

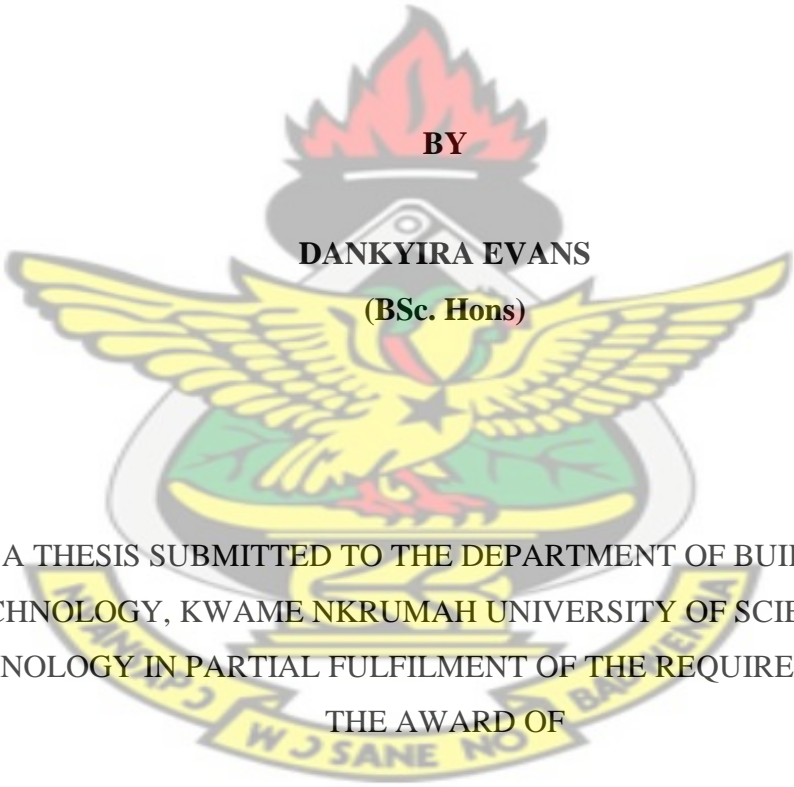
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
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COLLEGE OF ARCHITECTURE AND PLANNING
DEPARTMENT OF BUILDING TECHNOLOGY

**EFFECTS OF THE PUBLIC PROCUREMENT ACT, 2003 (ACT 663) ON
PUBLIC FINANCIAL MANAGEMENT OF MMDAs IN BRONG – AHAFO
REGION**

BY

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(BSc. Hons)



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DECLARATION

I hereby declare that this submission is my own work towards the MSc in Procurement Management and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this thesis to my lovely daughters, Priscilla Ansong Dankyira and Keziah Asamoah Dankyira. Also to my mother, Maame Akosua Serwaah and my brothers and sisters who provided the support and encouragement that, enabled me to complete this programme.

Thank you all for your enormous contribution.

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ABSTRACT

The Governments of Ghana's commitment to financial discipline, accountability, transparency, ethical conduct and effective management of public procurement have been pursued for years. One of numerous efforts is seen with the promulgation of the Public Procurement Act, 2003 (Act 663) to regulate public spending. However, since the introduction of the act, its aims have not been fully realized in certain parts of the country including the Brong-Ahafo Region. The objective of this study was to investigate the effects of the Public Procurement Act (Act 663) on Public Financial Management of MMDAs in the Brong – Ahafo Region. The causes of delay in the implementation of procurement activities as well as measures required to improve procurement processes were looked at. Quantitative research design was employed. Purposive sampling technique was used to recruit 50 procurement personnel working in the various MMDAs in the Brong Ahafo Region. Structured questionnaire was administered to them. Out of 50 questionnaires distributed, 48 were received and analyzed using Statistical Package for Social Scientist (SPSS) version 16. The outcome of the studies revealed that the act has the effect of delaying procurement processes in the region. That notwithstanding, it has considerably helped effectively manage government resource in procuring goods, works and services in the region. The only challenge found was that the capacity (i.e. the academic qualification) of most of the procurement personnel in procurement was low. It was consequently recommended that the District and municipal assemblies should organize training courses and workshops to build up the capacity of the staffs. Adoption of e-procurement tools (information communication technology) was also recommended.

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ABBREVIATIONS AND ACRONYMS

| | |
|---------|---|
| PPB | Public Procurement Board |
| PPA | Public Procurement Authority |
| PFM | Public Financial Management |
| PUFMARP | Public Financial Management Reform Programme |
| PPOG | Public Procurement Oversight Group |
| PPP | Public Private Partnership |
| VFM | Value for Money |
| PNDCL | Provisional National Defense Council |
| GDP | Gross Domestic Product |
| EU | European Union |
| WTO/GPA | World Trade Organization/Government Procurement Agreement |
| OECD | Organization for Economic Co-operation and Development |
| CPI | Corruption Perception Index |
| MMDAs | Metropolitan, Municipal and District Assemblies |
| WB | World Bank |
| DMCEs | District, Municipal Chief Executives |
| DMCDs | District, Municipal Co-ordinating Directors |
| ETCs | Entity Tender Committees |
| TRBs | Tender Review Boards |
| STDs | Standard Tender Documents |
| SPSS | Statistical Package for Social Sciences |

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

Governments of both developed and developing countries spend a lot on goods, works and services to deliver public service effectively and efficiently, as well as to achieve value for money for taxpayers. Public procurement is the act of providing goods, services or awarding work assignments by a state body, organization, institution or some other legal person regarded as a procuring entity in the manner and under the conditions prescribed by a nation's law (PPB, 2003). A tender is essential for procurement. This is a formal document in which the proposals and requirements of work to be done are set out (Republic of Ghana, 2006). The tendering process allows the buyer (in this case the Local Government Institutions procurement officer) to set out her requirement and suppliers to propose their offers and to show how they intend to meet the requirements set by the buyer. The Procurement Act was enacted to ensure efficiency, effectiveness, accountability and transparency. The main objectives of procurement include but are not limited to supplying organizations with stable flow of goods and services, aiding in efficient and effective purchasing and ethically obtaining the best value for money. Others include managing stock, enabling the service provider offer their best service at a low cost and at the same time protecting the government cost structure (Barly, 1994). To achieve good value of money in the procurement activities there is the need for proper financial management (Pride, Hughes and Kapoor, 2002). Financial Management encompasses all the activities concerned with obtaining money and using it effectively. Providing favorable impression on financial management involves careful planning and efficient use of resources. Good financial management can ensure that financial priorities are

established in line with organizational aims and objectives; spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed both now and the future (Pride, Hughes and Kapoor, 2002).

Adopting proper financial management decreases government outlay by ensuring that the services required by the citizens especially the poor are really delivered, maintained and worked properly. It ensures accountability to citizens for the use of public resources. Public financial management is an attempt made by government to ensure that consistently the budget is either a balanced or a surplus budget. These are done through the assessment of expenditure policies, revenue drive or revenue diversification and tax reforms among others (World Bank, 2001). The rationales behind financial management are to create wealth for the government, produce cash and provide an adequate return on investment. The three main elements of the process of financial management include:

- Financial planning: management required to ensure that sufficient funding is available at the right time to meet the aspirations of the government. Funding may be needed to invest in equipment, stocks and pay employees.
- Financial control: it is a critically influential activity to aid the government to ensure that the government meets its objectives.
- Financial decision making: it deals with investment and how investment is financed.

In 1960, the Government enacted the Contracts Act, 1960 (Act 25) and Ghana Supply Commission Act which was reviewed later in 1990 by PNDC law 245. In 1976, the Ghana National Procurement Agency Decree, 1976 (SMCD 55) was passed by the

Supreme Military Council. In 1979, another law, the Financial Administration Decree (SMCD 221) was also passed. All these laws, decrees and instruments were meant to provide a comprehensive framework of administrative powers to regulate the activities of procurement within the public sector.

However, successive review of the public procurement regimes in Ghana reveal substantial inefficiencies, corruption and lack of transparency in the procurement processes of governmental agencies as a results of unclear legal framework, lack of harmonized procedures and regulations and unclear institutional and organizational arrangement required in the management of the public procurement process. It lacked capacity development of procurement practitioners and career path for them in the Public and Civil Service. This led to non-achievement for value for money in government and donor financed procurements.

It became clear therefore that, there was the need to critically examine the processes and procedures of public sector procurement to ensure operational efficiency and institutional capacity to address procurement issues.

It is in the light of these challenges that the government after a major review of its public expenditure system, in 1993, decided to establish a comprehensive public financial reform programme designed to strengthen its Public Financial Management System. This reform programme known as Public Financial Management Reform Programme (PUFMARP), became operational in 1995. The objective of PUFMARP was to promote efficiency, transparency and accountability in the public financial management system. To achieve this, PUFMARP recommend the review of Public Procurement system. Consequently, the Ministry of Finance and Economic Planning in 1999 established a steering committee known as Public Procurement Oversight Group (PPOG) to assist in the design of a comprehensive public procurement reform

programme. The group completed one of its major objectives by drafting a public procurement bill in September, 2002.

To operationalize the concept of good governance and to push towards “zero tolerance” of corrupt practices, the Public Procurement Act, 2003 (Act 663) was enacted by the government of Ghana to address the real and perceived shortfalls in the public procurement of goods, works and services.

This thesis explores the major effects of Public Procurement Act on public financial management of MMDAs and the strategies to be adopted to curb the situation in Brong –Ahafo Region.

1.2 Problem Statement

Procurement is considered part of budget and financial management in the national economy. Improvement in the public procurement system therefore has direct and beneficial effect on the overall economic performance of the economy. As an economic instrument for guaranteeing national development, when well strategized and implemented, has the strength of contributing to the attainment of the following; improves resource mobilization, enhance debt sustainability and effective management of debt, improves public expenditure management, promote national income generation and decrease economic and financial dependency (Chowdhury and Kirkpatrick, 2009).

The goal of the procurement act in Ghana is to harmonize the processes of procurement in the public entities to secure a judicious, economic and efficient use of state resources in public procurement and ensure that public procurement is carried out in a fair, transparent and non-discriminatory manner while promoting a competitive local industry (Public Procurement Act 663, 2003). Notwithstanding the

momentous role played by the Procurement Act, it appears that government institutions in the Brong- Ahafo goes through a lot of drawn- out processes relating to way administrative systems are organized in acquiring goods and services due to the passage of the Procurement Act. Several claims relating to irregularities in procurement processes were leveled against Public entities and other stakeholders involved directly or indirectly in procurement were among the findings of the reforms.

According to Nketia-Asante (2009), long procurement processes, high cost of projects, lack of fairness, transparency and discrimination in the selection and award of government contracts, as well as inflating contract figures result in low productivity, inefficiency and loss of money which affect government budget. Instead of the Act improving public financial management, it has rather declined public financial management in the region. Some contractors and suppliers in the region have expressed their discontent about lack of transparency in the procurement procedures and long delays in their payment after they have executed the project or supplied the goods. Poor procurement practices have led to accrued interest on late payments and the persistent price changes due to extensive renegotiations which further aggravate the funding act problem and have increased government spending and decreased savings (World Bank, 2003). There is an assertion that the passage of the Procurement Act has escalated government domestic debt management problem and reduced government investments.

The study therefore is to investigate the causes of delay in the implementation of procurement processes and evaluate the effects of the public procurement act on government savings and outlay (public financial management).

1.3 Research Questions

In embarking upon such study, certain questions should be answered before any credible conclusions can be drawn. The following questions were posed.

1. What are the causes of the delay in the implementation of procurement processes?
2. What effects does Public Procurement Act have on government debt management?
3. Has the implementation of Public Procurement Act affected government expenditure?

1.4 Aim

The main aim of the study is to investigate the effects of Public Procurement Act on Public Financial Management of MMDAs in Brong – Ahafo Region.

1.5 Objectives

The specific objectives of the study are to:

- Identify the effects of the Public Procurement Act on government savings and outlay (public financial management);
- Evaluate the causes of delay in the implementation of procurement activities;
- and
- Make suggestions and recommendations

1.6 Justification for the Study

This study is essential in the sense that it would not only contribute to knowledge and theory, but will also contribute to good policy practice in the management of finance in the public institutions in Ghana. This is because the study will attempt to identify the effects of the Public Procurement Act on public financial management and evaluate the causes of delay in the implementation of procurement processes in the economy of Ghana. In order to further enhance financial management, the Public Procurement Act, 2003 was proclaimed to make administration and institutional arrangement for proper procurement in the Brong-Ahafo Region. Ensuring proper financial management in the Region brings growth and development.

With the enactment of Public Procurement Act (Act 663), studies have revealed that not much scientific and systematic enquiry has been conducted to evaluate the effect of the public procurement act on financial management. It is against this background that this research is influential to be carried out to ascertain the effect of the Public Procurement Act on financial management and the strategies to be adopted to unravel the situation.

Another rationale for the study lies in the significance of the passage of the Public Procurement Act, efficiency and more importantly reducing corruption. This will clearly exhibit how PPA has contributed to the national development in terms of management of finances since its inception.

Finally, the study will further provide policy makers and other individuals and groups like contractors and consultants who have interest in the implementation of the public procurement act with information on the effectiveness of the act on financial management.

1.7 Scope of Study

Geographically, this research was conducted in the Brong-Ahafo Region. Brong-Ahafo Region has been chosen because it has twenty-seven administrative districts, the second highest in the country. It implies that a huge amount of budgetary resources are allocated to this region and it is vital to assess how this money is utilized through procurement. Brong-Ahafo region was selected mainly due to the fact that many people criticize about procurement activities in the region as well as proximity and easy accessibility of data to the study.

The study will focus on the effects of the Public Procurement Act on public financial management.

1.8 Research Methodology

The study on which this article is based reviewed relevant literature sources on public procurement. Research will be carried out through interview, questionnaire survey. These included both publish and unpublished sources. A comprehensive literature study will precede data analysis. The approach in this paper is to evaluate the effects of procurement act on financial institutions. The personnel were contacted and questionnaires administered to them. Their responses were used as a primary source of information on the effects of public procurement act on MMDAs in Brong- Ahafo Region. Formal and informal interview were also conducted with procurement professionals who are working in the various Assemblies in the region and have in-depth knowledge about how procurement system has affected public financial management.

1.9 Limitations of the Study

Data gathering suffered due to delay in getting responses due to the schedule of work of especially personnel of Local Government Institutions. In addition records keeping were problem for all the institutions surveyed such that in some situation researcher had to collate the number of procurement they do every year. This also resulted in difficulty in identifying the different forms of procurement and challenges they posed. Notwithstanding the above limitations, the study results have not been affected and thus are credible, reliable and useful for any purposes of evaluation and feedback. This was made possible because researcher assisted especially the quantity surveyors in putting up a data base for its procurement procedures in the study area.

1.10 Organization of the Study

The research has been grouped into five chapters. The first chapter provides background information of the study which includes introduction, problem statement, research questions and objectives, justification, the scope and the limitations. The literature on procurement and public financial management was reviewed in chapter two. Chapter three addresses the identification of the most suitable research methodology for this research. Chapter four presents data analysis, findings and discussions while chapter five presents a summary of the key findings, recommendations and the conclusion of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on the issues of the concept of Public Procurement System and financial management. It covers secondary materials related to the conceptual issues as well as definitional and other factors affecting the implementation of Public Procurement Act, 2003 (Act, 663).

An effective public procurement system is vital for the smooth running of an economy, thus its institutions. A poor procurement system results in higher costs to government and the public. It interrupts the implementations of projects, and increases costs. It also causes poor execution of projects, and delays in the delivery of purchases to the beneficiaries. Poor procurement also increases the possibility of corruption, generates concerns about the effectiveness of the law and its process. It also inhibits the possibility of competent firms either national or international from participating in bids; this goes a long way to deprive an economy from obtaining the best goods, works and services and the best price (World Bank, 2003).

2.2 The Concept of Public Procurement Act

2.2.1 Public Procurement Overview

The significance of public procurement cannot be underestimated considering the huge financial commitment that is usually involved in the procurement process.

The World Bank (2003) estimated the annual value of public procurement for goods, works, and consultancy services at 600 million US dollars representing about 10% of the country's GDP. Therefore, public procurement is an integral function of

governments in both developed and developing countries as the huge financial outflows have a great influence on their economies that needs prudent management (Thai, 2001). Thus the prudent handling of public procurement functions is fundamental to achieving economic, socio-political and other objectives of government.

Owing to the essential role of public procurement in economic and social development, the World Bank specifies four thematic areas of public procurement for its funded projects. That is, ensuring that there is fair competition among bidders, promoting transparency in awarding and execution of its contracts and finally, encouraging the development of indigenous contractors and suppliers Thai (2001) and Tucker (1998).

Furthermore, Schapper et al (2006) posited that technology can be used to enhance transparency. They indicated that electronic commerce can be used to enhance transparency in the procurement process through effective audit and monitoring of low value transactions. According to them, for high value and very complex procurement procedures, key features of transparency involves publicly available information on procurement policies; information dissemination on bidding programmes; standardized documentation, and bid lodgment; progressive evaluation of tender documents and declaration of tender results.

2.2.2 Definition of Public Procurement

The Oxford Advanced Learner's Dictionary (2001) defines procurement as the process of obtaining supplies of something, especially for a government or an organization. Procurement can also be defined as the acquisition of goods, buying or

purchase of works, hiring contractors and consultants services (International Bank for Reconstruction and Development Guidelines for Procurement, (2004).

It accounts for at least 10% of the world's gross domestic product (GDP), and even more in African countries. Reducing bottlenecks, combating corruption, and building capacity in procurement help governments maximize the buying power of their budgets and improve the quality of service delivery to their citizens World Bank, (2003).

2.3 The Nature of Public Procurement in General

Besides the fiduciary obligation to deliver goods and services to the constituents of the particular government administration, public procurement addresses a wide range of objectives (Uyarra and Flanagan, 2009). It has been used by governments to achieve socio-economic objectives such as stimulating economic activity; protecting national industries from foreign competition; improving the competitiveness of certain industrial sectors; and remedying national disparities (Bolton, 2006; Thai, 2006). The objectives of public procurement are achieved through various means, and legal and regulatory rules on conducting public procurement (Arrowsmith, 2010).

Public procurement is the sheer volume of funds channeled through government procurement and is the largest single buyer in most countries OECD, (2007). The size of public procurement varies between 5% and 10% of the gross domestic product (GDP) in most industrialized countries OECD, (2007). In the Middle East and Africa, central government purchases range from 9% to 13% (Gul, 2010). This indicates that public procurement plays a vital role in a country (Odhiambo and Kamau, 2003). Public procurement has important economic and political implications, and ensuring that the process is economical and efficient is crucial. This requires in part that the

whole procurement process should be well understood by the actors: government, the procuring entities and the business community/suppliers and other stakeholders, including professional associations, academic entities and the general public (Odhiambo and Kamau, 2003).

Public procurement is increasingly recognized as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts. As part of the efforts to adopt a long-term and strategic view of their procurement needs and management, most countries have resorted to using their annual procurement plans as a possible problem solver (Mahmood, 2010).

2.4 The Public Procurement Law of Ghana

The Public Procurement Act, 2003 (Act 663) of Ghana assented on 31st December, 2003, to provide for public procurement, establish the Public Procurement Board; make administrative and institutional arrangements for procurement; stipulate tendering procedures and provide for purposes connected with these. The reform exercise identified shortcomings and organizational weaknesses inherent in the country's procurement system. These include the absence of a comprehensive public and well-articulated procurement policy and the lack of a comprehensive legal regime to safeguard the integrity of public procurement system, absence of a central body with the requisite capability, technical expertise and competence to develop a coherent public procurement policy, rules to guide, direct, ensure, trained manpower, as well as adequately monitor public procurement processes. The new structure would promote the use of public procurement as a tool for national development. It was also

to harmonize the application of procurement related rules with international conventions and treaties and promote the integrity of the public procurement system and confidence in procurement process (World Bank, 2003 PPA). It was expected that the new structure would foster fairness, competition, efficiency, transparency and accountability in the public procurement process. The Public Procurement Act, 2003 (Act 663) establishes the Public Procurement Board (PPB) as the central authority for policy formulation on procurement with oversight responsibility for the process. The key functions of the PPB are in the areas of policy and regulatory machinery, training and capacity building, providing the database, advisory role, oversight and monitoring, among other activities. Each entity is to have a tender committee to ensure compliance with the Act. Tender Review Boards have been established to provide concurrent approvals for recommendations for contract award made by tender committees. Tendering procedures, procurement methods, qualification of tenderers or suppliers and all relevant rules and regulations to guide entities in the procurement of public goods, works and services with state funds including disposal of stores and equipment are clearly provided by the Act. Finally, the Act revokes the district tender board regulations, 1995 (L.I 1606), repeals the Ghana National Procurement Agency Decree, 1976 (S.M.C.D 55) and the Ghana Supply Commission Law, 1990, (PNDCL 245), to pave way for the Public Procurement Act, 2003 (Act 663).

2.5 The Need for Public Procurement Reforms

All over the globe and over the years, nations and international bodies have been concerned with how to modernize, simplify and improve public procurement practices using public policy and legal reforms (Schooner *etal.*,2008). The target of nations reforming public procurement systems has been to reap the associated reward of improved competition with the attendant efficiency and lowered contract costs (Bovis,

2010) and (Elliott, 2004). In particular, since the 1990's there has been a wave of reforms initiated in developing and developed nations alike in response to the plodding of such international bodies as the European Union (EU), the World Trade Organization/ Government Procurement Agreement (WTO/GPA) of 1994, and its revised version, the World Bank and the Organization for Economic Co-operation and Development (OECD) (Evenett and Hoekman, 2003). Having linked the fight against corruption in public procurement to economic development, these organizations have been encouraging reforms in public procurement systems, particularly in developing nations.

Ghana happened to belong to developing countries, Hunja (2003) at the point of public procurement reforms. At the inception of reforms, the procurement systems in the developing countries were largely similar to those bequeathed to them by colonial legacy. The developing countries had found out, mainly through the influence of development partners that it is essential to properly manage public expenditures judiciously. To do this, corruption in public procurement should be checked by means of reforms targeted at modernization. It is known, for example that Ghana saw the need to reform public procurement systems largely on the plodding of the World Bank in 1995 to improve its public expenditure systems. It is also a matter of fact that the momentous interest of donors (including the World Bank) in public procurement reforms in developing countries witnessed in recent years, is largely explained by their insistence on such reforms as conditions for development aid (Agaba and Shipman, 2007). Indeed, they realized that the pre-reform systems were not appropriate for effective utilization of such aid.

The nature of public procurement systems in developing countries, making them particularly the subject of reforms has been discussed by Basheka (2009) who

identified several areas of weaknesses in the public procurement systems of these countries that gave rise to the need for reforms. These included absence of rules governing the conduct of public procurement, lack of accountability, inappropriate institutional and administrative structures and arrangements, inadequate human resource capacity and lack of transparency. The net effect of all these weaknesses is uncontrollable public procurement corruption Basheka (2009) leading to a situation where, the cost of public works, goods or services can be exaggerated beyond normal (Arnaiz, 2009). Because of the threat posed by corruption to societies, reducing it has engaged the attention of all concerned including governments, international bodies, civil society organizations, trade associations and business organizations as a matter of priority (Sanyal, 2005). Not even the advanced countries are spared. Consequently, a concerned OECD has declared that public procurement is a major risk area in the fight against corruption in the governments of its member states (OECD, 2009).

It is pertinent to state that corruption had been cited as endemic for bad governance in many developing nations in general, and Ghana in particular (World Bank 2003). Some Companies as much as individuals have claimed to have had various encounters with corrupt officials in Ghana who demand bribes for performing the jobs they are paid to do. Moreover, Ghana's performance on the Transparency International who is who in corruption as measured by its Corruption Perception Index (CPI) for 2002-2004 is a testimony of a country that required anti-corruption therapy. Ghana managed a CPI score of 3.6, 3.3 and 3.9 in 2002, 2003 and 2004 respectively. She ranked 50th out of 102 in 2002, 70th out of 133 in 2003 and 64th out of 145 countries ranked in 2004.

A CPI score measures the degree of corruption as perceived by selected analysts and business people. The scores range between 10 (very clean) and 0 (very corrupt). The

poor ranking could be a reflection of bad public procurement practices. Therefore, it was necessary that the Government, policy makers and academics took a keen interest in the issue of corruption in public procurement practices and its effect on economic development in Ghana. The natural course of action then was to reform the public procurement system and that culminated in the enactment of the Public Procurement Law (PPL) in 2003.

2.6 The Legal and Regulatory Framework of Public Procurement

2.6.1 The Public Procurement Act, 2003 (Act 663)

The Public Procurement Act, 2003 (Act 663) set out the legal, institutional and regulatory framework to secure fiscal transparent and public accountability in Ghana's procurement system. The Act establishes five basic principles upon which the public procurement is based (World Bank, 2003). These pillars are: the legal and institutional framework; standardized procurement procedures and tender documents; independent control system; proficient procurement staff; and anti-corruption measures.

The objectives of Act 663 are to harmonize public procurement processes in the public sector to ensure judicious, economic and efficient use of public resources and to ensure that public procurement functions undertaken within the public sector are fair, transparent and non-discriminatory.

The Act applies to procurement financed wholly or partly from public funds for the procurement of goods, works, services and procurement financed by loans contracted by the government of Ghana, including foreign aid and donor funds.

The Public Procurement Act 663 establishes the Public Procurement Board (PPB) now PPA, Entity Tender Committees (ETCs) and Tender Review Boards (TRBs). It specifies in clear terms the laws for procurement methods and thresholds, procedures,

appeals and complaints resolution procedures and disposal of stores. It authorizes the issuance of enforceable regulations, Guidelines, Standard Tender Documents (STDs) and Manual under the Act.

The Ghanaian government enacted the Public Procurement Act in 2003, laying the foundation for a standardized procurement system that takes into account the country's decentralization and local industry development policies. It created the Public Procurement Board as the central entity charged with harmonizing policy and ensuring efficient and transparent procurement, carried out by the Public Procurement Authority (PPA). Procurement entities with tender committees carry out procurement for government bodies, and tender review boards provide concurrent approvals for recommendations for contract award made by the committees.

Key principles of procurement reform include the promotion of rules-based systems, competition, transparency, accountability and economy and efficiency. A well-functioning procurement system is therefore one that has a strong legal framework, institutional arrangements that ensure consistency in policy formulation and implementation, and a professional cadre of procurement personnel. However, according to Søreide (2002) and Syquia (2007), the key challenge is to adapt these principles to the overall governance conditions in the specific country.

Table 2.1 Legal Framework of Procurement Act

| LEGAL FRAMEWORK | DETAILS |
|--|--|
| Public Procurement Act, 2003 (Act 663) | Provide a comprehensive legal regime to harmonize and safeguard public procurement |
| Public Procurement Manual | Provides practical guidance and step-by-step procedures for undertaking procurement in accordance with the Act. |
| Standard Tender Documents (STD) | They comprise standard invitation and contract documents for procurement of all values. There are separate standard tender documents for goods, works and services. |
| Public Procurement Regulations | They contain detailed rules and procedures for all aspects of the procurement system, the operations of PPA and procurement entities and the conduct of procurement activities. |
| Guidelines | issued by the Public Procurement Authority (PPA) which provides supplementary guidance on disposal, single source procurement, margins of preference, framework contract agreements, sustainable public procurement (SPP) etc. |

Source: (PPA Regulations (2003))

2.7 Components of an Effective Public Procurement System

Procurement and its management is a core function of public financial management and service delivery (Thai, 2009). And effective and efficient public procurement systems are essential for the realization of the millennium development goals (MDGs) and promotion of sustainable development. Unfortunately, the procurement systems in many developing countries are particularly weak and serve to squander scarce

domestic and foreign resources. Public procurement has always been a big part of developing countries' economies accounting for an estimated 9–10 percent of their gross domestic products (GDPs), and it is therefore an area that needs attention because resources are not being used properly (Witting, 1999), (Thai, 2004).

Despite the huge financial expenditure of public resources on the acquisition process, it is only recently that the area started receiving attention. The field of public procurement has largely been a neglected area of academic education and research, but policy makers and public procurement professionals have paid great attention to procurement improvements and reforms (Thai, 2001). Efficient and effective public procurement systems significantly influence the provision of government services like the provision of roads, hospitals, healthcare, sanitation, telecommunication facilities, education, environmental protection, promotion of human rights, etc. It is because of its importance to the well-functioning public sector and good governance that those public procurement systems in Africa were subjected to a reform so as to create a well-functioning public procurement system. Table 2.2 summarizes the components of an effective public procurement system put forth by the African Development Bank

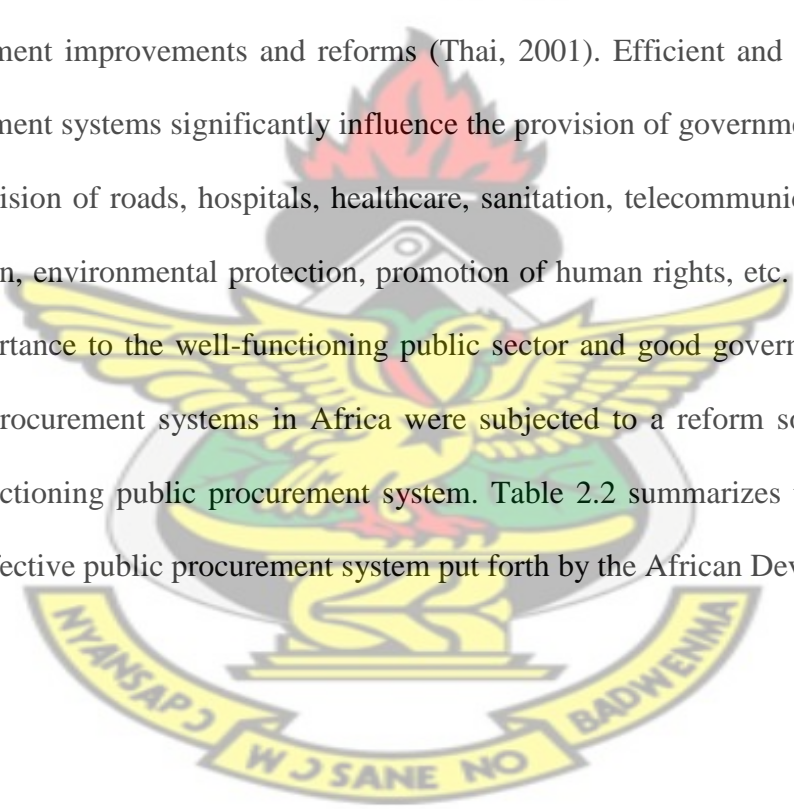


Table 2.2 Components of an Effective Public Procurement System

| <i>component</i> | <i>Description or Function</i> |
|----------------------------|---|
| Legal framework | Based on a procurement law that defines responsibility of procuring agencies and suppliers. |
| Policy | Consistent, national policies and standards to be followed by all procuring agencies, including arbitration procedures. |
| Institutional setup | Defined structures for conducting procurement that minimize subjective decisions and politicization (including approval mechanisms, authorities, and composition of bid and evaluation committees). |
| Professional civil service | Procuring agencies staffed with procurement professionals, trained and recognized as such under civil service regulations |
| Resources | Procurement agencies supported with adequate budget, standard documents and operational manuals. |
| Fraud prevention | Clear laws applicable to procurement officials and suppliers that increase transparency and encourage inclusion of civil society |

Source: From African Development Bank, Governance and Regional Cooperation Division.

2.8 Five key principles underpinning procurement

Key principles and moral rules guide behavior; general or basic truth. In a study on benchmarking in public procurement, Raymond (2008) identified and examined five key principles underpinning procurement to include:

- **Value for money (VFM):** VFM is the most important principle of procurement. VFM in the public sector entails consideration of the contribution to be made to advancing government policies and priorities while achieving the best return and performance for the money being spent (Bauld and McGuinness, 2006).
- **Ethics** is another important principle of government in procurement. Purchasing professionals are held to higher standards of ethical conduct than people in other professions, yet some do not even know what is expected of them (Atkinson, 2003).
- **Competition:** The most important information source for suppliers is the tender advertisement and, for the contracting authorities, the bids submitted and provision of inaccurate data will result in misunderstandings and increased costs (Erridge et al., 1999).
- **Transparency:** is an essential aspect of ensuring accountability and minimizing corruption, and has gained prominence in Organizations for Economic Cooperation and Development (OECD) countries, and is particularly associated with the rise of the governance agenda as transparency is a core governance value (Smith, 2004). Greuning (2005) asserts that transparency refers to the principle of creating an environment where information on existing conditions, decisions and actions are made accessible, visible and understandable to all individual participants. Transparency is also

a means of fostering accountability, internal discipline, and better governance. Both transparency and accountability impose a discipline that improves the quality of decision-making in the public sector and lead to more efficiency in public sector (Greuning, 2005).

- **Accountability:** Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis-à-vis mandated roles. Accountability is the process of holding an individual or organization fully responsible for all aspects of the procurement process over which they exert authority. Accountability strengthens the perception of transparency and fairness and reduces corruption (Public Procurement Authority, 2007). The concept of accountability does not only apply to the public sector (Barrett, 2000) The Boards of private sector organizations are also accountable to their stakeholders (Hughes, 2003). Public servants have to take the influence of politics into consideration in the implementation of their duties while the private sector gives more attention to the market mechanism (Stewart, 1999). 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). Ensuring the accountability of procurement officials is perhaps the most essential aspect of this goal. The accountability of procurement officials is not only important from a public or administrative law perspective, but also has economic implications.

2.9 Definition of financial management concept

Financial management focused on accounting for and controlling the sources and uses of the funds that an organization employs in its operation. It aims at providing the required money in the most economical way from borrowing owner's investments or sale. Financial management controls the use of the money to produce the greatest output. Management is a process that decides on the specific goals of an organization and directs the efforts of other people to accomplish actions needed to meet the goal (Burke and Bittel, 1991).

According to Nickel (1999), financial management is the managing of public and private resources so as to meet their goals and objectives. Financial Management made up of all the activities concerned with obtaining money and using it effectively. Effective financial management involves careful planning and efficient use of resources. Proper financial management can ensure that financial priorities are established in line with organizational goals and objectives; spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed (Pride, 2002).

2.10 The Public Financial Management Reform

The Public Financial Management Reform Program (PUFMARP) was launched in 1996 by the Government of Ghana with the aim of improving the overall public financial management in Ghana. In 1999, the Government of Ghana established the Public Procurement Oversight Group to manage the development of a comprehensive public procurement reform program. The Public Procurement act, 2003, (Act 663) has established Public Procurement Authority (PPA) as a body corporate charged with the oversight responsibility for the effective implementation of the Act. The object for

PPA is to secure a judicious, economic, and efficient use of public funds in a fair, transparent and non-discriminatory manner while promoting a competitive Local industry.

2.11 Public Financial Management (PFM)

The narrowest definition confines PFM to the downstream activities of budget execution, control, accounting, reporting, monitoring and evaluation Allen *et al* (2004). An alternative definition describes PFM as the taxing, spending and debt management of government, which influences resource allocation and income distribution. The spending portion covers the budget cycle, including budget preparation, internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements Rosen, (2002). Effective Public Financial Management (PFM) systems are required to maximize the efficient use of resources, create the highest level of transparency and accountability in government finances and to ensure long-term economic success. Good public financial management promotes a system of accounting that shows the effective utilization of the financial resources of the country; pave a way to the public to ascertain the financial status of the government and serves as a major instrument in the formulation and implementation of government policies.

Proper public financial management includes; Cash management, Aid and debt management, Revenue management, Audit and Procurement.

Cash management: This aim at achieving an efficient provision of the cash resources of a Government while avoiding the immobilization of resources and minimizing the costs of borrowing.

Aid and debt management: This aim at strengthening the management of the acquisition, servicing and retirement of public debt as well as avoiding increasing debt stock.

Revenue management: This ensures the promotion of system of administration which aim at achieving greater taxpayer compliance and convenience and to increase the efficiency of revenue collection, reporting and forecasting.

Audit: This promotes timely and effective assessment of transactions to ensure that resources are being used for the specified purposes. Both external audit and internal audit are concerned that value for money is achieved; appropriate controls are in place so that expenditure is reliably recorded to check impropriety and minimize fraud.

Procurement: To streamline the purchasing of goods, works and services, and establish an effective monitoring and tracking system that reduces government expenditure to achieve balance budget or surplus budget.

According to Shand (2005) Public financial management should achieve the following objectives;

- Good and simplified financial reporting and accounting systems,
- Establish clear and strong cost controls,
- Link programme responsibility and budget of the ministries, departments and agencies.
- Bring transparency to government activities.

It requires to be recognized that improving public financial management is not just a technical exercise. For public financial management to improve the budget, procurement must be perceived by the country as a key mechanism for controlling

government expenditure, increasing transparency and accountability in the use of public monies, determining government priorities and for delivering services. Procurement deals with the deficiencies in financial management since it involves proper planning, accounting and auditing, reporting, providing information and deals with complaints.

Again, there is no doubt that transparency and accountability, expenditure or cost control and bureaucracy run through the components and objectives of public financial management. All of these subsystems are relevant to the success of public financial management. Therefore, it is necessary to discuss these components as stated by (Shand, 2005).

2.12 Bureaucracy

In discussing public financial management, bureaucracy cannot be left out since it ensures due process and prevents some level of corruption. According to Weber (1920), bureaucracy is an organizational form based on a hierarchy of offices and systems of rules with the purpose of ensuring the permanence of the organization, even though employees within it might come and go. The knowledge, practice and experience of the organization would be preserved in files, thus ensuring permanence and continuity. The organization is hierarchical, with one level subject to control by that above it. The purpose of bureaucratic structure is to attain the maximum degree of efficiency and to ensure the permanence of the organization. All organizations are bureaucratic in the sense that they all go through some sort of procedure for getting things done.

An organization is said to be bureaucratized when its procedures for actions and decisions have become formalized and impersonal through highly structured rules that are open. Other characteristics of bureaucracy are rules which describe the duties of

members of an organization, a set of standard operating procedures, and impersonal relations between members. In bureaucracy, initiatives and policy directions come mostly from the top management. The growth of modern government has been intimately tied to the development of bureaucracy and no modern state could operate without bureaucracy because it checks the abuse of power and regulate people's activities and conducts in an organization.

2.12.1 Effects of Bureaucracy in Public Financial Management

In public sector organization, bureaucracies produce unintended consequences which may conflict with the goals of those in authority and inhibit the efficient and effective operation of the organization. One of the effects of bureaucratic process is delay. Delay is the extra time taken to complete a task beyond the planned period agreed upon especially a contract between two or more parties. According to Antill and Woodhead (1989), one of the classifications of delay is the origin. Delay can be caused by the owner of the contract, and in this case the contractor receives a fair and reasonable compensation in cost and time. According to Lynch, (2013), delays are attributed to, evaluation panel not formed in time to begin the evaluation process as scheduled, evaluation Panel taking more time than allotted to evaluate bids or proposals, protracted contract negotiations, bureaucracy and lack of funds. A delayed contract award could cause a chain reaction of delays on other dependent procurements. This is especially important in project procurement management because it could delay the completion of the project

Procurement Act is aimed at reducing government expenditure and checking leakages of government funds but bureaucratic process in procurement brings delays in procurement activities, which eventually increases expenditure and has detrimental effect on public financial management.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology of the study. It describes and justifies the methods and processes that would be used in order to collect data in answering the research questions. The chapter is presented under the following sections namely: definition of research methodology, research design, the concept of population and sampling, and the sources of data and methods of data collection.

3.2 The Study Area

The study area consists of public procurement stakeholders within the Region. This region is located in the southern Ghana. It is bordered to the north by the Black Volta River and to the east by the Lake Volta and to the south by the Ashanti region, Eastern and Western regions, and to the west by the Ivory Coast southeastern border. Its capital is Sunyani. The **Brong Ahafo Region** is the second largest of 10 administrative regions in Ghana, occupying a total land surface of 39,557 square kilometers of the total land area of Ghana. The total population of the region is 2,310,983 Ghana Statistical Service, (2013). The Brong- Ahafo region harbours numerous Public Entities made up of MMDAs, Health, and Educational Institutions. Agriculture, trading and related work are the major occupation within the study area, though the level and intensity of a particular occupation varies from one district to another.

Brong Ahafo has 27 administrative districts and Municipals with District, Municipal Chief Executives (DMCEs) as the political heads. The DMCEs are assisted by District, Municipal Co-ordinating Directors (DMCDs) who are responsible for the day

to day running of the districts. The DMCEs work under the Regional Minister (the political head of the region), while the DMCDs are under the Regional Coordinating Director. Sunyani is the administrative headquarters of the region, where the Regional Minister resides. The legislative wing of the Region is the District and Municipal Assembly's which involves twenty (20) Districts and seven (7) Municipals.

3.3 Research Methodology

Kothari (2003) defines research as the pursuit of truth with help of study, observation, comparison and experiment that is a systematic method of finding solutions to a research problem identified. Kothari (2003) further argues that the process of research is a systematic method that includes the following in logical sequence:

- a) Enunciating or defining the research problem.
- b) Formulating the hypothesis/research questions from the research problem.
- c) Designing the appropriate research process.
- d) Collecting facts or data to help answer the research questions
- e) Analyzing the data
- f) Reaching certain conclusions from the analyzed data hence answering research questions.

Research methodology on the other hand is inclusive of the research methods and encompasses the overall approach to the research process from definition to selection of the appropriate research method and analysis of data and drawing conclusions from the analysis hence would entail all the above steps from (a) to (f).

3.4 Research Design

The study adopted both quantitative and qualitative framework. However a case study design approach was adopted for this research to investigate the concept of

procurement and its effects on public financial management as applied in public institutions in Ghana with particular reference to the MMDAs.

3.4.1 Quantitative

Quantitative research is concerned with measuring of quantity or amount and involving statistical manipulation, or hypothesis testing. It deals with numbers and their manipulation in order to gain insight of which is being studied (Davis, 1997). Kothari (2003) defines quantitative research as that which involves generation of data in quantitative form, which is then subjected to rigorous quantitative analysis in a formal and rigid way. Data collecting techniques included questionnaires, and actual physical measurements of the phenomena such as weight, height, ages, and duration of projects.

3.5 Variables of the Study

According to Kerlinger (1986 cited in Kumar 1999), 'A variable is a property that takes on different values'. Also, Black and Champion (1976) defined a variable as, 'rational units of analysis that can assume any one of a number of designated sets of values'. However in this study, the main variables to be measured include specific metropolitan, municipal and district assemblies in Brong-Ahafo region where procurement practice is prevalent

3.6 The Concept of Population, Sample Frame and Unit of Analysis

3.6.1 Population

A population can be defined as the complete set of subjects that can be studied: people, objects, animals, plants, organizations from which a sample may be obtained (Shao, 1999). A population is also defined as including all people or items with the characteristic one wish to understand.

Frankfort-Nachmias and Nachmias, (1996), describe population as the entire group or set of cases that a researcher is interested in generalizing. For the purpose of this research, the population consists of the Metropolitan, Municipal and District Assemblies of the selected public institution in the Brong-Ahafo Region.

3.6.2 Sample Frame/unit of analysis

A sample frame is a list that includes every member of the population from which a sample is to be taken. The sample frame includes all the government institutions in the various assemblies under research and it was obtained from records of the institutions being studied. The units of analysis constitute the most elementary part of the phenomenon under the study Nachmias, (1996). According to Kumekpor (2002), the units of analysis in any investigation refer to the actual empirical units, objects and occurrences which must be observed or measured in order to study a particular phenomenon. This is because they influence the research design, data collection and data analysis decisions. In an attempt to provide hints as to how this was done effectively, Patton (1987), for instance, points out that the key factor for making the decision about the appropriate unit of analysis rests on what unit the researcher wants to discuss and draw conclusions at the end of the research. In this regard, the unit of enquiry in this research was personnel or professionals who practice procurement in different assemblies in the region

3.7 Sampling and Sample procedure

Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observation within a population of individuals intended to yield some knowledge about the population of concern, especially for the purpose of making predictions based on statistical inference (Wikipedia). Kumar

(1999) explains that a sample is a sub-group of the population which is an ideal representative of the entire population. The target population for the study was made up of procurement officials, finance officers, planning officers, contractors and consultants. The inclusion of the procurement officials assisted in bringing to bear the extent to which PPA has affected efficiency in the use of public resources. Also, procurement officials (procurement entities) aided in bringing out the causes of delay in payment of contracts and also other problems in the procurement process. Purposive sampling technique was used to select the procurement practitioners. It was envisaged that officials at the procurement outfits were in the best position to give credible answers to the research questions.

Four districts i.e. (Sunyani Municipal, Asutifi North, Tano South and Techiman,) were randomly selected due to easy proximity, financial and time constraints, as well as the fact that all the districts in Brong- Ahafo are homogeneous in character; four (4) is enough to make generalization.

Researchers usually cannot make direct observations of every individual in the population they are studying. Instead, they collect data from a subset of individuals (a sample) and use those observations to make inferences about the entire population (Zickmund, 1991).

3.8 Data Collection Method and Instruments

In this study both quantitative and qualitative methods was employed for data collection. This approach is similar to the view of Flyvbjerg (2004), that more often than not, a combination of qualitative and quantitative methods will do the task best. Unique in comparison to other qualitative approaches, within case study research,

investigators can collect and integrate quantitative survey data, which facilitates reaching a holistic understanding of the phenomenon being studied (Yin, 2003).

Data was collected from the population using the, questionnaire, interview and physical observation, of the assemblies under study.

In all fifty (50) questionnaires were sent out for this study, out of this figure, 48 were given to procurement, planning, finance, works engineer, budget officials and administrators. The remaining two (2) were not received for analysis.

3.8.1 Primary Data Collection

Data was collected from the population using the following data collecting techniques or instruments: questionnaire, interview guide and physical observations. A series of questions that are easy and convenient to answer but can describe the intended practices or behaviors was formulated into a questionnaire. Shao (1999) defines a questionnaire as a formal set of questions or statements designed to gather information from respondents that accomplish research objectives. The questionnaire may have either structured, semi structured or unstructured questions. For the purpose of this research, the questionnaire contained structured questions. The structured questions are convenient easy and take less time to answers because options are available to the respondents from which they tick options that best describe their practices, opinions or attitudes. The disadvantage is that they restrict the respondent in choice. The available options from which they have to select may not be exhaustive to describe the situation of the respondent.

The questionnaire was disseminated to the respondents in the following ways:

- a) Delivered and dropped and picked up after respondents have responded
- b) Administered face to face

3.8.2 Questionnaire Design

The research questions were developed by the researcher and were reviewed by some experts in academia and in procurement practice. Subsequently, a pilot test of the questionnaire and interview was conducted for ten (8) participants in order to identify and eliminate potential ambiguity in the questionnaire. Generally, the questionnaire is designed to collect general data from the public entities and contractors. These questions were grouped in categories to collect data on causes of delay in procurement implementation, challenges of procurement processes as well as the effect of the public procurement on financial management in the Brong Ahafo region. The instrument consisted of one Section: This section solicit personal and general information from the participants (procurement officials) using objective test open – ended questions.

In this section some of the questions were scaled from 1-5 with the statement: **Strongly Agree, Agree, Disagree, Strongly Disagree and Uncertain** respectively. Questions in this section solicit data on the causes of delay in procurement process and effects of the procurement on public financial management.

3.8.3 Secondary Data Collection

The researcher himself referred to various publications of foreign and Local Origin, books, journals, articles, newspapers, reports obtained from libraries, PPA, Public Entities, and the internet on the subject to obtain additional information in order to answer the questions set in the problem definition.

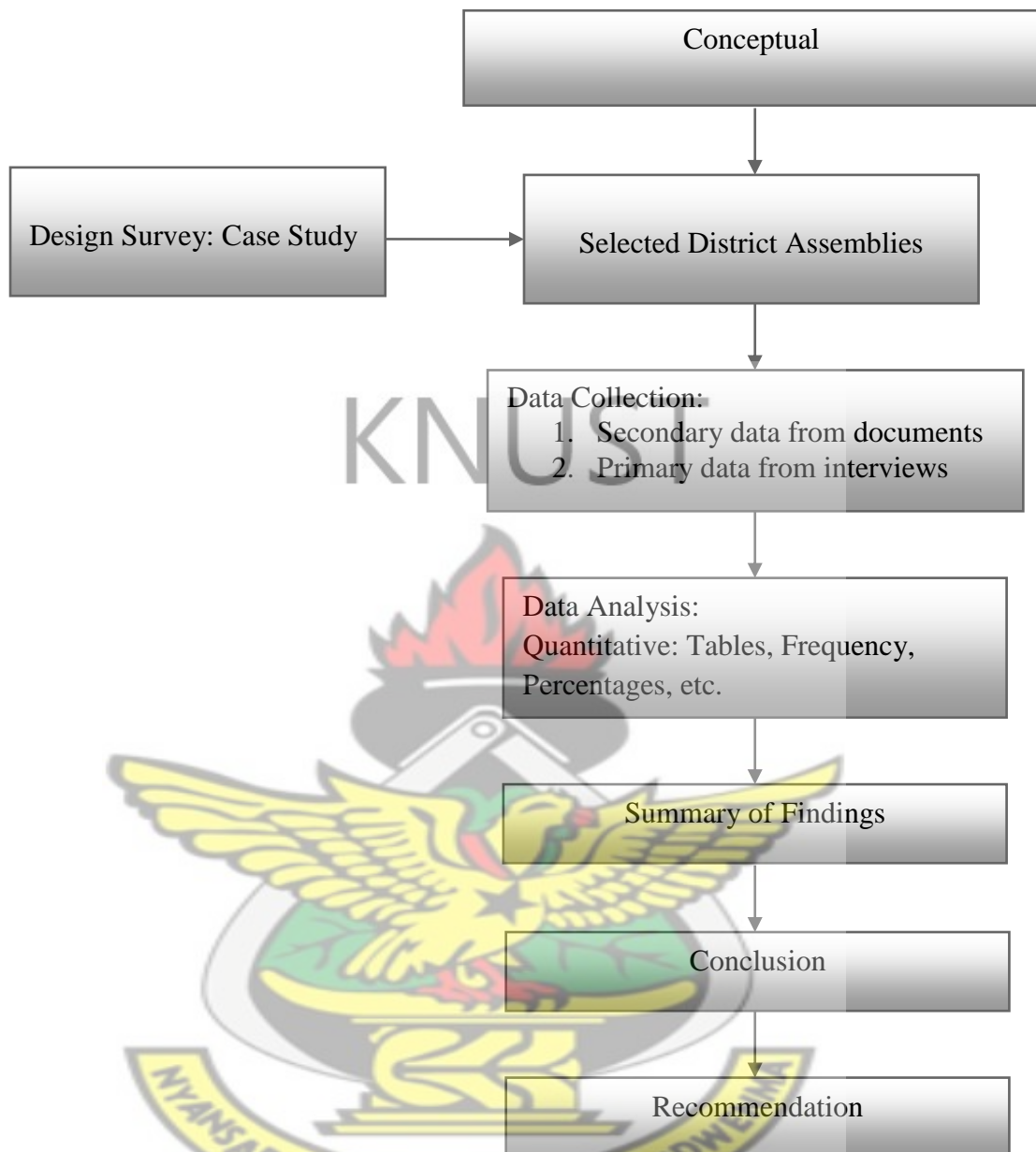
3.9 Data Analysis Design

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. Analysis of the data was done using both qualitative and quantitative analytical techniques. Tables, percentages and textual write-ups of the data gathered among others were used in the case of the quantitative technique.

The data gathered were analyzed statistically. The statistical tool employed includes descriptive statistics such as simple percentages and averages. Data obtained were organized in appropriate tables with the aid of Computer data analyses software such as the use of Statistical Package for Social Sciences (SPSS) was the main tools employed to analyze the data in order to aid interpret results. The rationale for the choices of these programmes was that, these techniques facilitated word processing and data analysis very easy and accurate pictorial presentations.

Figure 3.1 below is a diagrammatic illustration of a data analysis and reporting mechanism adapted from Waugh (1995) which gives a summary of the key features of the analytical framework. Figure 3.1 therefore is a summary of the methodology and the analytical techniques adopted for the study. From the figure, the details of the stages of the research methodology adopted are shown

Figure 3.1: Framework for Data Analysis and Reporting



Source: Adapted from Waugh (1995), Geography: An Integrated Approach (2ndEd)

CHAPTER FOUR

DATA ANALYSIS, DISCUSSIONS AND PRESENTATIONS

4.1 Introduction

The central point of this chapter is on the analysis of data gathered from the field with the aid of questionnaires and interviews. Collection of data for this study is centered on four main Assemblies within the public organizations that are directly affected by the Public Procurement Act, 2003 (Act 663). These include Local Government (Municipal and District Assemblies) that is (Sunyani, Techiman and Asutifi, Tano South respectively). This was mainly done to gather information to examine **the effects of the Procurement Act (663) on public financial management in MMDAs of Brong - Ahafo region, Ghana**. It was however necessary to consider issues that concerns the causes of delay in the implementation of procurement activities in Public procurement practitioners in the region.

4.2 Background and Characteristics of Respondents

A total number of fifty (50) questionnaires were administered to staff of Local Government, in Brong-Ahafo Region, out of which forty-eight (48) were obtained and valid for the data analysis. These valid questionnaires used for the analysis yielded 96% of response rate. This indicates that, the response rate was quiet high and reflects the views of the entire population.

Table 4.1 below makes reference to the number of years respondents have spent at their work places

| Years | No of Respondents | Percentage of Respondents |
|--------------|--------------------------|----------------------------------|
| 1 – 5 | 17 | 35.4 |
| 6 – 10 | 23 | 47.9 |
| 11 – 15 | 5 | 10.4 |
| 16 – 20 | 3 | 6.3 |
| Total | 48 | 100 |

Source: Fieldwork, 2013

It was indicated that 35.4 percent responded that they had been at their work places for 1-5 years while 47.9 percent of the respondents responded that they had been at their work places for 6-10 years, 10.4 percent of the respondent further expressed the view that, they had been working for the past 11 -15 years where as 6.3 percent has worked for 16 -20 years. It is apparent that many of the respondents (procurement officers) who expressed their divergent views had worked for quite some time and therefore they were more knowledgeable to answer the questionnaires.

4.3 Causes of Delays in Procurement Processes

Table 4.2 below was to find out whether officials prepare procurement plan

| Preparation of Procurement Plan | Frequency | percent |
|--|------------------|----------------|
| Yes | 48 | 100 |

Source: Author's Fieldwork, 2013

It was explicitly revealed on table 4.2 that out of the 48 officers who responded to the questionnaires, all the 48 responded yes representing 100%. This is an indication that all the procurement entities followed the laid down procedures or the provision of the Act. The Section (21) of the Act clearly states that all the procurement entities shall prepare procurement plans to support their approved programs. Procurement aids in

efficient and effective purchasing and ethically obtaining the best value for money and enabling the service provider offer their best service at a low cost and at the same time protecting the government cost structure as indicated by (Barly, 1994).

Table 4.3 Duration for Preparing Procurement Plan

| Duration | Frequency | Percent |
|-------------------------------|------------------|----------------|
| One week | 0 | 0 |
| Three weeks | 16 | 33.3 |
| Between one and two months | 29 | 60.4 |
| Between three and four months | 3 | 6.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The preparation of procurement plans by procurement entities eschews any unplanned expenditure by the entities and enables them to spend within their budgetary allocation for the period of settling accounts. It determines performance standards, establishes overall direction, eliminates uncertainties and promotes coordination of various activities.

The study showed on table 4.3 that 60.4 percent, (i.e. more than halve of the respondents) indicated that it takes them between one (1) and two (2) months to prepare procurement plans while 33.3 percent indicated that it takes them three weeks to prepare their procurement plans; 6.2 percent indicated that they used between three (3) and four (4) months to prepare their procurement plans. It is obvious from Table 4.3 above that preparation of procurement plans take a lot of time and therefore delayed the process. According to Nketia-Asante (2009), long procurement processes result in low productivity Nevertheless, the information obtained from the field prove a total contravention of the PPA section (21) sub- sec (2) which specifies that a procurement entity shall submit to its Tender Committee not later than a month to the

end of the financial year the procurement plan for the following year must be submitted for approval.

Table 4.4 Duration for Advertisement

| Duration of Advertisement | Frequency | Percent |
|----------------------------------|------------------|----------------|
| one week | 2 | 4.2 |
| two weeks | 9 | 18.8 |
| three weeks | 15 | 31.2 |
| one month and above | 22 | 45.8 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The table 4.4 indicated above was made to find out how long it takes procurement entities to advertise contracts. It is apparent that 45.8 percent responded that the duration for advertisement was more than one month. 31.2 of the respondents acknowledged that the period for advertisement was 3 weeks whereas 4.2 and 18.8 percent of the respondents used one and two weeks respectively to make advertisement. This is a clear manifestation that a lot of time is spent on advertisement alone and that certainly delays the procurement Process.

Nonetheless, with the passage of Public Procurement Act, advertisement is a precondition for procurement with values above five (5) and ten (10) thousand Ghana cedis PPA, (2003).

Table 4.5 Duration for evaluating documents submitted by tenderers

| Duration of tender document evaluation | Frequency | Percent |
|---|------------------|----------------|
| Between One And Three Weeks | 2 | 4.2 |
| Between One And Two Months | 32 | 70.8 |
| Three Months | 8 | 16.7 |
| Four Months And Above | 4 | 8.3 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The table 4.5 above spelled out how long it takes procurement entities to evaluate tender documents submitted by tenderers. Obviously, 32 responded that the duration for evaluating tenders was between one and two months representing 70.8 percent and 8 responded that it took them three months to evaluate tenders representing 16.7 percent while Two (2) and four(4) respondents acknowledged that, the period for evaluating tenders was between one and three weeks and four months and above respectively . This is a clear indication that a lot of time is spent on evaluating tenders and that certainly delays the procurement Process which has been pointed out in the existing literature by (Antill and Woodhead, 1989).

Table 4.6 below shows how often the tender committee meets

| Period of meeting by committee | Frequency | Percent |
|---------------------------------------|------------------|----------------|
| Monthly | 8 | 16.7 |
| Quarterly | 31 | 64.6 |
| Every Six Months | 6 | 12.5 |
| Yearly | 3 | 6.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Table 4.6 indicated that, 31 of the respondents revealed that the tender committee meets quarterly representing 64.6 percent.8 of the respondents gave the assertion that the committee meets monthly representing 16.7 percent whereas 6 and 3 respondents

gave the opinion that the committees meet every six months and yearly representing 12.5 and 6.2 percent respectively. Frequent meeting provides avenue for major decision to be taken as enshrined in part II of procurement Act 2003, (Act 663). The Tender Committee shall meet at least once every quarter and notice of the meetings shall be given at least two weeks prior to the scheduled date of the meeting.

Table 4.7 Effect of meetings on entity tender committee

| Response from respondents | Frequency | Percent |
|---------------------------|-----------|------------|
| Yes | 46 | 95.8 |
| No | 2 | 4.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

It was quite interesting to find out on table 4.7, whether the meetings of the entity tender committee have any repercussions on the procurement process. It was emphatically indicated that 46 of the respondents, representing 95.8 percent gave the view that the meetings of the committee often brings about the bottleneck in procurement process as it takes sometime before reaching consensus while 2 respondent gave dissimilar view representing 4.2 percent.

Table 4.8 Early payment to contractors/suppliers by the client (government)

| Early Payment | Frequency | percent |
|---------------|-----------|---------|
| No | 48 | 100 |

Source: Author's Fieldwork, 2013

Respondents (procurement officials) were made to express their opinion whether contractors and suppliers are promptly paid after successful execution of projects.

From the table 4.8 above, 48 of the respondents representing 100 percent explicitly responded no to the question. Some assigned the reason that payment are normally made after release of funds by the government. When the funds delay, there is a likelihood that payment to the contractors/suppliers will also delay.

Although the PPA, (2003) made it obvious that before issuing of the contract, a formal commitment of the needed funds against the budget of the Procurement Entity must be acclaimed so that early payment can be made, however the study revealed otherwise.

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Table 4.9 Period of payment to contractors/suppliers after contract execution,

| Period of payment of Contract | Frequency | Percent |
|--------------------------------------|------------------|----------------|
| within a month | 1 | 2.1 |
| two to four months | 3 | 6.2 |
| six months | 32 | 66.7 |
| a year and above | 12 | 25.0 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

From Table 4.9, it can clearly be observed that 32 of the procurement entities responded that they effect payment within six month while 12 of the respondents stated that payment are effected a year and above representing 66.7 percent and 25 percent respectively. One and three responded that payment was made within a month and two to four month representing 6.2 and 2.1 percent respectively. The above table is an endorsement that contractors/suppliers were not paid on time and it affirms the opinion of Nketia-Asante (2009).

Table 4.10 The Procurement Act as cause of Delays in Procurement

| Procurement Delays | Frequency | Percent |
|--------------------|-----------|---------|
| Strongly Agree | 34 | 70.8 |
| Disagree | 2 | 4.2 |
| Agree | 11 | 22.9 |
| Strongly Disagree | 1 | 2.1 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The study sought to find out whether the procurement act itself delays the award of contracts. As revealed on table 4.10, respondents (procurement entities) agreed that the Procurement Act causes delays in procurement. Thirty four (34) respondents representing 70.8 percent strongly agree that procurement act causes delay in awarding contracts. Eleven (11) procurement entities representing 22.9 percent agreed that the Procurement Act causes delays in procurement. Two (2) percent of procurement entities disagreed with the assertion that the Procurement Act causes delays in the award of contracts. One (1) of the respondent strongly disagree that procurement act causes delay. This implies that the Procurement Act cause delays in award of contracts since most of the respondents (procurement entities) agreed to that effect. This delays are attributed to, evaluation panel not formed in time to begin the evaluation process as scheduled, evaluation Panel taking more time than allotted to evaluate bids or proposals, protracted contract negotiations, bureaucracy and lack of funds as indicated in existing literature by Lynch, (2013).

4.4 Expenditure Control (Financial Management)

Table 4.11 Auditing of Procurement Activities

| Response from respondents | Frequency | Percent |
|---------------------------|-----------|---------|
| Yes | 36 | 75.0 |
| No | 12 | 25.0 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Table 4.11 indicated above was made to find out whether or not procurement entities are regularly audited, the data collected indicated that 36 respondent representing 75 percent pointed out that procurement activities were regularly audited while 12 respondent representing 25 percent indicated that their activities were not regularly audited. It is obvious that most of the entities' activities were regularly audited to ensure value for money, control of expenditure and effective utilization of resources.

Table 4.12 Market Survey

| Market Survey | Frequency | Percent |
|---------------|-----------|---------|
| Yes | 36 | 75.0 |
| No | 12 | 25.0 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The study sought to find out on table 4.12 from procurement entities whether they conduct market surveys on current market prices of goods and works to update themselves with current prices. The study revealed that 36 out of 48 procurement officers representing 75 percent indicated that they conduct market survey to compare prices whereas 25 percent does not conduct market survey. This is a clear indication that almost all the entities conduct market survey to help procurement entities to be

abreast with current prices, control project cost and choose the lowest bidder in order to minimize cost or expenditure and save money.

Table 4.13 Procurement Act reduces the cost of doing Business

| Procurement Act reduces the cost of doing Business | Frequency | Percent |
|---|------------------|----------------|
| Strongly Agree | 9 | 18.8 |
| Disagree | 6 | 12.5 |
| Agree | 30 | 62.5 |
| Strongly Disagree | 3 | 6.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Public Procurement Act aimed at achieving value for money and therefore the study intended to find out from procurement entities their views on the relationship between procurement Act and cost of doing business.

It was indicated from table 4.13 that, 9 out of 48 representing 18.8 percent Strongly Agreed that the Procurement Act had reduced cost of doing business. 12.5 percent also disagreed that the Procurement Act had reduced cost of doing business. 62.5 percent agreed with the statement that the Procurement Act reduced cost while 6.2 percent strongly disagree the assertion that procurement act reduces cost of doing business. It is clear that the Procurement Act reduced cost of doing business and this affirms to (Bauld and McGuiness, 2006).

Table 4.14 Procurement has brought value for money

| value for money | Frequency | Percent |
|------------------------|------------------|----------------|
| Strongly Agree | 10 | 20.8 |
| Disagree | 5 | 10.4 |
| Agree | 31 | 64.6 |
| Uncertain | 2 | 4.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Table 4.14 intended to find out from procurement entities whether Procurement has brought value for money. To achieve value for money in all public expenditures, there is the need for strong and effective Public financial management (Pride, Hughes and Kapoor, 2002). The Procurement Act is one of the instruments that aim at achieving this objective in public financial management. It was revealed that some level of success had been achieved since 20.8 percent strongly agreed and 64.6 percent agreed that procurement had brought value for money. However, 4.2 percent were uncertain whether the procurement act had really brought about value for money whereas 10.4 disagree to the fact that procurement has brought about the value of money. This is an indication that most respondents agreed that the Procurement Act had brought value for money. This has been achieved for the fact that procurement entities were able to conduct market survey to familiarize them with the current market price to avoid arbitrary price from suppliers.

Table 4.15 Expenditure and Budgetary control of Procurement

| Expenditure and Budgetary Control of Procurement | Frequency | Percent |
|---|------------------|----------------|
| Strongly Agree | 15 | 31.2 |
| Disagree | 7 | 14.6 |
| Agree | 24 | 50.0 |
| Uncertain | 2 | 4.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

The research sought to find out on table 4.15, whether the Procurement Act had brought budgetary control as stated or mentioned in the literature by Nickel et al. (1999) that for effective financial management, organizations periodically compare their actual revenues and that of planned expenditure. The study revealed that 50 percent of the respondents agreed that the Procurement Act had brought budget balance in their respective entities and 31.2 percent also strongly agree with the views. In the contrary, 14.6 percent were disagree while 4.2 percent were not certain to the assertion that procurement has brought budgetary control.

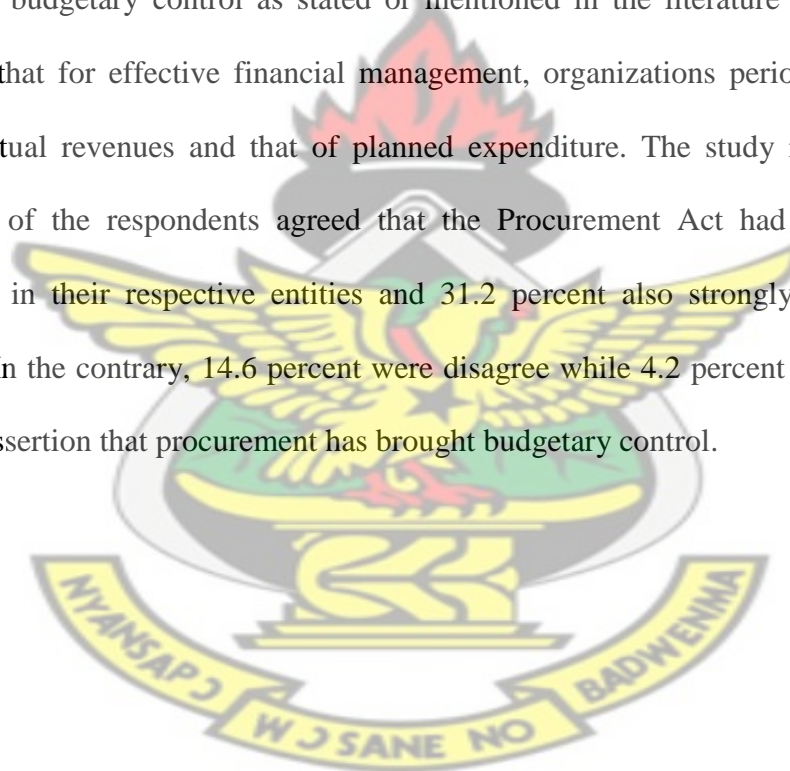


Table 4.16 Procurement act has strengthened and controlled government expenditure

| Procurement act has strengthened and controlled government expenditure | Frequency | Percent |
|---|------------------|----------------|
| Strongly Agree | 2 | 4.2 |
| Disagree | 17 | 35.4 |
| Agree | 26 | 54.2 |
| Strongly disagree | 1 | 2.1 |
| Uncertain | 2 | 4.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Table 4.16 was to find out about how procurement has strengthened and controlled government expenditure. It was clearly revealed that 4.2 percent strongly agree while 54.2 agree to the fact that procurement has strengthened and controlled government expenditure. However, 35.4 and 2.1 percent do not acknowledge that fact that procurement acts has strengthened and controlled government expenditure while 4.2 percent were uncertain.

Table 4.17 Regular review and analysis of the procurement

| Regular review and analysis of the procurement | Frequency | Percent |
|---|------------------|----------------|
| YES | 46 | 95.8 |
| NO | 2 | 4.2 |
| Total | 48 | 100 |

Source: Author's Fieldwork, 2013

Also, regular review and analysis of procurement entities' expenditure as against their resources was an indicator to measure expenditure patterns which is relevant to this study. The results from table 4.17 indicated that most of the respondents (95.8 percent) held the view that they review and analyze procurement expenditure while 4.

2 percent indicated otherwise. This affirms Rose and Lawton’s (1994) assertion that budgetary control involves the monitoring of actual income and expenditure as against planned income and expenditure on regular basis, identifying variances and investigating the reasons for the variances to ensure balanced budgets.

Table 4.18 Procurement plan recorded against budget to identify anomalies in recorded expenditure

| Procurement plan recorded against budget to identify anomalies in recorded expenditure | Frequency | Percent |
|---|------------------|----------------|
| Yes | 36 | 75.0 |
| No | 12 | 25.0 |
| Total | 48 | 100 |

Source: Author’s Fieldwork, 2013

Irregularities of government expense in Ghana’s economy has been the fact that government institutions were not able to scrutinize and track government spending.

The research was set to discover on table 4.18, whether the Procurement Act had helped in monitoring expenditure to control and correct irregularities in expenditure.

The study revealed that 36 of respondents representing 75 percent agreed that the Procurement Act had strengthened, controlled and monitored government expenditure in Brong –Ahafo Region. The duty of the procurement entities to deliver value for money in procurement is paramount to good governance. With scarce resources available to the public sector, ensuring value for money and proper planning of procurement results in the optimum utilization of scarce budgetary resources in the country.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives out the outcome of the study based on the analysis and discussions made in the previous chapter. This chapter summarizes the findings and the conclusion of the study conducted based on the objectives of the study. The conclusion incorporates the effects of the Public Procurement Act on government savings and outlay (public financial management) and the causes of delay in the implementation of procurement activities. Moreover, it also has suggestions and recommendations

5.2 Summary of Findings

This study was to give an account on the effect of Public Procurement Act on Public Financial Management in Brong Ahafo-Region. After a series of close examination and analysis of materials relating to Public Procurement, the following findings were made.

- It was ascertained that all the MMDAs prepare a procurement plan to aid them in efficient and effective purchasing and ethically obtaining the best value for money and managing stock, enabling the service provider offer their best service at a low cost and at the same time protecting the government cost structure.
- The study brought to light that, the duration for preparing of procurement plan takes some time which cause delay in the process. Public Procurement Act which specifies that not later than a month to the end of the financial year the procurement plan for the following year must be submitted for approval.

The study found out that, the period it takes entity to evaluate tender documents submitted by tenderers is between one and two months which often brings delay in the procurement process.

- It was found out from the study that the tender committee often meets quarterly which is a precondition of the committee. Part II section (18) of the Act clearly states that, the Tender Committee shall meet at least once every quarter and notice of the meetings shall be given at least two weeks prior to the scheduled date of the meeting.
- The study clearly indicates that the procurement act itself delays the award of contracts.
- Auditing is paramount for a successful implementation of the Public Procurement Act. The study revealed that procurement entities had quality control and auditing in their respective offices and their activities were regularly audited to check arbitrary expenditure and achieve accountability.
- Also, it was perceived that advertisement for procurement opportunities and evaluation periods take an amount of time and that affects the smooth procurement activities and delays the procurement process.
- The study indicated that the Act had brought cost-effectiveness and efficiency in the use of government funds due to strong competition in procurement activities.
- In the nutshell, monitoring and evaluation of procurement process by PPA have been quite effective over the years. This has the capacity of strengthening the procurement process.

5.3 Conclusion

Fifty questionnaires were sent out for this study, out of this figure, 48 was received and analyzed. The study set out to identify the effects of the Public Procurement Act on public financial management as well as the causes of delay in the implementation of procurement activities.

Efficient management is one of the most effective preventive mechanisms required in every institution. With governments commitment to financial discipline, accountability, transparency and ethical conduct, effective management of public procurement to obtain value for state spending is significant. The Procurement Act, 2003 has been put in place to bring about efficiency, effectiveness, accountability and to regulate public spending. The government has made concerted efforts to correct the uncontrolled expenditure of public funds that portray the national economy. The study showed that although the government is making efforts to bring about efficiency, and effectiveness into the system or the procurement process; problems are still out there. The Procurement Act has created order in the procurement process of institutions, because they knew what to do and who it should go to, it has also brought about transparency in the use of state resources. However, the study also brought out challenges. The main problem, that this study revealed, where, bureaucracy in the system preventing good management of the institution, unskilled professional procurement officers, and delay in funds. Thus, one can attest to the fact that procurement Act is having both a good and a bad effect on the institutions that practice it in Ghana. It has created order in the system but changes are still required to make the system fully effective, efficient and transparent. The implementation of the Act has caused a lot of delays in acquisition of goods and services in public organization. The causes of the delays according to the study were the bureaucratic

nature of the Act (from planning to evaluation), centralized payment system and inadequate fun.

It is momentous and influential to point out that Procurement Act has reduced government expenditure considerably in the sense that the Procurement Act has reduced wastage and leakage of resources through effective auditing, budgetary control, expenditure monitoring, cost effectiveness and value for money.

In conclusion, stakeholder involvement will also encourage public servants to be more deliberate about decisions they make and will provide citizens as well as stakeholders with the opportunity to hold their leaders accountable. It will improve the efficiency of government institutions, reduce fraud and waste of public finances, strengthen the management of natural resources and ensure better service delivery.

5.4 Recommendations

There are a number of issues that could be considered to enhance procurement in Ghana public sector. Therefore, it is critical that policy- and decision-makers consider developing skills and knowledge through specialized training programmes, involve stakeholders in the bidding process and employ centralization and decentralization for different categories of goods, works and services. The following recommendations were made to enhance procurement activities in order to achieve its aim as a tool for improving public financial management in the country;

Stakeholders' involvement

Public procurement malpractices could be limited through the engagement of stakeholders such as civil society organizations to be part of the procurement process. The current status of the procurement system requires the creation of three bid committees, namely the bid specification committee, the evaluation committee and

the adjudication committee. For the purpose of compliance and to minimize unethical and corrupt practices, stakeholders should be involved in the evaluation and adjudication process. This will ensure and support open governance. Open governance creates the conditions for effective collaboration between governments and citizens in a process that enhances legitimacy and accountability of public decision-making.

Stakeholder involvement will also encourage public servants to be more deliberate about decisions they make and will provide citizens as well as stakeholders with the opportunity to hold their leaders accountable. It will improve the efficiency of government institutions, reduce fraud and waste of public finances, strengthen the management of financial resources and ensure better service delivery.

Delays in Procurement Activities

Bureaucracy delays the smooth procurement process and eventually affects public financial management since it adds more cost to the institution if they are to pay interest rate. Government should make concerted effort to review the act to regulate the level of bureaucracy in the system

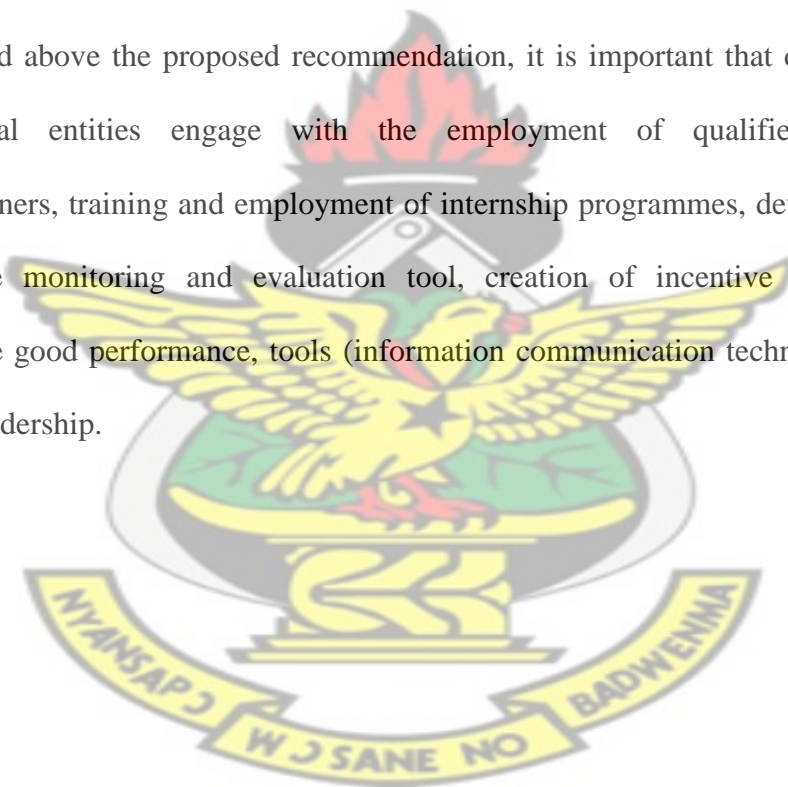
Procurement Capacity

Additional information gathered during the study revealed that local government institutions (MMDAs) do not have procurement units. It is therefore recommended that local government institutions should be provided with procurement units that are managed by quality personnel who have the necessary knowledge and requisite procurement training and competencies. This can be done by giving procurement practitioners with in-service training and opportunities to gain professional procurement qualifications and this will help government to meet the demanding

standards required to deliver Government policy of Procurement Act and achieve value for money now and in the future.

It is suggested that the procurement entity should be independent in discharging of their duties without any form of political influence that could impede the entities performance negatively. Most at times, procurement process delays when there is change of government. This results in waste of the public resources in terms of money, materials and time of which if the project was to be completed timely, could have improved upon the living standards of the people in the districts.

Over and above the proposed recommendation, it is important that departments and municipal entities engage with the employment of qualified procurement practitioners, training and employment of internship programmes, development of an effective monitoring and evaluation tool, creation of incentive programmes to motivate good performance, tools (information communication technology) and also good leadership.



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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ARCHITECTURE AND PLANNING

DEPARTMENT OF BUILDING TECHNOLOGY

MSc PROCUREMENT MANAGEMENT

Effects of the public procurement Act on public financial management of MMDAs in Brong – Ahafo Region

This research is part of a Master’s Thesis being conducted in the Department of Building Technology, Kwame Nkrumah University of Science and Technology, KNUST, Kumasi. The study is based on a selected sample in Brong Ahafo Region, so your participation is important. The outcome of this study will enhance knowledge on effect of Public Procurement Act on public financial management. Participation in this study is voluntary, and all who participate will remain anonymous. Your name is not needed. All information offered will be treated confidentially, and the results will be presented in such a way that no individuals may be recognized.

OCCUPATIONAL DATA FOR PROCUREMENT OFFICIALS AT MMDAs

Please provide the correct information by ticking in the appropriate box and fill in the blank where necessary

1. Name of District/Municipal.....
2. Name of Section/Department.....
3. Number of years spent at your work place.....

CAUSES OF DELAY

4. Do you prepare a procurement plan? Yes No
5. How long does it take your outfit to prepare a procurement plan?
- a. one week b. Three weeks
- c. Between one and two months d. Between three and four months
6. How long does it take your entity to advertise a contract?
- a. One week b. Two weeks c. Three weeks
- d. One month
7. How long does it take your entity to evaluate tender documents submitted by tenderers?
- a. Between one and three weeks b. Between One and two Months
- c. Three months d. four months and above
8. How often does the tender committee meet?
- a. Monthly b. Quarterly c. Every six months d. yearly
9. Does the entity tender meeting have any effect on procurement process?
- Yes No
- If yes, how?.....
-
-
-
-
10. Do you pay contractors/suppliers promptly? Yes No
- If no, why
11. In your own estimation how long does it take a contractor/supplier to receive payment after execution of contract?

- a. Within a month b. Two to four months c. Six months
d. a year and above

12. Does the Procurement Act cause delay in awarding contracts?

- a. Strongly agree b. Disagree c. Agree
d. Strongly Disagree

13. What are some of the causes of the delay in paying contractors?

.....
.....
.....
.....



EXPENDITURE CONTROL (FINANCIAL MANAGEMENT)

14. Do you audit procurement activities regularly? Yes No

If yes, how often? a. Quarterly b. Every six months

c. Yearly

15. Does the Procurement unit regularly conduct market surveys to update its knowledge of prevailing prices for goods and works? Yes No

16. The implementation of the Public Procurement Act reduces cost of doing business.

a. Strongly agree b. Disagree c. Agree

d. strongly disagree e. Uncertain

17. Procurement has brought value for money

a. Strongly agree b. Disagree c. Agree

d. strongly disagree e. Uncertain

18. Procurement has brought budgetary control? (i.e monitoring of actual income and expenditure against planned income and expenditure)

a. Strongly agree b. Disagree c. Agree

d. strongly disagree e. Uncertain

19. Procurement Act has strengthened and controlled government expenditure.

a. Strongly agree b. Disagree c. Agree

d. strongly disagree e. Uncertainty

20. Are there regular review and analysis of the Procurement entity's total expenditure to identify trends on how much is spent? Yes No

21. Is procurement plan recorded against budget to identify anomalies in recorded expenditure? Yes No

22. Please if you have any additional comment or suggestions specify.

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Thank you for your contribution.

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