



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 426: PUBLIC PROCUREMENT MANAGEMENT

DATE: 17/8/2021

TIME: 8.30-10.30 AM

INSTRUCTIONS:

Answer question one and any other two questions.

QUESTION ONE (30 MARKS)

PUBLIC PROCUREMENT AS AN ECONOMIC SOURCE OF GROWTH

A composition of government expenditure and public expenditure reforms matter for economic growth. Government spending on health and education, for example, will increase productivity of labour and increase the growth of the economy while public expenditure on infrastructure such as roads, railway, power and telecommunications are expected to reduce the cost of production and doing business thus promoting private sector investment and profitability of firms which in effect fosters economic growth. However, prudent spending on these resources is critical, which import means transparency, accountability and value for money for the tax payer is key at all stages of public finance management.

Public procurement is the means through which government and state-owned enterprises delivers goods, services and programmes to the citizens through spending. A good portion of government revenue, which is tax payers' money, is spent through public procurement which during the fiscal year 2018 accounted for 26 percent of Kenya's GDP. During the fiscal year 2015, spending on public procurement constituted about 45 percent of Ministries, Departments and Agencies budgets. Public procurement being a key economic activity, even though plays a central role in driving socio-economic development, is prone to risks and loss of public funds, especially where procurement procedures and systems are not efficient to support the process in implementing government programmes, projects and activities.

The Kenyan procurement system is also considered a high-risk area for investors. The Global Competitiveness Report 2011-2012 indicates that corruption remains prevalent in procurement processes with widespread practice of favoritism towards well connected firms and individuals when deciding upon contracts and policies being a main area of concern. It is worth to noting however,

that public procurement offers rare opportunity for the different socioeconomic sectors of the society to not only get empowered but contribute to inclusive economic growth of the country.

It's on this understanding that the Kenya is implementing Access to Government Opportunity (AGPO) Program, which seeks to facilitate enterprises owned by women, youth and persons with disability to access government opportunities through public procurement. By law, procuring entities are required to set aside 30 percent of their procurement opportunities to enterprises owned by these groups. The program is founded on Article 227 of the Kenya Constitution 2010 on the fair, equitable, transparent and cost-effective procurement of goods and services, Article 55 on affirmative action and section 7 (2) (i), 157 (14) of the Public Procurement and Asset Disposal Act, 2015 which mandates public procurement entities to prepare and submit to Parliament every six (6) months a report on contracts awarded to youth, women and persons living with disabilities.

The Impact of Government Expenditure on Economic growth in Kenya: 1969-2008; Maingi J.N, 2017, Dept. of Econ. Kenyatta University. 3 World Bank, 2018 4 PPOA Annual Report 2015 5 World Economic Forum 2012 A Diagnosis of the Public Procurement System in Kenya. This direction is implemented through performance contracting in public service where government agencies are awarded points on meeting this affirmative action target which is not only a matter of policy but now a legal requirement. In 2013 the country saw the enactment of the Public Private Partnership Act.

This legislation was informed by the need to spur private sector participation in the development of infrastructure in the country. With private sector involvement, it was envisaged that provision of public services and works would be accelerated at affordable rates. This approach has deviated from the traditional public procurement process as it incorporates the element of risk sharing between the parties, with private sector bearing a large portion of the risk including financial, operational and management responsibilities. Further with this model, private sector is provided with an opportunity not only to grow but also provide jobs for Kenyans and subsequently contribute towards economic expansion for the country. On government-to-government procurement and contracting with foreign entities, it is now a requirement of law for foreign entities to not only source locally for raw materials, but to also employ a prescribed percent of Kenyans in their firms and transfer ensure requisite transfer of technology to locals.

Required.

- a) Discuss the possible ways in which the Kenyan economy can leverage on public procurement for economic growth in reference to the case above. (10 marks)
- b) From the above case, Public Procurement and Asset Disposal Act, 2015 mandates procuring entities to prepare and submit to Parliament every six (6) months a report on contracts awarded to youth, women and persons living with disabilities. Explain the contents of such a report. (10 marks)

- c) In the case, public procurement system in Kenya has been evolving for the better. Explain the indicators of the need to reform public procurement matters in Kenya. (10 marks)

QUESTION TWO (20 MARKS)

- a) Some class C public entities do not have the capacity to run a robust procurement function. Explain the available options to such a procuring entity when faced with a procurement transaction beyond their capability. (8 marks)
- b) Confidentiality is an ethical requirement for procurement officers. Describe the general rules that relate to confidentiality in public procurement. (12 marks)

QUESTION THREE (20 MARKS)

- a) An audit of road construction projects in a county government in Kenya, revealed excessive cost-overruns. As a procurement specialist, propose a five-point mechanism of managing such costs. (10 marks)
- b) Although Public procurement systems may vary from one country to another, some of the underlying principles are the same. Explain five such principles. (10 marks)

QUESTION FOUR (20 MARKS)

- a) As a procurement officer of a Parastatal in Kenya, describe how you would use electronic reverse auction to procure needed goods. (10 marks)
- b) Public Procurement Administrative Review Board exists to hear and determine cases related to public procurement. Explain the scope of cases that are not subject to this review. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Public Procurement Code of Ethics for Procuring Entities, 2011 contains the expected ethical behavior in a public entity. Explain five such ethical requirements. (10 marks)
- b) The Public Procurement and Asset Disposal Act 2015, Restricts disposal of assets to employees of the public entity. Explain the exceptions to this restriction. (10 marks)