business partners, which are essentially an agreement between the government agency offering a contract and the companies bidding for it that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract.

Table 8 Descriptive Analysis of effect of Integrity

Statement	Mean	Std
Fairness and Equal treatment is demonstrated in the procurement process thus ensure public procurement regulatory compliance	4.66	0.602
The evaluation process of the tender documents and its effectiveness is evaluated separately from the price, and that the price is considered only after the completion of the evaluation	4.47	0.671
Lack of adequate needs assessment in the public procurement process affect public procurement regulatory	3.59	0.712
The tender documents is comprehensive, transparent and free from restrictions or conditions which would discriminate against certain suppliers	3.88	1.040
The irregularity choice of procedure in the procurement process affect public procurement regulatory compliance	4.53	0.567

CONCLUSION

Based on the study findings, the study concluded that procurement regulatory compliance in public organization in Tanzania was affected by unethical practices such as conflict of interest and integrity. This conclusion was based on the fact that the respondents strongly agreed most of the dimensions on unethical practices and codes being helpful in enhancing procurement regulatory compliance. The study concludes that conflict of interest is significant and therefore need to be considered in any effort to enhance public procurement regulatory compliance in public organization. The study also conclude that integrity is significant therefore need to be considered in any effort to enhance public procurement regulatory compliance in public organization, Also the study conclude that it difficult to get some of the required information because some of the respondents were hesitating to provide information as they thought that the information was confidential. To solve this problem, respondents were informed that information required were merely for academic purpose not otherwise.

RECOMMENDATIONS

Basing on the study findings and the fact that, all public organizations in Tanzania eventually aware of the importance of implementing ethical behavior in procurement system. The study recommend to public organizations to make sure that procurement activities are conducted in accordance to the established regulation. Organizations need to avoid corruptions, nepotism and conflict of interest in procurement activities. Adherence to the law and principles will guarantee success in procurement process and hence good governance.

To enhance ethical practices in the public organization, there is need to have sufficient and qualified procurement personnel with enough training assessment methods to enhance compliance with the rules and regulations. There should be adequate training and simulation for key stakeholders especially the procurement staff to promote reduction of procurement costs and unethical behavior during procurement process.

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