

# Effect of Procurement Planning on Performance of Public Institutions in Rwanda: Case of Kicukiro District

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**Abstract:** Rwanda public procurement requires public institution to prepare procurement plan before awarding tenders. When procurement plan is not done accurately, the performance will also be affected hence affecting the best achievement of value for money. This study aimed to ascertain the effect of procurement planning on performance of public institutions in Rwanda a case of Kicukiro District. The study adopted explanatory research design while the study population constituted 258 employees. The findings indicated that identification of needs is a key indicator in enhancing performance of public institutions. As evidenced from the findings, the researcher concluded that there is a strong positive relationship between identification of needs and tendering methods on the performance of public institutions. The study recommends that tendering methods is not static and that preparation of tendering methods should be done by identifying needs, establishing tendering method, estimate the budget and participation of user department so as to improve Kicukiro District's performance.

**Keyword:** Performance, Procurement Planning, identification of needs and tendering methods

## I. Background

Public institutions spend a lot of francs on procurement, which refers to all of the activities required to get good, works or service from a supplier to the user. The activities encompass the purchasing function, storing, transportation and management of the relationships between suppliers and internal customers (Bryntse, 1996). According to Agaba and Shipman (2007); Procurement planning is the process used by companies or public institutions to prepare purchasing activity for a specific period of time. This is completed during the budgeting process. Each year, institutions need to budget for staff, expenses, and purchases. This is the first step when preparing procurement plan. When procurement plan is not done accurately, the performance will also be affected hence affecting the best achievement of value for money. A good procurement planning is done by describing the process through to appoint suppliers contractually. Whether you are embarking on a project procurement or organizational procurement planning exercise, procedures are the same. First, describe the items you need to procure, describe the process for acquiring those items and finally, plan the timeframes for getting goods (Agaba and Shipman, 2007).

According to Nelly & Taylor (1998) the institution's efficiency and effectiveness are the two most primary dimensions of performance and hence the two must be measured. Efficiency deals with how successfully inputs have been transformed into outputs while effectiveness deals with how successfully the system achieves its desired outputs. Public institutions in Rwanda are required to produce annual procurement plan indicating the objectives to be achieved in accordance with procurement regulations. During the procurement planning process and the preparation of the bidding documents, the procuring entity shall ensure that there is sufficient budget allocation and shall respect regulations governing budget execution. The Procurement Unit has the responsibility of compiling the annual procurement plan from the individual departments, units, projects and programmes of the Procuring Entity.

According to Rwanda Law Governing Public Procurement N° 62/2018 of 25/08/2018; after the approval of the State Finance Law, the procuring entity prepares and submits to the Ministry and Rwanda Public Procurement Authority the annual procurement plan indicating activities to be done that requires tendering process and their related budget. Procurement planning is a requirement under the Rwandan public procurement laws and regulations. An annual procurement plan is also the first step in the procurement planning process. Ideally, the relationship that procurement officers have with user and budget departments should be so close that they are involved at an early stage of the budget cycle, where departments are identifying their needs in the respective budget year.

Kicukiro District as one of procuring entity must produce an annual procurement plan indicating the objectives to be achieved in accordance with the procurement regulations. The preparation and approval of procurement plan should

correspond to the budget definitively adopted by the relevant organ. When preparing procurement plan, Institutions must ensure that there is sufficient budget allocation and must comply with regulations governing budget execution. However; even if the law requires so, procuring entities still awards unplanned. Ondiek (2000) recommends that since public institutions spend a lot of money on procurement proceedings; a lot of emphasis or attention needs to be given to the procurement planning to enable companies achieve best optimal cost structures. However, the best way his recommendation can be implemented is by auditing the performance of procurement function. Makori (2002), who carried out a study on strategic performance measurement within an operations strategy context, recommended that organizations striving to succeed especially the small-scale firms have a leaf to borrow from the successful companies. However, there is little evidence of any study carried out to investigate performance in the area of procurement planning, which can be borrowed by such public institution. Therefore; the researcher intends to fill the gap by investigating the effect of procurement planning on performance of Public institution in Rwanda.

## **II. Theoretical Review**

Resource-based view (RBV) is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. The RBV focuses managerial attention on the firm's internal resources in an effort to identify assets, capabilities and competencies with the potential to deliver superior competitive advantages. Barney (1991) introduced the concept of the resource-based view (RBV) to address the limitations of environmental models of competitive advantage and attempts to provide a link between heterogeneous resources controlled by an organization, mobility of the resources within the particular industry and the strategic or competitive advantage enjoyed by an organization. A firm's resources are used to enable it to establish strategies to improve the overall efficiency and performance of the organization and these can be quite wide ranging.

In order for an organization to have the potential of sustainable advantage the resources should have four attributes (Barney, 2001) it must be valuable in the sense that it provides opportunities or neutralizes threats to the organization's environment; it must be rare among an organization's current and potential competitors; it must be imperfectly imitable; it must be non-substitutable there cannot be a strategic equivalent substitute for the resource that is valuable but neither rare nor imperfectly imitable. Resources that are valuable, rare, imperfectly imitable and non-substitutable can provide sources of sustained competitive advantage to an organization. An organization that provides a bundle of valuable resources can be considered a rare resource, as it would be costly or impossible to imitate: imperfectly imitable. Moreover, if substitute resources are possible they must also be expensive to sustain for the competitor, if a competitive advantage is possible and sustainable. Resources that are valuable and rare afford a competitive advantage to the organization provided they are imperfectly imitable and non-substitutable (Barney *et al.*, 2001).

Procurement must take a thoroughly professional view of its role in business as a whole and that must include planning (Barney & Wright, 1998). Procurement starts with the planning decision to make the purchase and this will involve in the first place, deciding whether there is a need for the particular goods or services, ensuring that the purchaser has the legal powers to undertake the transaction, obtaining any relevant approvals within the government hierarchy and arranging the necessary funding (Arrowsmith *et al* 2000). But it is again not surprising that many procurement entities are not taken planning a serious activity. The significance of procurement improvement in approximately all country's settings can be demonstrated based on its scale and role in terms of service delivery, the amount of money wasted by existing practices, reduced competition, higher prices due to market perceptions of risk, as well as the demonstrated capacity of countries to capture huge savings through determined by efforts to strengthen their procurement function.

## **III. Empirical Review**

### **3.1 Identification of needs and Performance**

Identification of needs are systematic process for determining and addressing needs, or "gaps" between current conditions and desired conditions or "wants". The inconsistency between the present condition and required condition should be considered to appropriately identify the need. The need can be a desire to improve current performance or to correct a deficiency. Identification of needs defines the reasons why you plan to purchase the requirements. When starting your procurement planning, it's important to define the reasons why you need to purchase goods and plan for associated risks (Hyatt & Berente, 2017). In the public procurement process is to identify requirements. All procurement requirements begin with the perception of a need. The need to cross a body of water could create a requirement to build a bridge, a ferry, or other transportation systems. At this stage it is necessary to clearly define the need, and this may be done by way of a study to determine the best way to acquire good, works or service. The cost / benefit analysis to determine the best solution among different alternatives should be done. The study should include if the need can be

satisfied by the available budget, quantification of the initial budgetary estimate, and an idea of the procurement lead-time.

The conformation of the study team should be multidisciplinary in order to address the different questions to be answered to facilitate a comprehensive understanding of the need so as to clearly define the actual requirement. The procuring entity should consider the need signifies value for money and that they have the estimated cost, budget, environment and time, organizing the availability of subject matter experts, technical requirements and compatibility with current systems and need have impact on the performance of an organization (Mwau, 2017). According to Cox *et al*, (1998) the main objectives of procurement are to acquire the right product with the right quantity. The procurement department gathers all the requirements and identifies possible suppliers. This involves obtaining the lowest purchase price for high quality products, ensuring suppliers reliability and maintains transparency in the procurement procedures.

### **3.2 Tendering method and Performance.**

According to Deme, (2009), department with the need determines the time they want the goods to be delivered, services rendered or works completed. It is essential to involve department that needs that service at this early stage in order to decide the most appropriate procurement method for their specific need. This simple exercise of obtaining the assistance of the department early on helps to avoid disappointments, unrealistic expectations and frustrations when, due to poor planning, it is impossible to meet expectations set during the requirement definition phase. At this stage of the process, it is also important to decide if a competitive or less-competitive method will be used. Deme, (2009), an effective bid management and tender process provides a positive evaluation approach that leads not only to the appointment of appropriate suppliers but to ensure that the ongoing relationship is a mutually beneficial. A wholly balanced and highly efficient bid and tender management process improves the quality of the supply chain while reducing costs and managing risks. A tender is a submission made by a prospective supplier in response to an invitation to tender. It makes an offer for the supply of goods or services. As procurement routes have become more complex, tenders may be sought for a wide range of goods and services.

Costs are reduced and allow early contractor involvement. Since the contractor is part of the project team at a very stage of the project, this results in better communication and information flow. An invitation to tender is issued to prospective suppliers, tenders are prepared and returned, a preferred tenderer is selected and following negotiations they may be appointed. Two-stage tendering is used to allow early appointment of a supplier, prior to the completion of all the information required to enable them to offer a fixed price. In the first stage, a limited appointment is agreed to allow work to begin and in the second stage a fixed price is negotiated for the contract (Zhenget *al.*, 2007). Other types of tender include serial tendering, framework tendering and public procurement. Serial tendering involves the preparation of tenders based on a typical or notional bill of quantities or schedule of works. Framework tendering allow the client to invite tenders from suppliers of goods and services to be carried out over a period on a call-off basis as and when required. Lastly, public procurement is for public projects held by the government. Decision on the method of procurement also depends on the estimated cost of a particular requirement. Procurement rules and regulations direct a specific cost amount to use for a specified method of procurement, and also on the time frame for the method of procurement selected (Hyatt & Berente, 2017).

## **IV. Research Methodology**

The study adopted explanatory research design. Orodho (2003) explained that an explanatory study analyses the cause effect relationship between two or more variables. Hence the design was appropriate to the study because the research was a cause-effect relationship. Explanatory research focused on why questions and it also established causal relationships. The study population constitutes 258 employees of Kicukiro District at Cells, Sectors and District Head office staffs and the sample size comprised of 80 participants. Five point likert scale close ended structured questionnaire were used as a data collection instrument while inferential statistics were used to draw inferences from the data. Multiple linear regression analysis was applied in the study to test the formulated hypotheses and expressed as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where,

$Y$  = performance of public institutions

$X_1$  = Identification of needs

$X_2$  = Tendering methods

$\beta_0$  = Constant

$\beta_1$ - $\beta_2$  = Coefficient of estimates

$\varepsilon$  = Error tem

## V. FINDINGS AND DISCUSSIONS

### Correlation results

Statistical findings in Table 1 revealed that there was a positive and significant correlation between identification of needs and performance of public institutions ( $r = 0.567$ ,  $p < 0.05$ ). More so, the correlation between tendering methods and performance of public institutions was positive and significantly correlated at ( $r = 0.692$ ,  $p < 0.05$ ). Therefore, it can be concluded that the identification of needs and tendering methods are positively correlated to performance of public institutions at 5% level of significance.

**Table 1 Correlation Matrix**

	Performance	Identification of needs	Tendering methods
Performance	1		
Identification of needs	.567**	1	
Tendering methods	.692**	.278*	1

\*\* Correlation significant 1% (2-tailed). \* Correlation significant 5% (2-tailed).

The statistical findings in table 2 revealed that there is presence of the association between the variables ( $R^2 = 0.746$ ) implying that the combined prediction of the two predictor variables accounted for approximately 74.6% of the total variation on performance of public institutions. The model was fit in predicting the contribution between the study variables which was statistically significant at 0.05 level of confidence ( $F = 10.747$ ,  $p < 0.05$ ).

The first hypothesis stated that identification of needs has no significant effect on performance of public institutions. The study findings exhibited that identification of needs had a positive influence which was statistically significant at ( $\beta = 0.571$ ,  $p < 0.05$ ). This therefore implies that a unit change in identification of needs increases performance of public institutions by 0.571 units.

The second hypothesis stated tendering methods has no significant effect on performance of public institutions. Results showed that there was a positive and significant effect on tendering methods and on performance of public institutions ( $\beta = 0.872$ ,  $p < 0.05$ ). This implies that a unit change in tendering methods enhances performance of public institutions by 0.872 units.

**Table 2: Regression Analysis**

		Un-standardized Coefficients		Standardized Coefficients	
Model		Beta	Std. Error	Beta	T
1	(Constant)	0.562	0.086		6.534
	Identification of needs	0.571	0.155	0.212	3.683
	Tendering methods	0.872	0.382	0.237	2.283
<b>Model Summary</b>					
	R	0.864			
	R Square	0.746			
	F	10.747			
	Sig.	0.015			

\* Significant at 0.5 level (2-tailed), \*\* Significant at 0.01 level (2-tailed)

## VI. Conclusion and Recommendation

The study sought to access the effect of procurement planning on performance of public institutions in Rwanda specifically looking the extent to which Kicukiro District follows laws and regulations governing public procurement. The extant literature has indicated that procurement planning enhances performance of public institutions in Rwanda. The findings indicated that identification of needs is a key indicator in enhancing performance of public institutions. As

evidenced from the findings, the researcher concluded that there is a strong positive relationship between identification of needs and tendering methods on the performance of public institutions.

The purpose of identification of needs is to be able to choose the priority among other in order to achieve objectives of the institution. The purpose of tendering method is to determine the period that the tender shall take to get the contractor in respect to law governing public procurement. This study established that tendering methods positively affects performance to a large extent. The study further concludes that preparation of tendering methods contributes to the Kicukiro District's performance. This is because good plans result to effectiveness and efficiency in attaining projected results. The major setbacks in public procurement is poor planning and management of the procurement process which include needs that are not well identified, tendering methods that are not respected, unrealistic estimated budgets and not involving and participating of user departments.

The study recommends that tendering methods is not static and that preparation of tendering methods should be done by identifying needs, establishing tendering method, estimate the budget and participation of user department so as to improve Kicukiro District's performance. This will not only help maintain good procurement standards but also will help achieve high levels of efficiency and effectiveness. In addition, to avoid delays in supply and provision of services, timelines have to be respected as planned since most projects would have overruns. For the success of the procurement, the management of Kicukiro District should ensure that proper mechanisms are put in place during planning with the input of procurement personnel and the user department with progress reports thereon escalated for necessary action.

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