

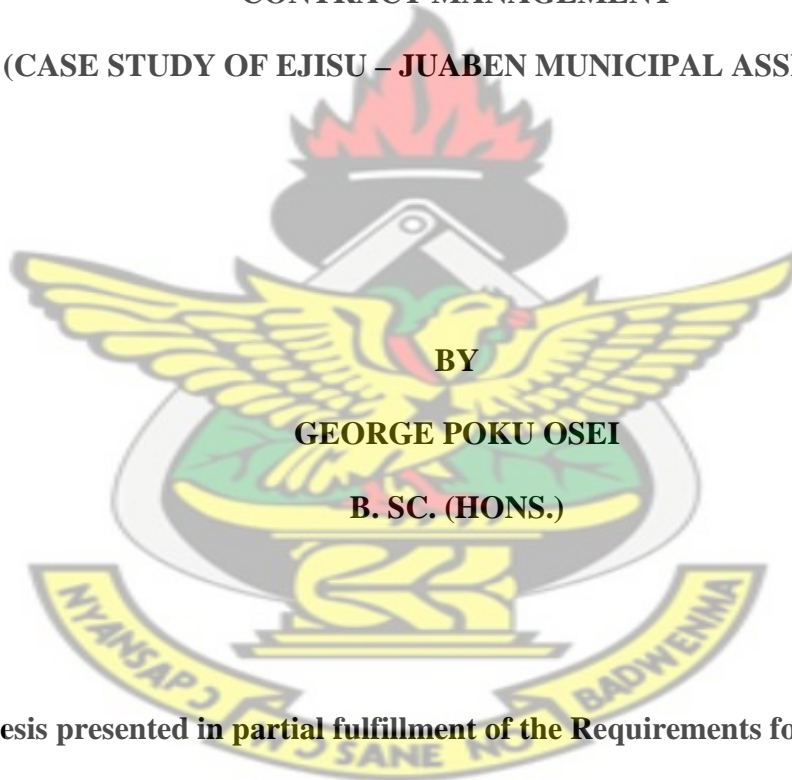
**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY**

**STRATEGIES TO DEVELOP THE CAPACITY OF PRIVATE SECTOR IN  
CONTRACT MANAGEMENT**

**(CASE STUDY OF EJISU – JUABEN MUNICIPAL ASSEMBLY)**



**BY**

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**B. SC. (HONS.)**

**A thesis presented in partial fulfillment of the Requirements for a Degree of  
MASTER OF SCIENCE IN PROCUREMENT MANAGEMENT**

**NOVEMBER, 2013**

## DECLARATION

I declare that I have wholly undertaken the research reported herein under my supervision.

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I declare that I have supervised the student in undertaking the research reported herein and I confirm that the student has effected all suggested corrections by the examiners.

Dr. B.K. Baiden

.....

SUPERVISOR

DATE

I confirm that the student has effected all the necessary corrections pointed out by the examiners.

PROF. J. A. YARKWA

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DATE

## ABSTRACT

The Government of Ghana embarked on a reform to structure the country's Procurement Processes in 1996. The reform culminated in the passage of the Public Procurement Law, Act 663 (2003).

One of the key objectives of the law is to secure judicious, economic and efficient use of state resources. Consequently, the Act mandated the Public Procurement Authority (PPA), to assist the local business community including the Private Sector to become competitive and efficient Suppliers, Contractors and Consultants to the Public Sector, Act 663 section 3 (t), (2003).

The World Bank (2007) has reiterated the effects of Public Procurement on the Ghanaian economy. The Bank accordingly has indicated that any improvement in procurement capacity yields greater value for money and increases in public service delivery.

The Ghanaian private sector is perceived as having limited technical know-how on Contract Management processes. This often leads to contract cost overruns and non completion of contract on time, Afre (2010).

Perceptions or concerns about performance tend to provide the entry point for thinking about capacity development. This works in both ways: under performance is associated with inadequate capacity and performance is associated with adequate and efficiently used capacity.

The foregoing provided motivation for this study. The objective of the study was to review best practices of Private Sector engagement in Contract Management for local government institutions.

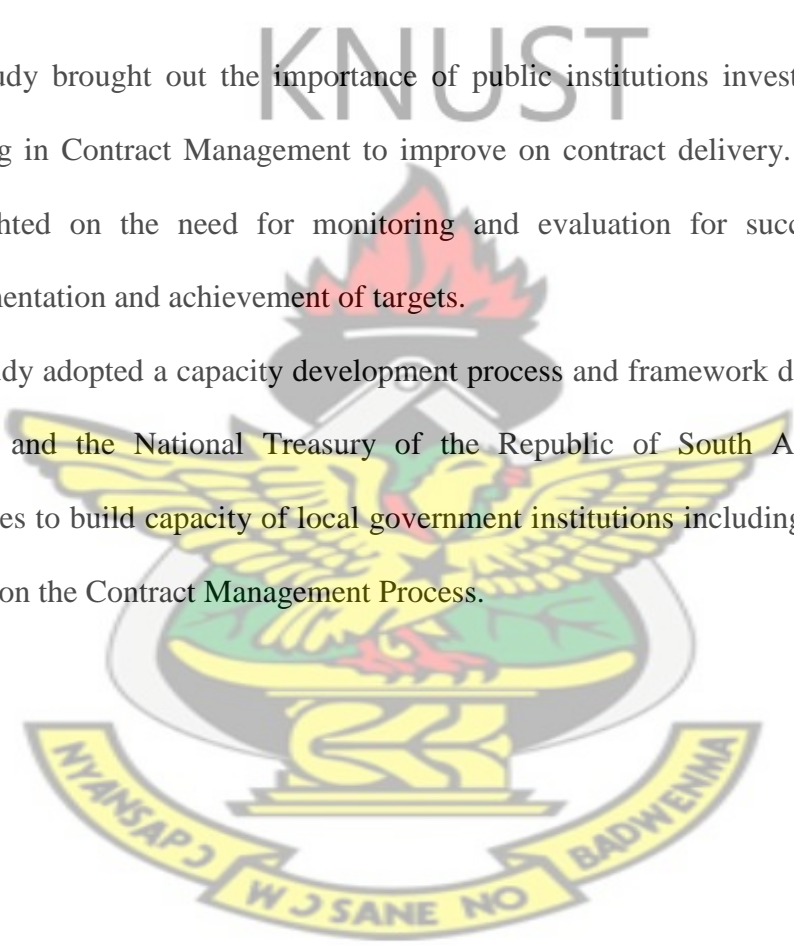
A case study desk survey was conducted at the Ejisu- Juaben Municipal Assembly to assess performance of the Assembly and the Private Sector on implementation of key

selected projects. The study showed inadequate performance by the Assembly in Contract Management in comparison with other themes for procurement performance assessment. The study further revealed delays in the implementation of key projects in the face of enhanced cash flows.

The expected roles of key stakeholders in Contract Management were reviewed to provide lessons for effective and efficient service delivery.

The study brought out the importance of public institutions investing in capacity building in Contract Management to improve on contract delivery. The study also highlighted on the need for monitoring and evaluation for successful contract implementation and achievement of targets.

The study adopted a capacity development process and framework developed by the UNDP and the National Treasury of the Republic of South Africa to design strategies to build capacity of local government institutions including Education and Health on the Contract Management Process.



## DEDICATION

This report is dedicated to my dear Mother, Maame Ama Dufie, wife, Veronica and lovely kids, Robert, Jude and George (Jnr.) who have had to endure my absence from home most of the time for the entire course.

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## ACRONYMS

PUFMAR	-	Public Financial Management Reform Programme
KNUST	-	Kwame Nkrumah University of Science and Technology
UNDP	-	United Nations Development Programme
PAS	-	Procurement Assessment System
EJMA	-	Ejisu - Juaben Municipal Assembly
GDP	-	Gross Domestic Product
WB	-	World Bank
MDG	-	Millennium Development Goal
NGO	-	Non- Governmental Organisation
USA	-	United States of America
UK	-	United Kingdom
DDF	-	District Development Fund
UDG	-	Urban Development Grant
DACF	-	District Assemblies' Common Fund
CIPS	-	Chartered Institute of Purchasing and Supply
CMF	-	Contract Management Framework
PPP	-	Public Private Partnership
MMDAs	-	Metropolitan/Municipal and District Assemblies
TOR	-	Terms of Reference

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## CHAPTER ONE

### 1.0 GENERAL INTRODUCTION

Increasing the effectiveness and efficiency in Public Procurement is the concern of governments in Developing Countries and the International Community (Kirsten and Marie, UNDP-2010). Hence, the Government of Ghana embarked upon an exercise to reform the Public Procurement System in 1996 as an integral part of a wider Public Financial Management Reform Programme (PUFMARP). The exercise was to improve the overall public financial management in the country.

### 1.1 Background of the Study

The Procurement reform undertaken by the Government of Ghana identified shortcomings and organizational weaknesses inherent in the country's procurement system. These include the absence of a comprehensive public procurement policy and the lack of a comprehensive legal regime to safeguard the integrity of the public procurement system. Others are the absence of a central body with the requisite capability, technical expertise and competence to develop a coherent public procurement policy.

Rules and regulations are required to guide, direct, train as well as adequately monitor public procurement. Furthermore, the absence of clearly defined roles and responsibilities of the individual procurement entities were some of the problems of the entities.

In order to eliminate the various shortcomings and organizational weaknesses in the public procurement process, it was considered desirable to enact a comprehensive procurement law.

The new structure is expected to promote the use of public procurement as a tool for national development. It will harmonise the application of procurement related rules with international conventions and treaties. It is expected to foster competition, efficiency, transparency and accountability in the public procurement process.

The Act provided for a comprehensive public procurement system and establishes the Public Procurement Board. The private sector is represented on the Public Procurement Board by four persons, including a woman, who have experience in procurement. The Act takes into account the country's decentralization policy and local industry development.

The Act establishes the Public Procurement Authority. The Authority is the central body for policy formulation on procurement with oversight responsibility for the process. Training is an important function of the Authority.

Qualifications of tenderers have been spelt out in detail in section 22 of Act 663 (2003). Other matters relating to participation by suppliers, contractors and consultants and record of procurement proceedings are stated in sections 24 and 27 of Act 663 (Osafo Marfo 2003).

According to Sabah (2011), indeed many delays, cost overruns, reworks, variations resulting in claims and disputes can be traced back to erroneous designs, poor contract administration and/or lax supervision of the client's representative, the consultant.

Efforts to strengthen skills, processes and systems do not produce sustainable results if they fail to address the inherently complex realities of the situation and deal with the question of "winners and losers".

Capacity development, whether international or not, can lead to shifts in roles and responsibilities. These can unsettle vested interest and established power structures and require changes in behaviour, norms and values.

To be effective, supporting capacity development therefore requires creation of appropriate leadership, enhance institutional strengthening, political and social incentives and mobilize strong political ownership and commitment.

Perceptions or concerns about performance tend to provide the entry point for thinking about capacity development. This works in both ways: underperformance is associated with inadequate capacity and performance is associated with adequate and efficiently used capacity. Having some capacity does not automatically mean that performance improves or that **better results are** achieved.

This can further be explained by the engine of a bus that may have all the components needed to run smoothly, but the bus would still sit idle without fuel and a driver. By the same token, some capacities may be in place, but without appropriate incentives and resources, they cannot be put into high gear and in motion towards the desired development destination (UNDP, 2008).

## **1.2 Statement of the Problem**

Procurement is the overall process of acquiring goods, civil works and services which includes all functions from the identification of needs, selection and sources, preparation and award of contracts and all phases of contract administration. As defined by UNDP (2010), Public Procurement is procurement falling under the jurisdiction of a government or other public sector. The business community is usually not aware of the legal rules that govern the public procurement system, thus contributing to the opaqueness of the legal framework. According to Afre (2010) in a



study, Ghanaian contractors have been perceived as inefficient; the Ghanaian contractor lacks managerial skills, has limited technical know-how and less knowledge on the preparation of tender documents. The Ghanaian private sector therefore has limited technical know-how on contract management process. This often leads to contract cost overruns and non completion of contract on time.

According to the Public Procurement Authority in its 2007 Annual Public Procurement Assessment report, the Country's score of 45.61% for Contract Management under the Procurement Assessment System (PAS) in 2006 fell to 36.03% during the 2007 Procurement Assessment of selected public entities across the country (PPA, Annual Assessment Report, 2007).

According to Obolensky (2001), the solution for those who wish to become masters of implementation is to be accurately aware of what is happening so as to anticipate better the pitfalls. As the business community becomes more competitive and the Public Procurement Authority enforces compliance of stakeholders of the Public Procurement Act 2003, (Act 663), it becomes incumbent for the private sector which engages in Procurement with the Ejisu - Juaben Municipal Assembly to seek continuous improvement to build their capacity and performance on the contract management process.

### **1.3 Aims of the Study**

The aim of the study is to assess performance of the Private Sector on implementation of development Programmes and Projects and provide strategies to enhance efficiency and effectiveness (performance), in the Contract Management processes.

#### **1.4 Objectives of the Study**

The following are the specific objectives of the study:

1. To review best practices of Private Sector in Contract Management
2. To assess roles of the private sector and other stakeholders on the Contract Management process
3. Provision of strategies and recommendations to improve performance of the Private Sector (contractors, suppliers and consultants) in Contract Management.

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#### **1.5 Justification for the Study**

The Public Procurement Act was enacted to enhance harmonization of the public procurement process. The Act (Act 663, 2003) was promulgated to ensure that administrative and institutional arrangements are undertaken for proper procurement process including Contract Management, across all public institutions. According to the World Bank, Public Procurement expenditure is estimated at 17% of Gross Domestic Product (GDP) and 80% of tax revenue in Ghana, (2007). As a result any improvement in Public Procurement capacity yields greater value for money and increases in Public Service delivery (WB, 2007).

The country's score for contract management of 36.03% (2006), improved to 55.33% and 65.44% in 2010 and 2011 respectively. There is therefore more to be done under the current efforts albeit motivation for improvement to seek further capacity improvement to enhance performance in Contract Management in comparism with other themes for the procurement assessment.

The study is therefore aimed at assessing the roles and performance of the private sector as it interfaces with the Ejisu-Juaben Municipal Assembly in the Ashanti

Region on the Contract Management process. The Contract Management process as a strategic phase on the procurement cycle will be used to develop strategies to build capacity of the Private Sector for effective and efficient implementation of the Public Procurement Act, (Act 663). The study will be useful for other local government institutions to build the capacity of their Private Sector on the Contract Management process.

### 1.6 Research Methodology

The research will be based on primary and secondary data. Literature review based on desk studies will be undertaken. The research will be based on qualitative description of key issues, terms and findings. The research will involve desk surveys of reports, legislations, Programmes, Projects and other government publications to assess performance to establish capacity levels of District/Municipal/Metropolitan Assemblies on the Contract Management process.

Hagget (1977) stated that a case study is an empirical enquiry that allows for an investigation of dynamics of a particular system. Accordingly, the case study approach will be adopted to investigate the performance of Ejisu – Juaben Municipal Assembly and the Private Sector on the Contract Management process.

A framework for developing the capacity of the Public Sector as a priority for effectively engaging the Private Sector will be reviewed and analysed to draw lessons on strategies to build capacity of the Private Sector on Contract Management.

## **1.7 Scope of the Study**

Geographically, the study will be conducted in the Ejisu-Juaben Municipal Assembly in the Ashanti Region. The study is limited to the capacity of the private sector in the Contract Management process in the procurement cycle where the role of the private sector is mostly eminent.

## **1.8 Organisation of the Study**

The study will be grouped into five chapters. Chapter one will be dedicated to the background information of the study. This will involve introduction, statement of the problem, aim and objectives of the study, justification, and research methodology, the scope of the study and the structure of the study.

Chapter two will be used to review literature on Contract Management. Models on best practices of Private Sector in Contract Management will be reviewed.

Chapter three will be dedicated to research methodology to be carried out for the study. The Chapter will highlight on the medium of data collection and sources of data and information for the study. The type of data requirements to be utilized for the research will be described in detailed in this chapter.

Chapter four will be used for qualitative analysis of data to be collected and description of a framework for capacity development on the Contract Management process.

Chapter five will be used to discuss the findings and recommendations to improve capacity and performance of the Private Sector on the Contract Management process.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter is dedicated to literature review on the research topic. Contracting of public services has been an integral part of public manager's work for a long time, and it is here to stay. Contracting proponents, who often have roots in public sector economics, champion contracting as a way to reduce service costs through competitive efficiencies and economies of scale.

The chapter looks at the relationship between contracting bodies especially in the public sector and the private sector. It further unearths the Contract Management process as a stage in the procurement process. It considers the consequences of the engagement and the effects of the relationship. The chapter draws on experiences on best practices of public sector engagements with the private sector in the procurement cycle.

The review touches on the need for capacity initiatives, investment in capacity and subsequent benefits to the delivery of public Goods, Works and Services.

The literature also highlights some models of Private Sector engagements which are beneficial and worthy of adaptation by local government authorities in less developed countries.

#### **2.1 Contract Management Capacities in Municipal and County Governments.**

Under pressure to do more with less, governments across countries have moved from direct service provision to providing services by contracts. As indicated by Trevor and Potoski, in 2003, many citizens receive public goods and services from a variety of vendors working under contract, including for profit and government agencies.

Advocates for such alternative service delivery arrangements promote competitive contracting with promises of efficiency, cost savings and improved effectiveness, Ferris and Graddy (1991); Ostrom and Ostrom (1977); Stein (1990).

A growing number of incomplete failed and corrupt contract arrangement critics argue that contracting creates numerous accountability problems, sacrifice service quality for efficiency and cost savings, often does not result in improved efficiency and cost savings, and ultimately “hollow” the state (de Leon and Denhardt et al 1993-2000).

The success or failure of any alternative service delivery arrangement likely depends on how well governments can manage the entire contract process, from accessing the feasibility of contracting through implementation to monitoring and evaluation, i.e. activities that require strong government contracting capacity. Governments investing in Contract Management capacity may be better positioned to harness the promise of effective contracting, while avoiding the pitfalls (Trevor L. Brown and Mathew Potoski, 2003).

## **2.2 Capacity Imperatives**

More efforts have gone into seeking out additional opportunities to contract for services and charting possible cost savings in public administration than has gone into specifying the management imperatives necessary to develop and manage the constraints successfully, (Trevor L. Brown and Mathew Potoski 2003).

According to Trevor and Potoski (2003), Contract Management capacity may be important for successful contract arrangements. Effective Contract Management can overcome some of the problems associated with contracting, including price gauging, incomplete contracting and fraud.

Contract Management related problems may be more likely to occur in the following situations:

Limited or no competition among potential vendors (Kettl 1993), Contract products and services that are difficult to be specified and described in the written contracts, Vendors having special knowledge or skills about the product that is unavailable to public managers. Public managers who have a hard time monitoring vendor performance once the contracts have been let (Milward 1996).

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### **2.3 The Role of Contract Management Capacity**

Contracting is a highly complex process requiring multiple types of expertise from public managers (Lavery et al 1999). Contracting experts typically identify three phases of the Contract Management process.

#### **2.3.1 Feasibility Capacity**

The capacity to determine whether to make or buy the good or service including hiring staff trained in market analysis or legislative study groups to assess whether a service or function is appropriate for contracting.

#### **2.3.2 Implementation Capacity**

The capacity to bid the contract, select a provider and negotiate a contract including hiring staff to negotiate a contract and creating management systems for trial contracting or benchmarking.

### 2.3.3 Evaluation Capacity

The capacity to evaluate the contractors' performance includes procedures for collecting performance information and staff to conduct project audits.

Poor contract performance can result from insufficient management capacity in any one of these functional areas.

Governments that lack sufficient capacity to effectively bid, let and negotiate contracts may enter into arrangements in which they become dependent on unscrupulous service providers and lack the legal means to enforce the contract (Kettl 1993). Governments may fall prey to a lack of evaluation capacity.

In the absence of the capacity to monitor and audit contracts, governments may be unable to determine whether the vendor has delivered the service according to contract specifications (Milward 1996).

Expanding the scope of the private sector to include Contract Management is necessary in a world in which governments are increasingly providing goods, works and services through alternative delivery arrangements.

Traditionally, research on government capacity assesses whether governments have adequate resources and expertise to actually deliver the assigned services by themselves (Gargan 1981 and Honadle 1981).

While the level of contracting has been steadily rising, the level of Contract Management capacity among contracting governments has not kept pace (Kettl 1993, Sclar 2000).

As indicated by Brown and Brudney (1998) it was realized that higher levels of contracting for information technology by local governments reduce internal management capacity and consequently governments realize fewer benefits from contracting.



## **2.4 Investments in Contract Management Capacity**

In a journal of Public Administration, Trevor and Potoski (2003) stated that Governments invest in Contract Management capacity because contracting is a complex process, fraught with potential problems and pitfalls. Contract Management capacity can help to mitigate contracting risks by providing public managers with the necessary tools to stave off and correct incomplete and even failed contracts, (Trevor and Potoski 2003).

There are four categories of factors that shape contract management capacity.

### **2.4.1 Prior Contracting Experience**

Experience with prior contracts shapes how governments approach current contracts. Governments that have not experienced major problems associated with contract performance in the past may have fewer motives to upgrade current management capacity.

Governments with some degree of dissatisfaction may respond by taking steps to improve current contracts. It is asserted that dissatisfaction with prior contract performance increases the likelihood that governments will invest in Contract Management capacity.

Significant increases in contract activity may spur investments in Contract Management capacity.

There may be some economies of scale in capacity investments. Large increases in the degree of contracting, however, may surpass economies of scale produced by the initial investment in capacity. As a result, a substantive increase in contracting levels increases the likelihood that governments will invest in Contract Management capacity.

Once governments have undergone the onerous processes of generating internal and external support to establish Contract Management capacity and undertake the numerous steps to build capacity, it is unlikely that capacity will dwindle to nothing in a short period of time. It is therefore imperative that past investments in contract management capacity increases the likelihood that governments will continue to invest in Contract Management capacity.

#### 2.4.2 Transaction Cost

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As indicated by Williamson (1981), transaction costs are the expenses incurred in managing service delivery that can occur under both in-house and contracted service delivery. Certain types of goods and services have higher contracting transaction costs, and thus require higher levels of Contract Management capacity. Whereas contracting is less problematic for private goods, non-excludability and jointness of use give rise to market failures, and consequently they are more difficult to contract in competitive markets. Because markets are likely to under provide public goods, assessing the feasibility of contract arrangements is more difficult. There are likely only a handful of suppliers negotiating with a single buyer-the government-and thus there may be no market-pricing mechanism. Likewise, implementing contracts is more difficult for public goods, because they generally require highly specialized knowledge about the particular resource at high fixed cost. Often this expertise is gained as a result of actually managing the resource. Consequently, the contract winner will gain advantages over other potential contractors in future rounds of contracting. Finally, the provision of public goods is also more difficult to monitor and evaluate. Governments that contract out public goods such as crime prevention, have more problems constructing, gathering, and evaluating measures of vendor

performance. Consequently, it has been assumed by Trevor and Potoski (2003) that any increase in the percentage of public goods contracted increases the likelihood that governments will invest in contract management capacity.

Transaction costs also may be a function of the type of vendor. While there is a risk that any vendor will behave opportunistically in contracting with governments, because for profit firms are driven by the profit motive, they may be inclined to exploit loopholes in contracts for private gain (Wise 1990).

Empirical evidence indicates that when governments build the proper incentives into contracts, for profit firms often produce superior results than other types of vendors (Behn et al 1999 and 2000). These results suggest that governments anticipate opportunistic behavior when contracting with for profit firms, and consequently they increase their capacity investments as precautions against poor vendor performance. As a result, is it hypothesized that any increase in the percentage of contracted services delivered by private firms increases the likelihood that governments will invest in contract management capacity.

### **2.4.3 Government Characteristics**

The rationale behind contracting stems from reinventing government machinery. Osborne and Gaebler (1992), in particular, champion the notion that governments should operate more like businesses by tapping into market competition efficiencies. One of the assumptions of this school of thought is that governments that are structured like private firms are more likely to behave like private firms, and thus work more to improve program efficiency and efficacy.

The council manager form of government is most directly analogous to the private firm structure of an appointed chief executive officer who is beholden to an elected

board of directors. Following this logic, it is further hypothesized that council manager governments are more likely to invest in Contract Management capacity than those governed under alternative arrangements (for instance, strong mayor). Beyond the type of government, a government's over-all capacity may also influence its investments in contract management capacity. If used efficiently, more resources (that is, revenues and staff) are likely to translate into more program outputs. Even though one of the principal motivators for turning to contracted service provision is to reduce costs, governments with high levels of fiscal resources may be better equipped to make costly investments in contract-management capacity.

#### **2.4.4 Environmental Factors**

The external environment also may shape governments' Contract Management decisions. Contracting is a highly charged political issue in many communities. Opponents argue that contracting out attempts to reduce the role of government rather than deliver services more efficiently.

Governments that face opposition to contracting may respond by investing in the various components of capacity to justify their decision to contract out (that is, feasibility assessment capacity) and to police contractors to prevent problems that would fuel future opposition (that is, evaluation capacity).

Larger, more heavily populated jurisdictions may have external markets that are more favorable to contracting, and therefore they may be more likely to invest in contract capacity. A larger population signifies a more heterogeneous economy with a larger pool of potential vendors. Likewise, a Metropolitan area may have a denser cluster of governments, thus allowing greater opportunity for intergovernmental

contracting (Stein 1990) and perhaps spurring government investments in Contract Management capacity.

## **2.5 Improving Government Health Service through Contract Management: A Case Study of Cambodia**

Soeters and Griffiths (2003) revealed that management of health facilities in Cambodia performed poorly, due to lack of funds, inadequate management and inefficient use of resources, but mostly due to poor motivation of staff.

Cambodia is an agriculture country with 11.5 million people (2003) of whom 86% live in rural areas. The country experienced galloped inflation as a result of uncontrolled public expenditure. The level of inflation was brought under control by strict fiscal discipline, but this also brought complex procedures for obtaining public funds for the social sector including public health care. The economic development of rural Cambodia is constrained by budgetary biased towards urban areas (World Bank 1999).

The health status of Cambodians is among the poorest in the South East Asia. Average life expectancy rate is 54.4 years (2003). The maternal mortality rate is estimated at 437 per 100,000 live births; outpatient attendance in public facility in Cambodia was only 0.35 consultancies per capita per year. This is woeful below the world health organization international standard of 0.60 (World Bank 1999).

Annual government health expenditure is US\$1.6 per capita, or 0.5% Gross Domestic Product (GDP) and only a small proportion of this public expenditure reaches the peripheral level. Health facilities further suffer from the effect of informal diversion or leakages of funds at higher administrative levels (World Bank 1999).

### 2.5.1 Reforming the Health System in Cambodia the Contractual Approach

The Cambodian government responded to the weaknesses in the health sector by initiating several reforms in 1995 to ameliorate the health sector.

As part of the reforms, the government started an experiment with contractual approach in eight districts covering one million people with a loan from the Asian Development Bank.

The District Health Management in five (5) districts was sub contracted to private sector operators. The objective of the reform was to gain experience with different contract reform models.

The contract reform models were:

- a. Contracting –out of district management to private contractors. This involved three (3) districts.
- b. Contracting –in of district management to private contractors .This involved two (2) districts.
- c. Continuing existing government policies in a number of reference districts. This also involved three (3) districts.

Contracting-out means; the private sector will have complete control over staff and budget. The private sector has autonomy regarding the service delivery system and staffing patterns. The private sector is under contract to achieve health service targets. The bid involves all costs such as staff salaries, running costs, medications, consumables and cost related to the private sector.

Alternatively, contracting- in provides private sector management within a largely public sector set up. Under this model the hands of the private sector are still tied and major management decisions have to be taken in collaboration with the national and provincial authorities. Staff still remain in the civil service and receive their salaries.

The contracting-in model had some similarities with the concepts of “planned market” as indicated by Salman and von Otter (1992). Contracting- in concerns the relationship between two public sector operators (Perrot and Adams 2000). However, in the Cambodian experiment, the term was used to describe a contract between the governments, a private sector operator where civil service regulations still have to be obeyed.

### **2.5.2 External Utilization and Quality Review.**

The Ministry of Health conducted a baseline household and health facility surveys in June 1998. Three years after the start of the contracting projects, the same surveys were repeated to compare the outcome overtime and between the districts. The survey revealed that the contracted out districts consistently out-performed the controlled districts with respect to the predefined coverage indicators, and that contracted out districts were better performing than contracting -in districts, (Keller and Schwartz unpublished data).

The results for six health service coverage indicators in the Pereaeng district are given in table one below.

The results show that after three years, there was a remarkable improvement of all indicators. Another finding of the household was that out of pocket expenditure in pereaeng reduced by 40%, between 1998 and 2001 from US\$18 to US\$11 per capita.

**Table 1.CONTRACTING HEALTH SERVICE IN COMBODIA**

**Health Services Coverage Data In 1998 And 2001 Measured By Independent**

**Households And Health Facilities Survey In Pereang District Cambodia**

Indicators	Baseline indicators	Evaluations	% Change
	1998(%)	July 2001 (%)	
Delivery in health facility	3.0	19.5	550
Two or more ANC visit with blood pressure checked at least once	3.0	25.2	740
Knowledge of four or more modern family planning methods	21.0	68.0	224
Modern family planning methods used by women with child 12-23 months	14.0	30.4	117
Children fully immunize (card + history)	24.0	51.9	116.3
Children with diarrhea given ORS packet	11.0	27.6	151

ANC: Antenatal Care

ORS: Oral Rehydration Salt

Source: Robert Soeters And Fred Griffiths : Health Policy And Planning, Oxford

University Press 2003. Healthy Net International, Amsterdam, Netherlands.



## 2.6 Contracting for Health Service Delivery in Development

Loevinsohn and Harding (2005) argued that substantial improvement in the delivery of health service will be necessary to achieve the health related Millennium Development Goal (MDG)

Loevinsohn and Harding (2005) indicated in a journal on public health policy that 63% of child deaths in developing countries could be prevented through the full implementation of a few effective and low cost interventions.

Many countries undoubtedly need to allocate more resources to health services; experience suggests that simply throwing money at the problems of service delivery is unlikely to have much of an effect. Alternative to the challenge of improving service delivery has been to use public funds to contract with non-state entities such as non-governmental organizations (NGO), Universities, individual practitioners or for profit companies.

Contracting for health service delivery has some potentially attractive features including the possibility of:

1. Ensuring a greater focus on the achievement of measurable results, especially if contracts define objectively verifiable outputs and outcomes
2. Overcoming the constraints that prevent governments from effectively using the resources made available to them
3. Using the private sector's greater flexibility and generally better morale to improve services
4. Increasing managerial autonomy and decentralizing decision making to managers on the grounds
5. Using competition to increase effectiveness and efficiency.

There are potential difficulties with contracting including concerns that:

1. Contracts will not be feasible at a sufficiently large scale to make a difference at a country level
2. Contracts will be more expensive than government provision of the same services, partly indicating greater transaction costs
3. Contracts might increase inequalities in health service delivery
4. Governments will have limited capacity to manage contracts effectively.

## 2.7 Managing Markets and Citizen Voice

Mildred, Warner et al (2007) advocated that Local Governments must structure the market for service delivery, especially in locals which lack competitive supply. Governments are substituting mixed public/private delivery for other forms of market management, such as competitive bidding. Increased attention to citizens recognized that delivery alone cannot assure greater customer satisfaction. As a result city managers have moved beyond the dichotomy of public vs. Private delivery and instead practice a middle position integrating markets and planning's to ensure efficiency, service quality and citizen satisfaction.

### 2.7.1 Theoretical Review- Dramatic Growth in Mixed Delivery as Complete Contract Declines

Theoretical review of alternative service delivery of city management among United States of America (USA) local governments indicated three important and related themes, these are;

1. The new public management with its focus on competition and consumer responsiveness.

2. Transaction cost economics with its emphasis on firms, market and contract management.
3. The new public service which gives greater attention to the importance of citizen engagement.

The new public management champions the possibility of creating market based service delivery system for public services which will be competitive and efficient. (Mildred E Warner and Amir Hefetz 2007).

Governments' role is to create competition internally and externally through contracting. Mixed contracting stems from internal opposition, institutional constraints or lack of private market supply due to crowding out by government, (Niskanen 1971; Osborne v Gaebler, 1992; Savas, 1987).

Experienced government managers should be aware that contracting poses additional transactional cost. In both public and private firms, the calculus for determining when to "make" internally and when to "buy" (outsource). Nelson (1997) in a research publication stated that production is a complex decision based on service and market characteristics, and therefore the need for internal knowledge and control.

Williamson, et al (1999) indicated that transaction cost economics provide a valuable theoretical approach for determining whether internal production is more efficient than outsourcing the market. Transaction costs in public organizations allows us to see the cost of information asymmetries, need for fail safe service delivery, and the benefit and cost of outsourcing or maintaining capacity in- house .

Governments play important marketing management role when contracting (Hefetz and Warner (2004), but transaction costs can be reduced if there are established legal and management institutions to ensure success (Webster and Lai 2003).

In studies of local government contracting, Sclar (2000) has found out that rational contracting is more important than competition because government services require an on-going relationship with the private sector.

Mixed delivery would help governments maintain the internal capacity to be a player in the market and ensure fail safe delivery. Mixed delivery could also reduced information asymmetries and costs of monitoring by allowing government to experience production costs directly.

Recent literature has challenged the citizen as consumer of new public management as too narrow, as advanced by Deleon et al (2000), they further stated that local officials have been experimenting with new forums of citizens engagement, recognizing that a sense of engagement is critical to effective service delivery and democracy, Crocker et al (1998). Nalbandian (1999) and Sclar (2000) agreed that government's capacity is crucial both to manage markets and to support democratic debate.

According to Box (1999), government is more than a business and should serve, not simply steer a market process, Denhardt and Denhardt (2003), Denhardt and Denhardt (2000) at various fora and publications indicated that, mixed delivery would ensure continued public involvement in the service delivery process- not just at the moment of letting the contract.

Mixed delivery in local government according to Borins et al (1995 – 2005) has moved beyond primary concern with cost reduction and competition to increase recognition of the importance of monitoring and citizen satisfaction. Mixed delivery must therefore be understood as part of an innovative and dynamic decision making process where city managers recognize the need to balance the benefits of markets, the costs of contracting and the need for citizen engagement in service delivery.

## **2.8 To Contract or not to Contract Issues for Low and Middle Income Countries**

Interest in increased use of contractual relationships to deliver health care is not confined to rich industrialised countries. The distinction between purchaser and providers, and the importance of greater clarity of relationships between them, are increasingly in the context of low and middle income countries.

Faced with deep rooted inefficiencies and inequalities within many policy funded and provided health systems, countries have been attracted by the new public management ideas which imply that greater efficiencies will be gained through encouraging competition and increased clarity in relationships between funders and providers (Walsh 1995).

In a context of very limited public sector resources, interest has centered as much or perhaps even more on contractual relationships between public and private sector as within the public sector (Anne Mills, 1998).

In recent years the World Bank's pronouncement has reflected the new ideas of the role of the state in the health system, the emphasis place on competition has a means to improve efficiency, and the importance of making more of private health care providers and encouraging their expansion. The World Bank in its World Development Report in 1993 with focus on health took a general reasonable balanced view of the relative roles of public and private sector. The World Bank (1993), further stated that; some services provided by the public sector, the system of provision is so grossly inefficient that it is unlikely to be cost- effective, such inefficiencies have been critiqued.

The implication of advocating public funding but channel to competing private providers is the contractual relationships needed to be developed to link purchases and providers. However, very little attention has been paid to the nature of the contracts required to features of their design and implementation, including pricing methods and to what capacities governments require in order to put contracting mechanisms in place. (McPAKE and Ngalande Banda et al 1994 and 1996).

## **2.9 Private Sector Consortia Working for Public Sector Clients**

In its procurement of goods and services the United Kingdom (UK) public sector increasingly requires private sector organisations to form supplier consortia, especially for large scale projects. The involvement of the private sector in the delivery of public services has become stronger than ever, which reflects a similar trend in many other European countries. According to Gershon, (2004), the public sector in United Kingdom (UK) accounts for 40% of Gross Domestic Product and central government alone spends about £460 billion per year on goods and services. The public sector as a whole is the biggest purchaser of goods and services in the country, spending over £100 billion in 2003–04 for example on utilities, professional services, temporary labour, construction, social housing, social care, and environmental services

For purchasing that involves long term requirements, business change, new methods of service delivery, or outsourcing, the UK government's preferred strategy today is a partnering approach that aims to transcend the traditional supplier-client dynamics (George 2005) Partnering, as opposed to customary 'arm's length' procurement, focuses on people and relationship aspects. This often requires not only a close cooperation between the private and public sector, but in many cases also the

collaboration of several private sector organizations that are linked in a supplier consortium.

### **2.9.1 Inter Organizational Collaboration**

In order to fully understand the specific scenario of private sector organisations teaming up to serve a public sector client, it is essential to first of all explore the wider context of collaborations between organisations.

Ritter, Gemünden, et al (2003 and 1998) defined the term collaboration as a form of working in association with others for some mutual benefit. Organisations that collaborate do so because of some underlying rationale or motivation; they face certain difficulties in the process, but ultimately intend to achieve collaborative advantage.

### **2.9.2 Why Collaborate**

While financial motivation is, in principle, the main fundament for commercial organisations to engage in any kind of collaboration, Huxham (1996a) argues that there are two super ordinate objectives that make collaborating worthwhile.

The first objective is self-interest, and pertains to situations when teaming up with others is the only means to reach a desirable end. This need not necessarily happen at the expense of others, and need not generate any quantifiable profit at all. Self-interest might in some cases be more about legitimacy than about the practicality of the given collaborative task. For purposes of political lobbying, public relations management, or brand building, for example, visible association with a desired partner can be more important than actual operational efficiency gains. Even more important than self-interest might be a moral reason to engage in collaborations. It

can be argued that some issues facing society - poverty, crime, conflict etc. – cannot be tackled by any single organisation and are inherently multi-organisational. Collaboration would in this perspective become a moral imperative. In the commercial sector, partnerships are usually tied to a rationale of self-interest. Depending on their long term objectives, short term prospects, and the particular competitive environment, business organizations might choose to engage in strategic or ad hoc alliances. Merrill-Sands and Sheridan, (1996) gave further rationale for institutions to collaborate. Such collaborations may be formed with competitors in the same industry or with organisations in other commercial sectors. In market economies, the general motive for collaborating with other organisations is to improve organisational effectiveness and efficiency.

The effectiveness motive is realized when potential partners provide complementary areas of expertise, skills, technology, or resources (Dyer, Kale, & Singh, 2004; Kanter, 1994). For example, Browning et al (1995) stated that having to solve common technical problems is a frequent incentive for bringing together research and development activities across companies in a particular industry. It is clear, however, that a complete absence of a particularly critical competency can seldom be alleviated simply by forming a consortium. From an effectiveness perspective, collaborations should thus be sought if there is a clear expected effect for each organization to achieve a priority aim together, and when any single organisation is not capable of addressing the problem on its own (Huxham, 1996a). Complementarity is a key to success in this respect, and Kanter (1994) concludes that the most successful alliances involve collaboration in the sense of creating value together, rather than mere exchange.



In contrast, partnerships that combine similar resources in the production of a single product or service, a model that is common in the voluntary sector, tend to be the weakest and least sustainable types of collaborations. Based on research in the semiconductor industry, Ouchi and Bolton (1988) argue that partnerships are useful when the collaborating parties have a high level of interdependence and dense communication, but their respective areas of specialization are different enough to not make it advantageous to incorporate them within a single organization.

Efficiency considerations are a second set of factors that lead an organisation to team up with others according to Barringer and Harrison, et al (1991 & 2000). Potential advantages can be realized through economies of scale, risk sharing or risk transfer, reduction in duplication of efforts, product or service development, and gaining access to new markets and technology. However, the efficiency argument might not prove true in any given situation. It has been found, for example, that despite the assumed economic advantages, collaborative arrangements rarely lead to cost reductions.

### **2.9.3 Collaborative Advantage**

Despite the illustrated difficulties, inter-organisational alliances can lead to collaborative advantages, as seen by Gray, (1989); Huxham, (1996a), that is, the creation of synergy between collaborating organisations. This relates to the discussion above about the effectiveness and efficiency criteria, and is expressed in the following definition: Collaborative advantage will be achieved when something unusually creative is produced – perhaps an objective is met – that no organisation could have produced on its own and when each organisation, through the collaboration, is able to achieve its own objectives better than it could alone. In some

cases, it should also be possible to achieve some higher level of objectives for society as a whole rather than just for the participating organisations.’’ (Huxham, 1993). In this view, both self-interest and moral imperative might be satisfied. The definition stresses the mutual gain, the requirement for all parties involved to benefit. There is no zero-sum game implication. Thus collaborative advantage is not achieved at the expense of other partnering organisations, but as a win-win partnership. A further key value of collaborative advantage is also the legitimization of partnering as an activity worthy of resource investment.

Beet, (2004) de Jong, (1996) explained that collaborative advantage may also be found in the ‘invisible products’ of collaborating such as shared knowledge and mutual understanding

Edwards and Shaoul, (2003), in a strategic partnering discussion indicated thus; cooperative relationships between the public and the private sector are seen as expeditious ways to deliver public services in an ever changing world In an effort to mobilize unique and pioneering resources, the two sides in such arrangements go beyond the established pattern of interaction and engage in repeated, contract-based transactions of idiosyncratic assets.

For the private sector suppliers, this can mean access to potentially sizable revenue streams for a number of years, for which the associated risk is comparatively easily manageable. For the public sector client, this can mean value for money, a more cost effective utilization of resources, and added capacity to manage large scale change.

Perry and Rainey, (1988) had stated that a number of specific issues that need to be taken into account as distinctive characteristics of the public sector in cooperative arrangements From the very beginning of the collaboration onwards, transparency and accountability are of utmost importance to public sector bodies.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

The qualitative case study approach was used for the research. According to Hagget (1977) a case study was an empirical enquiry that allows for investigation of dynamics of a particular system. It is most economical and convenient for the research.

Merriam (1988) had stated that case study does not claim any particular methods for data collection or data analysis. Any and all methods of gathering data from testing to interviewing can be used in a case study, although certain techniques are used more than others. Merriam (1988) again stated that research which focused on discovery, insight and understanding from the perspective of those being studied offers the greatest promise of making significant contribution to the knowledge studied base and practice.

Qualitative case study research approaches a problem of practice from a holistic perspective in order to gain an in-depth understanding of the situation.

The interest is in the process rather than outcomes in context rather than a specific variable in discovery. Such insights into aspect of practice can have a direct influence on policy, practice and research.

A qualitative research is an enquiry process of understanding a social or human problem, based on building a complex holistic picture formed with words, reporting detailed views of information and conducted in a natural setting (Creswell 1994).

Qualitative case studies are particularistic, descriptive, heuristics and rely heavily on inductive reasoning in handling multiple data sources, Merriam (1998)

Particularistic means that a case study focuses on a particular situation, event/ program, individual institution or phenomenon.

Descriptive means that the end product of a case study is a rich thick description of the phenomenon under study. Thick description is a term from anthropology and means the complete literal description of the incident or entity being investigated (Marriam 1998).

The case study was heuristics in the sense that it illuminates the researcher's understanding of the phenomenon under study. Previously known relationships and variables were expected to emerge from the case studies leading to a rethink of the topic being studied, as indicated by Stakes, (1981).

### **3.1 Data Sources**

The study used both primary and secondary data. Primary data was obtained from field data, that is, reports, government publications, semi structured interviews, and thesis.

The primary data provided reliable and accurate source of information for the study. Secondary data were obtained from published journals, professional publications from identifiable and well recognized institutions for instance the World Bank. United Nations Development Program, (UNDP) etc and other trade journals.

### **3.2 Library Sources**

The research depended extensively on library materials from the Kwame Nkrumah University Science Technology (KNUST) e- library for literature from journals, thesis, dissertations etc on the topic. The research also made use of the library of College of Architecture and Planning at KNUST.

### **3.3 Internet Search**

The bulk of information used especially for the literature review were sourced from different websites. Published articles, journals and other research findings related to my topic on the internet proved a worthy source of information.

The research relied on searches on the popular internet site. Some of the sites consulted were the World Bank's website, the UNDP website, Chartered institute of purchasing and supply, Lycos search engine, African Development Bank (AfDB). These sites provided very relevant sources of data relevant to literature and information on the topic.

### **3.4 Interviews**

Semi-structured interviews were conducted with key staff from the study area. The interviews were conducted to allow the respondents to share more insights into the issues being studied; questions were raised to arrive at insightful revelations on the topic.

### **3.5 Strategic Framework**

A capacity development frame work was reviewed to provide lessons on the strategies to develop capacities of the private sector based on the literature on contract management.

### **3.6 Desk Research**

Desk Study Research methodology was used to obtain detailed information for the case study at the Municipal Assembly. Desk research study basically involves collecting data from existing reports and minutes of the Assembly. The Desk study method was chosen because it was cost effective and faster to gather the required

information. It was also chosen for the study because of the time frame expected to complete the study.

Desk research is very effective and can be conducted in starting phase of market research as it is quite quick and cheap and most of the basic information could be easily fetched which can be used as benchmark in the research process.

The basic types of desk research employed for the study were:

- a. Online Desk Research - There was incredible amount of data available online on the internet. In the process of my research it was realized that there are lot of pages available on the internet relevant to the research. The method adopted for digging out the relevant information from the internet were, directly browsing the specific information or key words from the industrial or business sites and extracting the information out of these sites. Secondly, by using the various search engines like [www.google.com](http://www.google.com), Lycos search by entering key words on the topic.
- b. Development Institutions' published data – Development Institutions for instance The World Bank, (WB), United Nations Development Programme (UNDP), Africa Development Bank (AfDB) etc, usually publish a great extent of data online which were sourced for the research. The websites were free to access and contain most prominent information for the literature review. It was indeed the cheapest medium of gathering the information for the study.

## CHAPTER FOUR

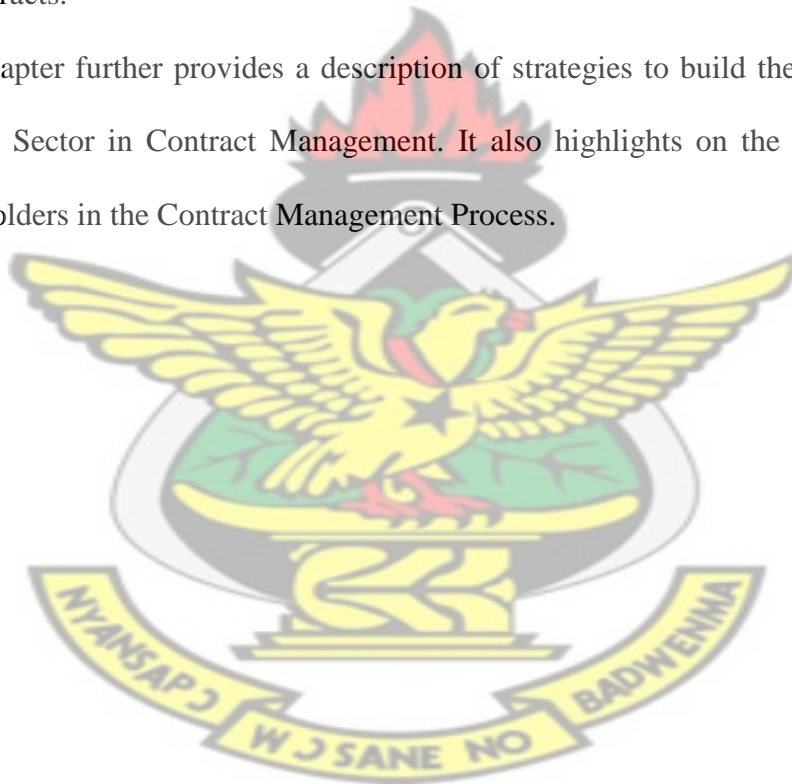
### RESULTS, DISCUSSION AND CONCEPTUAL FRAMEWORK

#### 4.0 Introduction

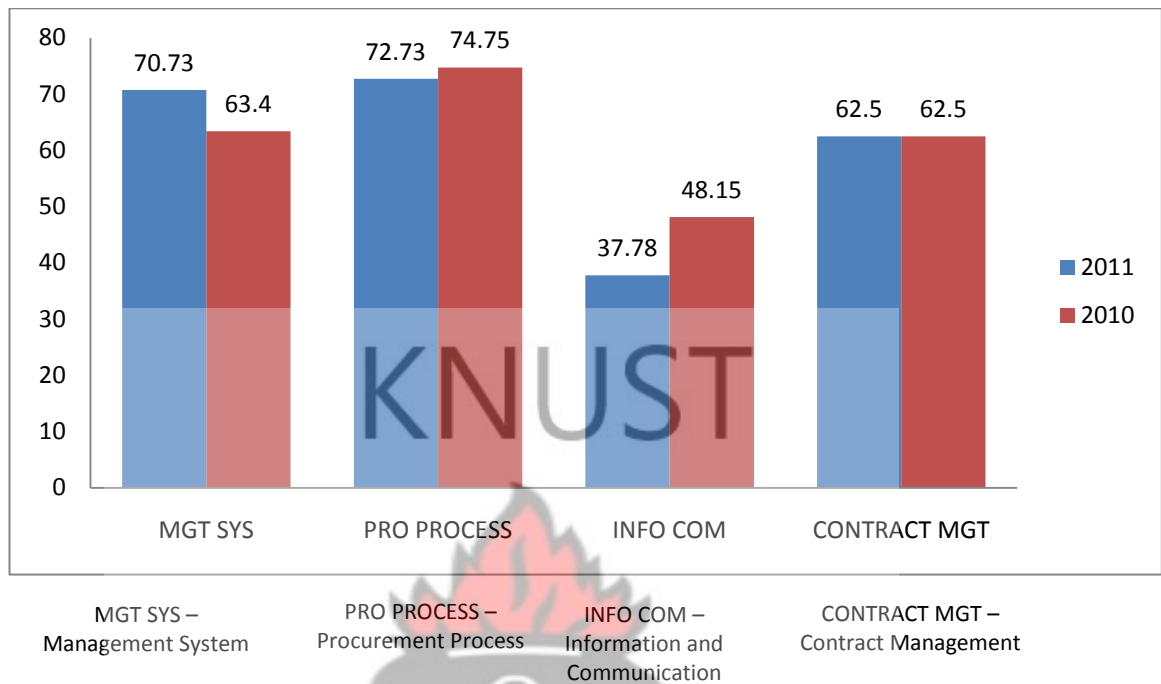
This chapter seeks to analyse the findings of the study. This chapter reviews the performance of the Ejisu-Juaben Municipal Assembly, (EJMA) as it interfaces with the Private Sector at the Contract Management stage. It assesses the efficiency and effectiveness of the Assembly in completion of key Procurement Contracts.

The data collected focused on contract management processes and timely completion of contracts.

The chapter further provides a description of strategies to build the capacity of the Private Sector in Contract Management. It also highlights on the roles of various stakeholders in the Contract Management Process.



#### 4.1.1 The Performance of the Ejisu-Juaben - Municipal Assembly in Contract Management



**Figure 1 - Ejisu - Juaban Municipal Assembly - Procurement Performance Assessment 2011 and 2010.**

Information obtained from the Assembly indicated an average score of 62.50% in Contract Management in both 2011 and 2010 in its Annual Procurement Assessment Report as indicated in figure 1 above (4.1.1).

The Assembly further scored an average of 72.73% and 74.75% under Procurement Processes for 2011 and 2010 respectively as can be seen in the above graph. There was an average score of 70.37% and 63.40% in Management Systems in 2011 and 2010 respectively.

The Assembly’s Performance under Contract Management is the 3rd lowest coming only after Information and Communication which recorded 37.78% and 48.15% in 2011 and 2010 as depicted in the above figure (figure 1).



**Table 4.1.2 Performance of the Assembly in Key Development Programmes-  
District Development Funds (DDF) Projects**

Name of Programme	3 <sup>rd</sup> Quarter 2012		4 <sup>th</sup> Quarter 2012	
	Prog. Compl. On Time	Not Compl. On Time	Prog. Compl On Time	Prog. Not Compl. On Time
DDF	37.50%	62.50%	61.54%	38.46%

**Table 4.1.3 Performance of the Assembly in Key Development Programmes –  
Urban Development Grant (UDG) Projects**

Name Of Programme	2 <sup>nd</sup> Quarter 2013	
	Completed on Time	Not Completed on Time
UDG	25%	75%

**Field Desk Survey conducted by the Author on 25<sup>th</sup>&26<sup>th</sup>/09/13**

A total of eight (8) projects reviewed under the District Development Fund (DDF), revealed that about 62.50% were not completed on time as at the third quarter in 2012 as can be seen in Table 4.1.2. However, about 61.54% of thirteen (13) Projects under the same Programme had been completed with 38.46% still on-going as at the fourth quarter of the same year. These Projects were expected to be completed on 1<sup>st</sup> August, 2012.

The review of Performance of the Private Sector under the Urban Development Grant (UDG) as indicated in table 4.1.3 above showed that 25% of the Projects were completed as at the 2<sup>nd</sup> quarter in 2013 with 75% not completed on time.

The analysis of both programmes in tables 4.1.2 and 4.1.3 showed time over runs for completion of programmes by the private sector in the Ejisu Juaben Municipal Assembly.

The review covered eight projects which were expected to be completed by 8<sup>th</sup> April, 2013. Information obtained from the Finance Office of the Assembly indicated that funds for the completion of these Programmes were already lodged in the account of the Municipal Assembly. It was not like other programmes financed under the District Assembly Common Fund (DACF), where funds flow from the District Assembly's Common Fund Secretariat delayed. (Source: EJMA, Finance Office).

The Assembly made immediate and prompt payments to contractors working on these programmes after approval by the Municipal authorities.

#### **4.2 Strategies to Develop Capacities in Contract Management**

Contract life cycle management is the process of systematically and efficiently managing contract creation, execution and analysis for maximising operational and financial performance and minimising risks.

Majority of contract management refers to post-award activities. Successful contract management however is most effective if upstream or pre award activities are properly carried out, (CIPS).

Organisations in both public and private sectors are facing increasing pressure to reduce cost and improve financial and operational performance.

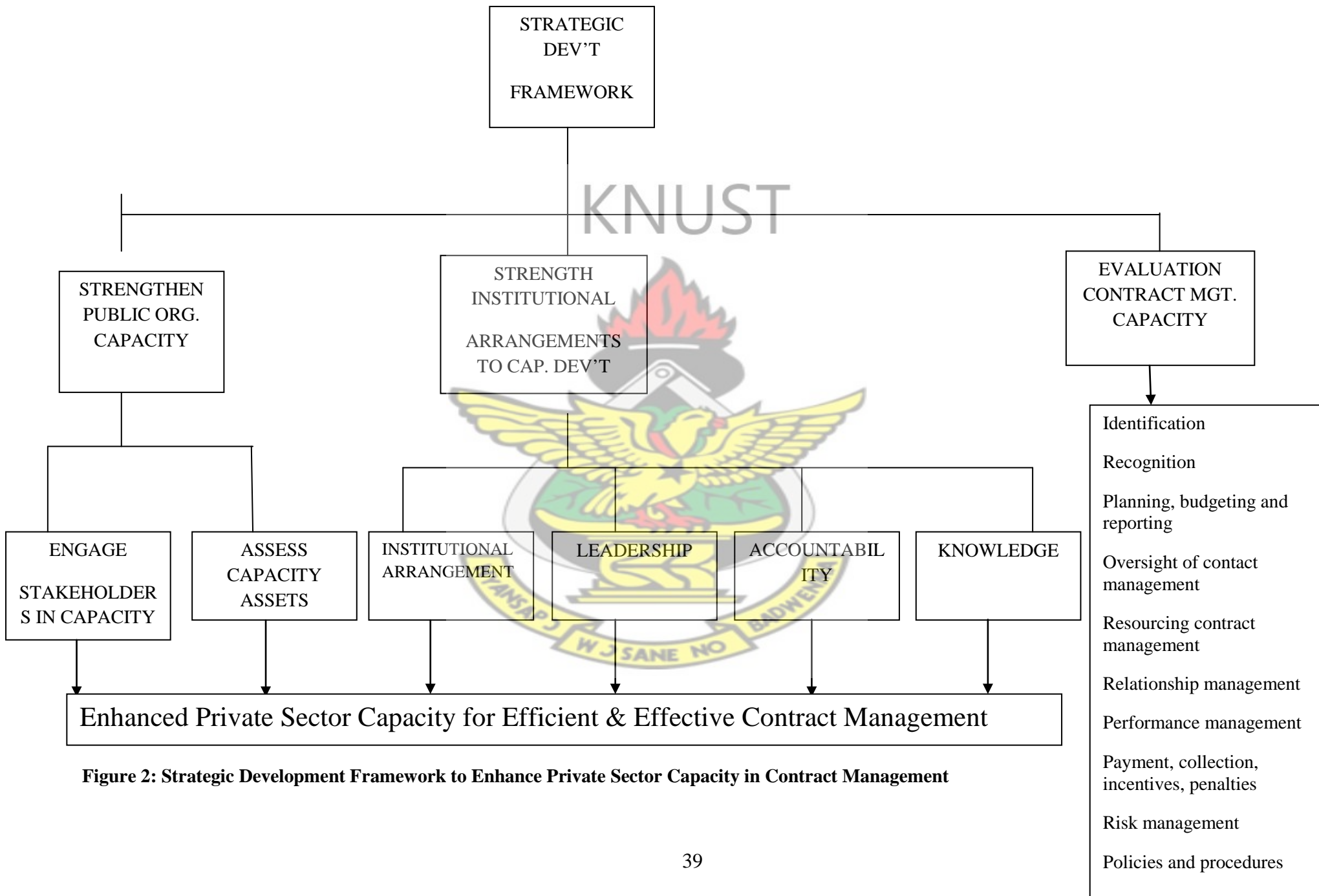
New regulatory requirements, globalisation, increases in contract volumes and complexity have resulted in an increasing recognition of the importance and benefits of effective contract management.

#### 4.2.1 Capacity Development Framework

The capacity development process proposed in the framework adopted consists of three steps and are embedded into a programming process below.

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**Figure 2: Strategic Development Framework to Enhance Private Sector Capacity in Contract Management**

## **4.2.2 Strengthening Public Organization Capacities as Priority for Implementation of Efficient and Effective by the Private Sector**

Any efforts to develop capacities of the private sector in contract management must commence with building the capacities of the public sector which interfaces with the private sector. The public sector needs to exhibit high capacity on the contract management process before it leads the way for the Private Sector for efficient and effective contract delivery. According to the UNDP, (2007), capacity development is much more than supporting training programmes.

### **4.2.2.1 Engage Stakeholders in Capacity Development**

An effective capacity development process is embedded in the political context of institution of transformation. It requires that key stakeholders show commitment and sponsorship of the capacity development agenda and that the agenda is embedded in broader development priorities and plans.

An inclusive and participatory approach to capacity development helps all parties argue on priorities and commit to moving forward together. It also helps strengthen participant's ownership of the process and responsibility for its results.

Working to engage all stakeholders is especially important at the beginning of the process, but it cannot stop there. Continued engagement helps change the very nature of the policies, investments, training and institutional reforms.

### **4.2.2.2 Assess Capacity Assets and Needs**

Capacity assessments are an essential step in developing vigorous and practical developments responses, following in- depth stakeholder dialogue and analysis of the policy and political context for institutional transformation.

Capacity assessments help determine which capacity to prioritise and how to incorporate them into national and local development strategies, sector or thematic programmes, projects and budgets. Key local stakeholders must participate in deciding the scope of the capacity assessment and analysing its findings.

Capacity development responses and investments that are not grounded in a vigorous capacity assessment are often limited to training. While often necessary, training is not sufficient for sustained results.

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### **4.3 Strengthening Institutional Arrangements for Capacity Development**

The findings of capacity assessment are the starting point for formulating a capacity development responses or actions. These responses will be a collection of capacity development actions that addresses one or more of the four capacity development core issues.

The four core issues are complementary and mutually reinforcing. A capacity development response would most likely combine capacity development action from more than one core issue.

The core issues are as following:

#### **4.3.1 Institutional Arrangements**

Capacity assessment frequently reveal that organisations work inefficiently because the policies, procedures and processes to guide their work are not well designed. The way institutions/organisations within the public sector design their respective roles and coordination arrangements among those, how they manage human, physical and financial resources are all key determinants of organisational effectiveness and ultimately Contract Management effectiveness.

Capacity challenges within individual organisations are one dimension of the issue and needs to be addressed. The other key dimension is the institutional context in which organisations locate for successful institutional change and reform, both dimensions need to be addressed, with the latter often being at the nexus of capacity change and policy reform.

Motivation is important to sustain institutional returns. It can be tested through a combination of direct incentives e.g., merit based pay and performance evaluation system and indirect incentives e.g. recognition and confidence in the over all Procurement Process including Contract Management. A supportive environment, training for the Private sector, follow-up meetings, adhering to the terms and conditions in the contract, provision of machines and equipment, compliance to the National Procurement Law among others can provide a strong non monetary incentive to the Private Sector in Contract Management.

#### **4.3.2 Leadership**

Decisive leadership and system for regulating monitoring and review are essential to Contract Management and retaining the confidence of the Private Sector in the process.

Leadership is a catalyst for achieving; improving and sustaining development objectives, whether by a group or an individual assigned.

Leadership is the ability to welcome, anticipate and respond to changes driven from the inside or the outside. It is also to influence people or systems to achieve in many cases go beyond their goals.

Leadership is a factor in responding to and recovering from crisis. Leadership is never exercised in isolation. It is a function of relationships and is always grounded

in values. Leadership should therefore be approached holistically involving not just the individual but the organization and the enabling environment. Leadership programmes should not be a one off event. They should involve the group in hands on activities that is, action leaning.

### **4.3.3 Knowledge**

Knowledge is the foundation of capacity. It can be developed through education, training and learning or experience sharing. Greater investments must be made in education and training in technical know-how experience sharing between the private sector and other stakeholders in Contract Management.

Opportunities for continuous learning through access to professional training, adoption of the Japanese experience (continuous improvement) to sharpen skills of staff (both private and public sector) on contract management and service delivery.

Access to data and knowledge is fundamental to capacity development and should be incorporated with sufficient resources into national development strategies and organizational business plans.

### **4.3.4 Accountability**

Accountability and voice mechanisms can lead to better performance and effectiveness. They help individuals, organizations and systems to monitor, guide and adjust their behavior and to learn and self-regulate.

Accountability between the Public and Private Sectors promotes mutual engagement for effective contract delivery and should be accorded priority to sustain the contract management process.



#### **4.4 Evaluate Contract Management Capacity**

Evaluation of capacity development promotes accountability, performance management and learning. Measurement should be based on clear evidence of changes in an institutions performance, adoptability and stability to meet goals. Changes in capacity are reflected by changes across the core issues (institutional arrangements, leadership, knowledge and accountability).

The following framework has been proposed to enhance capacity at the contract implementation stage.

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##### **4.4.1 Contract Management Framework (CMF)**

The Contract Management Framework (CMF) is applicable to all national and sub national departments and public entities. It is a generic framework which enables departments and entities to approve their own policies and procedures relating to Contract Management. The framework, below, provides direction on how government institutions must:

- ensure appropriate policies and procedures are in place to enhance efficient and effective Contract Management;
- employ appropriate contract management practices; and
- recognise contractual obligations in Contract Managements.

##### **4.4.2 Stages in the Contract Management Framework (CMF)**

- Identification and classification of contracts
- Recognition, measurement and disclosure
- Planning, budgeting and reporting cycle
- Oversight of contract management

- Resourcing contract management activities
- Document and information management
- Relationship management
- Performance management
- Payment, collection, incentives and penalties
- Risk management
- Policies and procedures

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#### 4.4.2.1 Identification and classification of contracts

Government institutions must compile Contracts Inventory which lists and classifies all contracts. There should be a Policy to determine the level of management that must maintain Contract Inventory for the contracts they are responsible for.

A classification system must be established which identifies levels of management control for classifications of contracts taking into account at least the:

- Contract type or nature;
- Strategic importance of the goods and services being purchased or sold;
- Contract value;
- Contract duration; and
- Contract complexity.

Policies and procedures must then be established and implemented to deal with the management control requirements for each category.

Each institution must reconsider their Contracts Inventory, classifications, policies, and procedures at least annually.

#### **4.4.2.2 Recognition, Measurement and Disclosure of Contracts**

Recognition, measurement and disclosure of the legal implications resulting from contracts refer to treatment of transactions. Good Contract Management practices will facilitate proper and full disclosure which in turn will lead to improved efficiency and effectiveness in Contract Management.

#### **4.4.2.3 Planning, budgeting and reporting cycle**

A comprehensive review of all existing and proposed contracts must be undertaken during:

- Planning and budgeting processes

Institutions may combine the above review processes.

Reporting processes must also include a contract review component. However, contract reviews may be based on exception and limited regular reporting as necessary to appropriately manage existing contracts and plan for proposed contracts.

#### **4.4.2.4 Oversight of Contract Management**

The Contract Manager or the Procurement Manager of a particular public institution is responsible for ensuring that contracts are properly implemented, managed, enforced, monitored and reported on, and must take all reasonable steps to ensure that:

- Contracts are properly enforced;
- Contracts are classified according to the level of management intervention required;

- Contracts are monitored and managed appropriately according to their classification;
- A single person or committee is allocated responsibility for driving institution wide contract management performance; roles for contract owners, contract managers and other stakeholders are clearly defined;
- Appropriate delegations are in place to allow role players to carry out their responsibilities;
- Clear procedures for handover from contract award to Contract Management are in place;
- Contract Management plans are implemented where appropriate, and focused on outputs and performance;
- Contract Management processes and procedures are aligned with organisation wide governance and risk management processes, and performance is reported through established governance channels;
- Ongoing Contract Management training is provided during induction as well as regular refresher training;
- There is an annual review and adjustment of Contract Management policies, procedures and guidance with a view to continuous improvement in Contract Management;
- There is regular assessment and evaluation of the effectiveness and efficiency of Contract Management activities including an assessment of the costs of the Contract Management function; and
- Policies and procedures are in place.

#### **4.4.2.5 Resourcing Contract Management Activities**

Contracts must be appropriately resourced in line with their classification for management purposes including:

- Appropriate systems (manual or computerised) in place for management control and monitoring; contract owners and managers and other advisors have appropriate skills and qualifications to carry out the contract management activities;
- Skills and qualifications are accurately detailed in job descriptions;
- Appropriate training and support is provided to contract owners to assist in their dealings with the Contract Management team and other stakeholders;
- Contract Managers are involved during the tendering / contract award process and or there is a handover from staff involved with the tendering and award; and
- Staff managing the bid and award process understands Contract Management requirements and the implications that awarding the contract will have on managing the contract during its life.

#### **4.4.2.6 Document and information management**

The contract documentation and associated terms and conditions, including milestones and deliverables, must be managed according to the requirements for the category of contract including:

- Record management systems (physical and or electronic) in place to ensure secure storage of, and easy access to contract documentation;

- Written procedures set out strict processes for: records management; key information to be recorded for categories of contract; reporting; changes to contracts; contract closure;
- Contract Management system (computerised or manual) used to record and report on key information and trigger points; regular and ad-hoc reporting highlights satisfactory contract progress, issues by exception, and the need for contract updating due to changed circumstances;
- Reporting feeds information useful for demand management back into the planning and budgeting process (assessment of quality, quantity, timing, price, and supplier);
- Reporting feeds information into the inventory, asset, and liability management systems;
- All role players have a clear understanding of the procedures for: extensions; varying of conditions; price escalation; any other potential contract changes; and contract closure.

#### **4.4.2.7 Relationship management**

Relationship management is a necessary extension of Contract Management and includes relationships with:

- External suppliers and buyers;
- Internal service providers and receivers; and
- All other relevant stakeholders.

Relationship management must take into account at least the following:

- Stakeholder relationships classified according to a framework appropriate for the institution to determine the level of interaction between the institution and stakeholders;
- Consideration given to continuity of suppliers and buyer staff for appropriate categories of contracts;
- Regular Contract Management reviews consider existing and potential strategic relationships with a view to deliver benefits for all relevant parties;
- Roles and responsibilities of the Contract Manager, contract owner and supplier or buyer are clearly defined and differentiated in the contract documentation and well understood by all parties;
- Policies, procedures, contract clauses and practices promote and demonstrate actual formal and informal communication channels where appropriate; and
- Policies, procedures, contract clauses and practices promote and demonstrate clear problem and conflict resolution mechanisms including well defined and known escalation routes.

#### **4.4.2.8 Performance Management**

- The performance of suppliers, buyers, other stakeholders, and individual contracts must be managed appropriately for the classification of contract including:
- Policies and procedures to assess the performance of the supplier, buyer or other stakeholders in meeting the requirements of the contract are clear, well documented and communicated to all parties before signing of the contract, and prior to commencement of delivery under the contract;

- Baselines, measurement metrics, methods, data sources, and collection responsibilities are agreed with the supplier before contract signing and commencement of delivery;
- Performance measurement metrics are linked to service delivery agreements which are consistent with the strategic objectives of the institution;
- Regular performance reviews are conducted in accordance with the requirements for the classification of the contract and or stakeholder;
- Ad-hoc performance reviews are conducted where non-performance is identified outside of the regular review process;
- Non-performance is addressed with at least a formal letter advising specific non-performing areas and stating remedial action/s required within specific time frames;
- Good performance is recognised and communicated through established channels;
- Reporting is streamlined, focusing as much as possible on self-measurement, with independent checking mechanisms and exception reporting; and
- The general market (outside of current suppliers or buyers) is monitored for market trends and compared to performance of current suppliers and buyers.

#### **4.4.2.9 Payment, collection, incentives and penalties**

Payments, collections, incentives and penalties must be appropriately managed such that:

- Payment and collection procedures, conditions and time frames are clearly documented and communicated to suppliers and buyers (milestones,



documentation required, documentation submission channels, incentives, penalties, etc);

- Receipt of monies due is actively monitored and where monies are not received within terms, immediate action is initiated to recover outstanding amounts; and
- Incentive and penalty mechanisms are clearly linked to desired outcomes and specifically to the strategic objectives of the organisation.

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#### **4.4.2.10 Risk management**

Contract risk must be appropriately managed such that:

- All contracts set out risk identification, monitoring and escalation procedures and mechanisms which are in line with the institutions enterprise risk management plan;
- All contracts identify contingency plans for supplier or buyer failure;
- For key suppliers and buyers, the Contract Manager monitors the financial health, tax compliance and overall performance of the supplier or buyer; and
- Contract terms and potential ramifications around key issues including: termination; warranty; indemnity; security; confidentiality; and dispute resolution are understood by the contract manager.

#### **4.4.2.11 Policies and Procedures**

Contract Management policies must be developed, reviewed annually and adjusted as necessary with a view to continuous improvement in enterprise Contract Management.

- Policies for at least the following should be developed, approved and considered each time the contract management policies are reviewed:
- Identification and classification of all contracts
- Management intervention of contracts based on classification
- Recognition, measurement and disclosure for financial reporting
- Planning and budgeting for contracts
- Oversight of contract management
- Resourcing contract management activities
- Document and information management
- Relationship management
- Performance management
- Payment, collection, incentives, and penalties

#### **4.4.2.12 Contract Management Procedures**

Procedure manuals must be developed and maintained up to date for at least the following:

- Contract classification methodology;
- Reviewing existing and proposed contracts during the strategic planning and budgeting process;
- Annual training plans and competency assessments;
- Records and document management;

- Recording of key contract information;
- Stakeholder education and accreditation within relationship management frameworks;
- Performance reporting structure, content, frequency and recipients;
- Payment and collection;
- Provision of incentive
- Risk analysis, identification, assessment and response; and

Management controls for each classification, type or individual contract covering the entire Contract Life Cycle.

Planning

Creation

Collaboration

Execution

Administration

Closeout/renewal



#### **4.5 Role of Stakeholders in Public Private Partnership (PPP)**

##### **Contract Management**

##### **4.5.1 The Regulator**

Municipality's are in a unique position in Public Private Partnership (PPPs). On the one hand, they are dependent on the private sector investment and its efficiency, and on the community's willingness to participate in the partnership. On the other hand Municipalities have enormous powers as the initiator of partnership because they determine the scope, nature, extent of the partnership and the actors involved.

According to UNDP once a contract has been awarded to a private company, it is the company's job to run the business. The local authority should maintain its involvement as a regulator, applying the necessary pressure for the company to perform as agreed.

The regulator must not become a business manager. There should be a clear separation between the roles and responsibilities of the regulator and those of service providers. The focus should be on what the contractor needs to achieve. It is the regulator's task to specify the standard for quality and establish a system for monitoring performance against the standard.

It is the company's task to decide what technical measures and operating practices are needed to meet the standard.

The regulator is responsible for detailed specifications and enforcement of the government policies.

The private sector should enjoy enough independent to be guided by technical, economic and financial criteria, rather than by political consideration in regulating the services.

The regulator's responsibilities during contract management are;

- Enforce competitive policies;
- Monitor and enforce adherence to rules and standards for cost recovery, service quality, coverage targets and consumers relations;
- Negotiate tariff changes and approve tariff adjustments regularly in accordance with clearly established rules;
- Approve instrument plans and monitor their execution;
- Publish information about the award of contracts, the quality of service and tariffs;

- Inform consumers about their rights and obligations;
- Serve as an appeal body for consumer complaints;
- Resolve conflict among service providers;
- Advice policy makers with regards to improve service and promote efficiency.

The municipality is more effective as a partner when it possesses in-depth knowledge of the details of the contract and is involved actively in the management of the project.

Moreover, the effectiveness of the Municipality strategic decisions correlates with its understanding of the contract options, scope and the potential of the private sector's involvement.

#### **4.5.2 The Role of Consumers**

Community consultation is an essential element of the partnership, it is especially important during the contract management stage. There are many examples of how projects designed to solve infrastructural problems have failed because there was no substantive involvement of community groups. Such involvement could have shown at an early stage, how the propose project would actually provide benefits or how it might produce new problems for the community (UNDP, Urban Environment Programme).

#### **The Role of Consumer Are;**

- Willingness to pay based on satisfactory services
- Consumers to use service efficiently

- Provision of feedback on quality of services and satisfactory levels, and a quick response to their complaints.

#### 4.5.3 The Private Sector's Role in PPP

The Private Sector manager should have adequate autonomy to control outcomes.

Their rights and obligations as the contractors in the partnership arrangement should include the following;

- Provision of appropriate services at a reasonable cost to all who are willing to pay;
- Maintenance and renewal of the infrastructure;
- Charging and collection of tariffs, which should cover the full cost of efficient services;
- Day-to-day management, including staffing and use of financial resources, subject to due process, and proper accounting practices;
- Meeting of service targets and environmental and health standards;
- Planning and execution of investment programmes once they have been approved;
- Proposal of tariff increases to their board of directors for submission to the regulatory authorities;
- Provision of periodic reports as required by the regulatory authorities;
- Provide timely responses to consumers' enquiries and complaints.

## **4.6 The Role of Stakeholders in Public Contract Management**

According to Peter Smith, over the last twenty (20) years procurement has moved in many organizations from being perceived as a back –office or administrative function into a core business activity. Peter Smith, therefore advocated five clear areas of opportunity to improve overall contract management performance. These are;

### **4.6.1 Continuity**

One of the most frequent causes of contract management problems is the lack of continuity between the procurement phase and the operational contract management phase. Often, Contract Managers are not appointed until after the contract is awarded, or in some cases well into delivery. The Contract Manager is then not aware of the underlying intent of the contract, how relationships have developed during the procurement process and, in the worst case, may not even understand the contractual terms and conditions. It should be procurement's responsibility - both in terms of owning the process, and practically for each contract - to see that contract managers are involved throughout the procurement process. Where this is just not possible, procurement must make sure there is a full and structured transition from procurement to Contract Management, including briefing and knowledge transfer.

### **4.6.2 Skills and Resources**

The dispersed nature of Contract Management in large organisations means that training and development is still too often an afterthought. Indeed, many Contract Managers are appointed with no real analysis of their suitability or aptitude for the role. The functional head of procurement seems best placed needs to take

responsibility for ensuring that Contract Management skills are appropriate and that enough resources of the right quality are available to meet the needs of the organization.

#### **4.6.3 Governance**

Governance covers a number of issues that together are absolutely critical in ensuring major contracts are successfully managed. There should be clear senior responsibility for the contract; someone to take ownership and act as a point of accountability and expediting. Issues should be reported to the appropriate level. Adequate provision should be made to cater for any or early warning signals for risks.

There should be risk mitigation strategies for any eventuality.

#### **4.6.4 Guidance**

Most organisations have a procurement manual covering a combination of policies regulation, processes and best practice guidance. It is more unusual to find these policies, manuals and regulations expressly on Contract Management activities.

While guidance in itself does not guarantee success, it can help. The ad-hoc way in which many Contract Managers are appointed and trained means that such guidance may be of great value to an inexperienced manager dropped into a difficult contract situation.



#### **4.6.5 Community**

Finally, Contract Managers often feel disregarded in their organisations. They usually work closely with colleagues and suppliers, but may have little contact with other Contract Managers.

There are opportunities to improve their skills, motivation and performance by developing a sense of community through the Contract Management pool inside the organization and more widely; professional networking, knowledge transfer, sharing best practice, learning from success and failure. But again, someone has to take responsibility for making this happen

#### **4.6.6 Procurement Professionals pivotal role in Contracting Management**

When Procurement Professional became assertive and are willing to take strategic ownership of the issues concerning Contract Management, the benefits could be significant for organizations and indeed for the leaders themselves.

Procurement is often perceived as either a back office function, or a more valued 'professional' but still non-line activity, divorced from core organisational delivery. Taking responsibility for overall Contract Management performance would put Procurement Managers close to the front-line of their organisations, would expose them to a range of senior colleagues, and would give them the chance to demonstrate both strategic and operational value.

## CHAPTER FIVE

### SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

The chapter presents the summary of findings and conclusion based on the research questions, aims and objectives of the study. Recommendations have been provided to further improve on research on the strategies to build on the capacity of the Private Sector in Contract Management.

#### 5.1 Summary of Findings and Conclusions

The objectives of this study were to review the roles and performance of the Private Sector (Contractors, Consultants, and Suppliers) and find ways and to develop strategies to build capacity for effective and efficient contract delivery.

Consequently the following are considered after a careful review and analysis of materials cited from the literature review and the data collected.

- The Research revealed that the Private Sector can be a source of alternative service delivery through competitive Contracting with promises of efficiency, cost savings and improvement in total service delivery.
- It came to light that public institutions which interface with the Private Sector must invest and build their capacity on the Procurement Processes to effectively and efficiently engage with the Private Sector.
- The study revealed that the Public Sector is the biggest purchaser of goods, works and services. It therefore requires collaboration from the Private Sector to be able to deliver to the expectations of its citizens.
- The study found out other models of interfacing between the Public Sector and the Private Sector to accelerate the rate of development. Some of these

models which were reviewed are, Public Private Partnership, (PPP), Collaboration between Private and Public Institutions, Contracting Out Social Development Services for Health to enhance achievement of efficiency and targets in the Health Sector.

- The study revealed the importance of setting strict monitoring and evaluation criteria for delivery of Social and Market Services.
- The literature review provided very insightful revelations of importance of the contract management processes as part of the overall procurement process to actualize needs.
- According to the UNDP, capacity Development Process is much more than supporting training. There is therefore the need for entities to go beyond training programmes by providing incentives, leadership, adhering to institutional arrangements, accountability to create confidence in contract management.
- Again, it was realized that the role of stakeholders in the Contract Management Process whether wholly contracting or other contracting models must be respected, monitored and adhered to by all stakeholders for effective delivery.
- The desk study revealed that the Municipal Assembly does not have Programme to engage the Private Sector at the Contract Management stage. Contracts are awarded to the Private Sector and they are not monitored to ensure timely completion.
- The Assembly does not have dedicated Programme to track the Performance of the Private Sector in the education and health sectors.

- The Assembly does not have a comprehensive Programme to build the capacity of key staff to manage contracts.
- There was weak data base on Private Sector Providers especially for Social Services. The research wanted to find out the total number of Private Health Providers within the Municipality. This was not forthcoming.
- The interview with the Assembly Officials revealed that there was no innovative package to assist the Private Sector to deliver on time and target. Contracts entered into were not completed on time
- Contract Management procedures are not adopted in the implementation of social services, for instance education and health.
- 

## 5.2 Recommendations

The research highlighted on strategies to build the capacity of Private Sector at the Contract Management stage. It is however realized that a lot of issues go into Contract Management which could not be captured by the research.

The following recommendations are made to enhance further research to strengthen Contract Management in general in addition to some revelations from this study.

- It is recommended that a study be conducted on the causes of delay in the implementation of District/Municipal/Metropolitan Assemblies (MMDAs) Programmes and Projects in situations where there are no cash flow impediments.
- Procurement entities should examine phases in the Procurement process which impart directly on Contract Management stage, for instance the pre – contract award phase. It will facilitate the selection of a competent Private Providers to influence effective and efficient contract delivery.

- The issues of preparing designs and Terms of Reference (TOR) impart positively or negatively on contract management and therefore call for thorough research.
- The role and impact of Entity Tender Committees in ensuring efficient and effective contract delivery
- There has been talk about the issue of value for Money in Procurement. A research to design criteria to determine efficiency and effectiveness in Procurement Contract will facilitate clear cut discussion on the issue of value for money in Procurement Contract.



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