

Effect of Contract Management on the Performance of Procuring and Disposing Entities in Local Government in Rwanda. A Case of Kicukiro 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 and disposing entities in local government in Rwanda. The study's specific objectives include: to establish the effect of resources allocation on the performance of procuring and disposing of Kicukiro district; to examine the effect of staff competence on the performance of procuring and disposing of Kicukiro district; and to analyze the effect of control and risk management on the performance of procuring and disposing of Kicukiro district. This study provides decision makers with the valuable information to take intervention programs to achieve greater contract management towards procuring and disposing performance. The study adopted both descriptive and correlative research designs. It adopted a number of data collection instruments including questionnaires, interview and documentary review. Questionnaires were distributed to 103 respondents in Kicukiro district though 5 respondents didn't return their questionnaires; and an interview was held with the management. 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 staff 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 Kicukiro 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.

Keywords: - Contract management, Procuring and Disposing, Performance, Rwanda.

General Introduction

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).

Inter-functional organization has since enhanced trust between the various stakeholders in a contract management amongst the countries in the East African region. There are various user departments and stakeholders for a works contract. However, the entity top level managers from different user departments regularly meet and discuss issues concerning the contract being executed. Even at the stage of due diligence, the evaluation committee or the procurement and disposal unit does not visit the contract or being considered for prequalification or for contract award. There is overwhelming evidence that post qualification evaluation of bidders that reach final stage of evaluation is rarely done. The user departments and the contracts committee do not devise means to search for solutions that are mutually agreeable. Inter-functional coordination, leads to regular interaction, which creates bonds that are hard to break, making parties involves feeling more obliged to collaborate (Muhwezi, 2010).

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 contract s 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 and disposing entities in local government in Rwanda taking a case of Kicukiro 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 and 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, Kicukiro 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 and disposing entities in local government taking a case of Kicukiro district.

Objectives

1. To establish the effect of resources allocation on the performance of procuring and disposing entity of Kicukiro district;
2. To examine the effect of staff competence on the performance of procuring and disposing entity of Kicukiro district;
3. To analyze the effect of control and risk management on the performance of procuring and disposing entity of Kicukiro 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 and disposing in local administrative entity. This study is guided by the theories underlying the concept of performance in procuring and disposing 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 contracts 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 contracts, 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 contract in 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 Ravi 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 equilibriums 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.

System Theory

The origination of systems theory is credited to Ludwig von Bertalanffy in the 1970s. Systems theory can be defined as a set of unifying principles about the organization and function of systems; where systems are defined as meaningful wholes that are maintained by the interaction of their parts. A system functions by acquiring inputs from the external environment. In classical systems theory, bureaucracies are a complex web of interrelationships both organizational and individual. Public audit systems seek to give some transparency to bureaucracies' financial operations and acts to mitigate a natural tendency to pursue individual and organizational self-interest at the expense of public welfare. Its support for values such as probity, propriety and good stewardship may help to sustain these civil service cultures which are motivated by a concern for the proper use of public money (Gramling (2013)).

In its broadest conception, a "system" may be described as a complex of interacting components together with the relationships among them that

permit the identification of a boundary-maintaining entity or process. Since social and psychological phenomena tend to resist quantitative modeling by posing basic difficulties already on the plane of boundary identification, alternative approaches must be relied upon. One such approach draws on the body of knowledge derived from General System Theory and its application in the domain of human activity systems. The line that separates the aspects of a system from those of its environment tends to blur as the unit of observation moves from natural and designed physical systems to human and conceptual social systems.

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 and disposing entities in local government

Contract management

Contract management also involves building a good working relationship between the client and provider. It continues throughout the life of the contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise. Contract management is the management of contracts made with customers, vendors, partners or employees. Contract management includes negotiating the terms and conditions in contract s and ensuring compliance with the terms and conditions. It includes documenting and agreeing on any changes that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk (Bhardwaj, 2011).

Contract management can be defined as the processes undertaken to maintain the integrity of the

contract, and ensure that the roles and responsibilities contract demarcated are fully understood and carried out to the contract standard. Another definition of contract management is the process that ensures that all parties to contract fully meet their obligations, in order to satisfy the operational objectives of the contract and the strategic business goals of the customer. Contract management is the process that enables both parties to contract to meet their obligations in order to deliver the objectives required from the contract. It is also involves building a good working relationship between company and contractor. It continues throughout the life of contract and involves managing proactively to anticipate future needs as well as reacting to situations that rises (Hotter beeks, 2013).

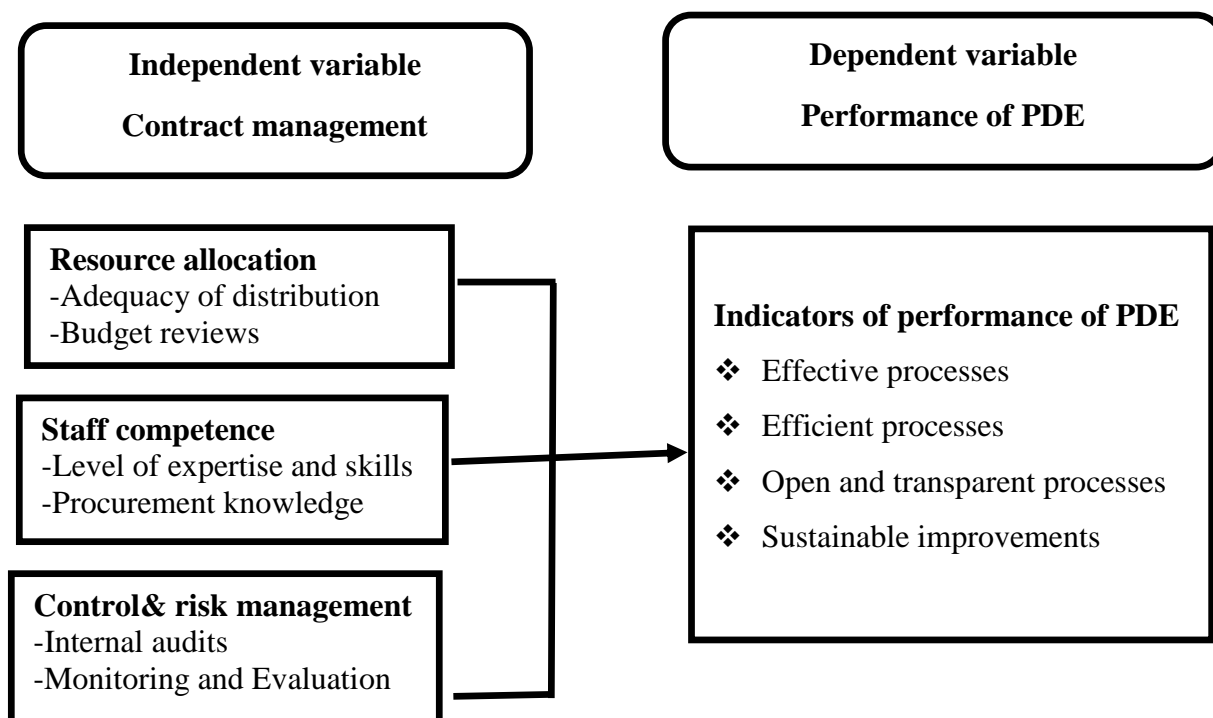
Control and risk management

Every individual within a public entity has some role in affecting internal audit roles wary in responsibility and involvement. The top management is directly responsible for all activities of an entity, including its internal audit processes. The chief executive officer has the existence of a positive control environment more than any other individual he or she sets the ‘‘tone at the top’’ that affects control environment factors and other components of internal control. With the help of IFMIS, the management provides leadership and direction to senior managers and shapes the values, principles and major operating policies that form the foundation of the entity’s internal auditing. Senior managers assign responsibility for the establishment of more specific internal control procedures to personnel responsible for the unit’s particular departments (Fariás and Pimenta, 2012).

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 and disposing of Kicukiro 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 and disposing 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 and disposing entities of local government.

Research Design and 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 Kicukiro 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 sample size was determined using Krejcie and Morgan's sample size calculation which was based on $P=0.05$ where the probability of committing type I error is less than 5% or $P 0.05$

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

X^2 = 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).

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 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.

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 and disposing 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 Kicukiro 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 and disposing 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 Kicukiro 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, Kicukiro 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 contract or 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 Kicukiro 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 and disposing 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 and disposing unit in Kicukiro 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 Kicukiro 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 and disposing entity strongly agreed at 82.7.3%, there is proper control and risk monitoring in procuring and disposing 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 and disposing entity in Kicukiro district. Nonetheless, 38.8% of the respondents disagreed about the proper internal control processes in procuring and disposing entity in Kicukiro. 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 and disposing 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 and disposing of local government in Rwanda particularly Kicukiro district. The data were collected based on a sample of 98 employees and users of the Kicukiro district procuring and disposing units and review of reports, all specific objectives were achieved as indicated.

Based on the findings, the procuring and disposing unit of Kicukiro 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 and disposing entities especially Kicukiro 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 and disposing 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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