

Examination of Effect of Contract Management on the Performance of Procuring Entities in Rwanda: A Case of Gasabo District

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Abstract:- *Regardless of the effort by the governments of developing countries, like Rwanda and development partners like World Bank to improve performance of the procurement function, public procurement is still marred by shoddy works, poor quality goods and services. Failure to implement or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated business activities, and failure to attract and retain experienced and skilled personnel in the procurement positions, thus affecting the function's performance. Therefore, the general objective of this study was to analyze the effect of contract management on the performance of PROCURING ENTITIES IN RWANDA. The study's specific objectives include: to establish the effect of resources allocation on the performance of procuring entities of GASABO district; to examine the effect of staff competence on the performance of procuring entities of GASABO district; and to analyze the effect of control and risk management on the performance of procuring entities of GASABO district. This study provides decision makers with the valuable information to take intervention programs to achieve greater contract management towards procuring entities performance. The study adopts both descriptive and correlative research designs. It adopts a number of data collection instruments including questionnaires, interview and documentary review.*

With the help of SPSS, Spearman test was used to define the nature and magnitude of the relationship between the study variables. Findings revealed that 88.8% of the respondents strongly agreed that all significant materials to be delivered by the client are identified though 24.5% disagreed on the issue of ensuring that the planned resources are procured on time; Secondly, 82.7% strongly agreed that there's budget for the training of the officers though 34.7% disagreed that the procurement officers follow the available procurement guidelines. Lastly, research results revealed that 96.9% strongly agreed that there are enough resources provided for the control and risk management process though 38.8% disagreed about the proper internal control processes. In addition, a spearman test results 0.004 as a P-Values which explains that there was a strong, positive monotonic correlation between contract management and the performance of the procuring and disposing entities in Gasabo district. The findings are in line with the poor performance in the district. In order to ensure performance of procuring and disposing, there must be effective contract management. Hence, the researcher concluded that the above must have attributed to lack of proper procurement practices hence poor performance of the district. The top management should rely on the use of e-procurement. Proper internal control processes should be made a culture by the responsible personnel at the district. Officials who delay procurement activities and processes should also be handled individually and be punished

Background to the study

The first traces of contracts in procurement processes can be seen in the ancient Romans. They generated contracts with scribes when the empire engaged in trade with private suppliers (Nwabuzor, 2015). Over the past few years, developing countries world over

Have been awakened on the importance of effectiveness of the contract management in public procurement process at both central and local government levels, and its subsequent contribution to improved governance of the public sector.

Procurement, a function that was traditionally viewed as a clerical and reactive task has since positioned itself among core organizational functions, and its management is becoming increasingly critical for the any organization. Contract management is becoming important at the local level, in parallel with decentralization and the increasing range of functions performed by local governments in most countries (Caerlewy & Marshall, 2017).

Sound contract management policies and practices are among the essential elements of effective procurement performance in most countries in Eastern Europe such as Monaco, Netherlands and the UK. It is renowned that the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. The basic principles of effective procurement practices include good contract management and accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation (Bikker, 2016).

In Latin America, during the procuring processes in local governments, contract management consists of; delivery management, relationship management and contract administration. The overall performance in this region under the compliance areas where procuring entities entities scored lowest were record keeping, contract award and contract management. The size and complexity of works contracts and the conditions of contracts tend to be more complicated. Performance of works contracts is not always monitored to ensure that the citizens continue to get value for money. In this regions, contract management, mutual trust and understanding, openness, and excellent communications between key stakeholders in contract management and monitoring like user department, contractor, contract

manager, procurement and disposal unit and accounting officer are as important to the success of an arrangement as the fulfillment of the formal contract terms and conditions (Basheka, 2019).

Rwanda uses public procurement for satisfying its needs. The main principles enshrined in law n° 62/2018 of 25/08/2018 governing public procurement are transparency, competition, economy, efficiency, fairness and accountability as articulated in Article 6 of the Law n° 62/2018 of 25/08/2018 on public procurement. Even if the law is there, the challenges and problems are still available to the public procurement agencies. Referring to the audit reports of Rwanda Public Procurement Authority (RPPA) and Auditor General of Rwanda, the tenders are illegally awarded and the contracts are not well performed. For fiscal year 2018-2019, in city of Kigali, tender entitled: Hiring a Consultant Firm for Feasibility study to upgrade informal settlement Mpazi catchment, the request for proposal (RFP) was publishing without requesting the expression of interest for tender with estimated budget which is more than 50 million as per the law of public procurement and regulations (OAG, 2020).

Therefore, this study aimed at analyzing the effect of contract management on the performance of PROCURING ENTITIES IN RWANDA taking a case of GASABO district.

Statement of the Problem

Performance in the public procurement sector is indeed a necessity and public procurement practitioners are always advised to ensure ethical values and principles in public decisions and the use of public funds to boost their respective performance. Performance in the public sector requires the existence of a relationship between the national vision, mechanisms and results; and the results should be simultaneous exertion of proper budgeting, efficiency, effectiveness and procurement processes. Failure to implement or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated business activities. When a public institution fails to meet its desired objectives as planned, it becomes a

big threat to both the government and the general public (Kafle, 2014).

The Government of Rwanda evaluates and ranks the decentralized entities according to a number of inter-related factors such as: level of achievement of Imihigo targets, score in joint imihigo, and accuracy of supporting documents on implemented activities, score of citizen's satisfactions, working relationship between district leadership and stakeholders and team work among staff. In addition, the performance contracts also prioritize achieving good governance, improving citizens' social welfare (OAG, 2019). However, the 2018/2019 Imihigo were suspended to allow proper mainstreaming of the methodology used to measure local government's performance and to make sure that the scores attained by districts reflect what is on ground in terms of procurement performance, service delivery and actual impact on people's lives. Consequently, in the 2019/2020 Imihigo, GASABO emerged a distant 22nd with 62.6 percent (MINECOFIN, 2020).

Therefore, it is against this background that this study intended to explore the effect of contract management on the performance of procuring entities in local government taking a case of GASABO district.

Specific Objectives

1. To establish the effect of resources allocation on the performance of procuring entities of GASABO district;
2. To examine the effect of staff competence on the performance of procuring entities of GASABO district;
3. To analyze the effect of control and risk management on the performance of procuring entities of GASABO district.

Literature Review

Theoretical review

Several theories provide the basis for this study, however in this study two theories were used to explain the relationship between effect of contract management and performance in Procuring entities in local administrative entity. This study is guided by

the theories underlying the concept of performance in procuring entities. In this context of the study adopted contract theory and system theory.

Contract Theory

The most widely documented origin of rights is in European Contract Theory dating back to the 17th century, and especially to John Locke's classic Two Treatises on Government. It is the study of how people and organizations develop lawful agreements in circumstances with uncertain conditions, unknown factors and information irregularity. Contract theory applies to both multi-party negotiations between a principal and one or more agents and contracts created by a single individual or organization to specify details of multi-party agreements, such as employee contracts. Ideally, a contract specifies the responsibilities and requirements of both parties so meticulously that there can be no room for dispute or misinterpretation. Nonetheless, that ideal may never be achieved, for various reasons. Moral hazard, one model within contract theory, is the risk that one party to a transaction is not acting in good faith.

Much of contracting theory (or the security design literature) explores how contracts can be written to better align the interests of different parties or to force the revelation of private information by managers. This extensive literature has been surveyed by Harris and Raviv and is also covered in Allen and Gale. Persistent conflicts of interest between outside capital providers and self-interested managers, and asymmetric information between informed insiders and uninformed outsiders, leads to equilibria in which firms issue a multiplicity of securities. Most of this work deals with innovation in a fairly limited sense, explaining the existence of a few contracts like debt or equity, not scores of different types of corporate securities.

Contract theory is a special application of game theory, which is the study of mathematical models of negotiation, conflict and cooperation between individuals, organizations and governments. Central questions of game/contract theory include why an individual makes a particular decision and how the

decisions made by one individual affect others. For example, that party may have withheld important information or provided misleading information or may have undisclosed motivation driving elements of an agreement that are being negotiated. Other models within contract theory include adverse selection, in which the principal party is not fully informed of the agent's risk factors, and signaling, in which the agent reliably conveys information about itself to the principal, for example, a job applicant listing qualifications that match the hirer's list of requirements.

Two-Factor theory

'Two-factor' theory can be used to explain the relationship between project success and failure from the point of view of their underlying factors. This theory indicates that the factors leading to 'satisfaction' are separate and distinct from the factors that lead to 'dissatisfaction'. Hence satisfaction and dissatisfaction can exist independently and simultaneously so long as the factors producing them exist. It postulates that the opposite of "Satisfaction" is not "Dissatisfaction" but "No satisfaction", and the opposite of "Dissatisfaction" is not "Satisfaction" but "No dissatisfaction" (Robbins, 2005). Applying this theory to the project situation then puts the success and failure question into a dual continuum, rather than a dichotomous situation. We can speak of "success", "no success", "failure" and no "failure" of aspects of a typical project within the phases of its life cycle based on the influencing factors. In a related issue, and with regard to the influencing factors, and De Wit (1988) posits that: "factors affecting project success or failure are usually good indicators of pre-conditions of success or failure". He considered them to be analogous to Herzberg's hygiene/ motivation factors in that the presence of success factors does not guarantee success but not identifying them (their absence) is likely to lead to failure. Therefore in the project situation, the factors that lead to success could, sometimes, be separate and distinct from the factors that lead to failure i.e. the absence of those success factors should not always be seen as the only causes of failure. Hence

there could be a condition for a project in which assessment will result in "no success" without necessarily implying "failure". In practice, this is realized by using multi-measures to assess projects. In such a situation a project could fail in some criteria but perform very well in others. In assessing a construction project thus, a fundamental theory to embrace is that the absence of success does not necessarily indicate a failure and vice versa. This position is explained by considering the various interest groups (stakeholders) within a typical construction project with diverse focus, expectations and what is of essence to them across the project life cycle. This realisation should underpin the philosophy of all project performance measurement if holistic or systemic approach is to be adopted.

According to Bentham ET al. (2004), the present practice of project success/failure measurement encourages the measurement of project performance with "lagging indicators" and leads us to expect project "autopsy reports". This, however, does not offer opportunity for change and improvements as expected from assessment in the first place. If the concept of organisational learning (Senge, 2006) could be of benefit to the on-going project, and if lessons learned from a completed project could provide a guide for future projects, then it is the case that assessment should cover its entire "life story". The question here is, whether the success or failure of a project is of any relevance to the project after they had occurred? To correct these, such measurements should always be aimed at giving opportunities to change and, always leading to improvements in performance. This suggests, then, that the assessment of a typical construction project should be done throughout its life cycle, with the intention of declaring the true state at any point in time, in order to ensure that the necessary objectives are achieved and to ensure improvements in those areas where success is not being achieved.

This calls for the determination of what is happening to the project in all its aspects throughout its life cycle and be able to predict performance based on real-time information (Russell et al., 1997). Indeed, Mian ET al. (2004) noted that as human health is

maintained by identifying and monitoring those factors that have the potential of influencing it, so must those critical factors be monitored which have the potential of influencing the project health; and “this approach”, they opined, “is applicable to all phases of the construction projects and many construction procurement methods”. In that article “project health” was said to be synonymous to “project performance”.

Conceptual Review

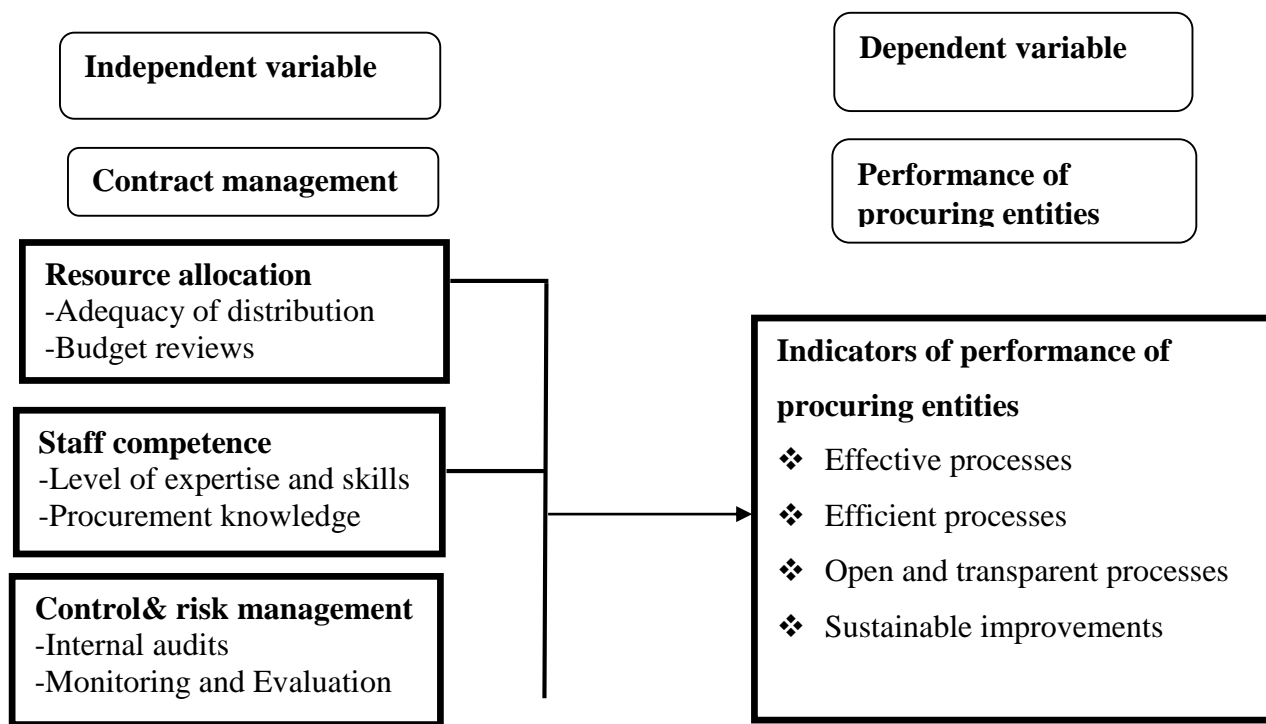
This sub section titled conceptual review is the most important and vital stage of the entire study report. It attempts to throw some light on the process and

important aspects of the already existing studies of different authors and scholars concerning the conceptual framework. It discusses contract management on the performance of procuring entities in local government.

Conceptual framework

In order to ensure clarity of this study, the researcher developed the following conceptual model within which one has to understand issues regarding contract management; and performance of procuring entities of local governments as the study’s independent and dependent variables respectively.

Figure 1: Conceptual framework



Source: Researcher design (2021)

As depicted in Figure 1, the study attempts to establish factors that influence contract management and the procurement performance of procuring entities of Gasabo district. The aspects of resources allocation, staff competency and control and risk management are the independent variables while procurement performance is the dependent variable.

The quality and quantity of the staff in the procurement units are essential to good procurement administration. The existing staff should have relevant knowledge of the disciplines and the

capacity required for carrying out procurement functions. On the other hand, performance of procuring entities of local government as the dependent variable was measured in terms of: effective processes, efficient processes, open and transparent processes and sustainable improvements. Therefore, the conceptual framework portrayed the relationship between organizational factors and performance of procuring entities of local government.

Methodology

Research Design

The study adopted quantitative research method. The researcher followed descriptive research design for inquiry on the effectiveness of the contract management along with correlative research design to examine the influence of independent variable over dependent variable of the study. The designs were use to describe the characteristics of the independent variables (resource allocation, staff competency and control and risk management) and the dependent variable which is performance of procuring and disposing.

Target population and sample size

The population of the study was made up of the staff members, managers, non-staffs (suppliers) of Gasabo district. Out of the total population of the

study, the researcher selected a sample size of one hundred and thee (103) respondents got from a target population of one hundred forty (140) to be using Krejcie and Morgan’s in 1970 table of determining sample size from a selected sample population. The Krejcie and Morgan’s sample size calculation was based on P=0.05 where the probability of committing type I error is less than 5% or P<0.05

$$s = \frac{X^2 NP (1-P)}{d^2 (N-1) + X^2 P (1-P)}$$

X²= the table value of chi-square for 1 degree of freedom at the desired confidence level (0.05 = 3.841)

N = the population size

P= the population proportion (assumed to be 0.50 since this would provide the maximum sample size)

d= the degree of accuracy expressed as a proportion (0.05).

Table 1: Population and sample size

Area of specialization	Total Population (N)	Sample Size (S)
District Managers	3	2
Finance department	10	8
Procurement	2	1
Planning M&E department	2	1
Human resources department	3	2
Other staff	20	15
Non staff (suppliers)	100	74
Total	140	103

Source: Gasabo Human resources department (2021)

Sampling techniques

In statistics and survey methodology, sampling is concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population. The three main advantages of the sampling are that the cost is lower, data collection is faster, and the accuracy and quality of the data can in be easily improved (Blaxter, Hughes and Tight, 2016).

In this study, the probability sampling was used where each member of our population has an equal probability and chance of being chosen.

Research instrument and data collection tools

Primary data was collected using questionnaires targeting top and middle level managers as well as non-staffs (supplies) involving in procurement process. Secondary data included literature (journals, magazines, other past studies, books and other relevant documents) on major research about procurement performance in procuring and disposing

of Gasabo district. A closed- ended questionnaire and Likert scale was used to measure the responses from the respondents.

Method of data analysis and presentation

Descriptive and inferential statistics were used for data analysis. Statistical Package for Social Sciences (SPSS) Version 20 was utilized as the main descriptive statistical tool to analyze the data and determine the extent of relationships between the independent and dependent variables. Inferential statistics (correlation analysis) were used to give a measure of the relationships between two or more variables and establish if there was any relationship or there existed a cause-effect relationship between the variables. Analyzed data was presented using frequency tables and figures

Summary, Conclusions and Recommendations

Summary of findings

The general objective of this study was to analyze the effect of contract management on the performance of Procuring entity entities in local government in Rwanda. The research embraced both descriptive and correlative study designs. It used questionnaires to collect primary data from employees and users of public procurement in Gasabo district. The study based its findings on the data from 98 respondents who were involved in the study. This represented a response rate of 95.10%, which was an excellent indicator to draw conclusion from. The study considered performance of Procuring entity entities as dependent variable and contract management as its independent variable.

The study findings revealed that 62.2% (majority) of the respondents were males and only 37.8% were females. This was an indication that Gasabo district is proficient when it comes to gender balance due to the fact that both males and females were above 30% as the government policy of promoting both gender but most especially the females It was revealed that 42 respondents represented by 42.9% of the total respondents have been working in the Kigali city's district, Gasabo district for the period of between 3 and 6 years while 35 respondents equivalent to 35.7% of the total respondents indicated that they

have worked for the period of above 6 years and the remaining respondents of 21 have worked at the district for less than 3 years. Findings clearly elaborated that, it is clear that 58.2%, 16.3%, 14.3% and 11.2% are for the respondents who were at the level of degree, certificate, postgraduate and diploma respectively. Results established that this project engaged respondents are literates hence they are competent as regards to project's findings.

Effect of resources allocation on the performance of procuring and disposing

Findings discovered that among all the statements provided, there was only one statement where respondents disagreed about on while the rest were agreed and strongly agreed. Findings revealed that the factor that was strongly agreed was about whether all significant materials to be delivered by the client are identified; by 88.8% of the respondents. The other statements that were asked include whether time schedule for the provision of services/works is estimated which was strongly agreed by 74.5% of the respondents while and whether completion criteria for the work to be performed is specified was strongly agreed by 61.2% of the study's respondent. More so, the fact that all significant materials to be developed by the contractor are identified before allocation was agreed by 49.0% of the respondents. However, 24.5% of the respondents disagreed on the issue that the procurement unit has ensured that the planned resources are procured on time. This left the researcher with many questions of the proper planning for the resource allocation by the procuring entity in Gasabo district.

Effect of staff competence on the performance of procuring and disposing

This study's findings targeted getting information about the factors for staff competence. The most strongly agreed factor was that there's budget that does cater for the training of the officers and this was strongly agreed by 82.7%. In addition, it was clearly witnessed that all the factors including: the available procurement officers have the capacity to negotiate contracts agreed at 55.1%, the procurement officers

are well trained strongly agreed at 54.0%, there is sufficient skilled power in Procuring entity entity strongly agreed at 49.0 of the study respondents. However, 32.6% of the respondents disagreed that the procurement officers follow the available procurement guidelines; and this indicated a gap in the Procuring entity unit in Gasabo district.

Effect of control & risk management on the performance of procuring and disposing

Following the question that was asked by the researcher in order to understand the level of appreciation regarding that Gasabo district, it was revealed that most respondents agreed and strongly agreed that there are enough resources provided for the control and risk management process at 96.9% of the respondents. They agreed and strongly practices included; there is proper contract coordination in Procuring entity entity strongly agreed at 82.7.3%, there is proper control and risk monitoring in Procuring entity entity agreed by 73.5% of the respondents. Finally, 46.9% of the respondents strongly agreed that there are proper internal control processes in Procuring entity entity in Gasabo district. Nonetheless, 38.8% of the respondents disagreed about the proper internal control processes in Procuring entity entity in Gasabo. This caused concerns on how they identify and control possible risks in their processes.

Finally, as revealed in table 9, the value of $r_s=0.783$ and $p=0.004$ which explains that there was a strong, positive monotonic correlation between contract management and the performance of the procuring entities ($= .783, n = 98, p < .004$). From the spearman test therefore, the researcher learnt that contract management in terms of resources allocation, staff competence and control and risk management have strong relationship on the performance of Procuring entity in local government in Rwanda. The findings are in line with the poor performance in the district. In order to ensure performance of procuring and disposing, there must be effective contract management.

Conclusion

This research's interest was to analyze and understand effect the contract management on the performance of Procuring entity of local government in Rwanda particularly Gasabo district. The data were collected based on a sample of 98 employees and users of the Gasabo district Procuring entity units and review of reports, all specific objectives were achieved as indicated.

Based on the findings, the Procuring entity unit of Gasabo district, the unit is faced with the challenges of not complying with the procurement procedures resulting from non-adherence to processes and procedures, poor internal control processes and monitoring, and failure to ensure that the planned resources are procured on time. Hence, the researcher concluded that the above must have attributed to lack of proper procurement practices hence poor performance of the district.

Recommendations

Referring to the study results, the following are the suggestions and recommendation to the Procuring entity entities especially Gasabo district.

Concerning the issue of failure to comply with the procurement procedures, the top management should ensure and rely on the use of e-procurement. This could be done through empowerment of the human resources.

Regarding the lack of proper internal control processes in Procuring entity, the top management should look into it and be made a culture by the responsible personnel at the district.

As regards to untimely deliveries, officials who delay procurement activities and processes should also be handled individually so as other staff could avoid doing similar mistakes in future.

Suggestion for further study

Due to insufficient resources and time, the researcher could not cover everything concerning the topic of the study. Therefore, the research is needed on how well measurements taken in response to prototypes to predict actual role of the procurement personnel in the workplace. The study theories provided a

foundation for further research on the role the personnel since much of it was basically put on the management and the district administration.

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