The Determinants of the Compliance to Public Procurement Policy Requirements among Public Enterprises in Zimbabwe

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Abstract: Many public entities in Zimbabwe are operating in a very volatile environment characterised by public procurement systems open to abuse. Zimbabwe is one of the first countries in Africa to have a Procurement Act however non-compliance issues are still a challenge. Public procurement scandals have been a hot topic with the media and also with the Report of the Auditor General for the financial year ended December 31, 2014 having picked on a lot of issues relating to non-compliance with procurement regulations in a number of public enterprises. The purpose of the study was to assess the influence selected factors (enforcement, professionalism, political interferences, familiarity with Procurement Act regulations and ethics) on compliance to procurement regulations within the public entities. A quantitative survey research approach was used to collect data from 144 public procurement professionals in public entities in Harare, Zimbabwe. SPSS software version 21 was used to process the data that were later analysed through correlation and regression analyses. Familiarity with procurement regulations, enforcement and political interference were found to be statistically significant predictors of compliance. The managerial implications and direction for future research are provided.

Keywords: public entity; procurement regulations; Procurement Act

1. Introduction

Procurement performance has been an area of interest for practitioners, researchers and those from the academic field due to low levels of performance, high levels of corruption, failing contracts, variations in contract prices in public sectors resulting from non-adherence to procurement regulations. There has been a considerable number of reported improper procurement in government departments. Numerous

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allegations have been levelled against public entities relating to irregularities in procurement processes and procedures. There is rampant misuse of public funds and even though the Procurement Act [Chapter 22.14] of 2009 is there to guide entities in handling public procurement. There are no efficient measures put in place to ensure that government departments are following the proper procedures in the procurement of goods and services. The misuse of such funds has resulted in high levels of corruption, inefficiency and defying the procurement general principles of fairness, competitiveness, transparency, equitability and cost effectiveness. Public entities have also been confronted with procurement issues such as professionalism, limited career development opportunities for procurement staff and weak contract management (CPAR, 2003). Non-compliance in public procurement methods and policies has serious repercussions on the growth of domestic firms, employment levels and job creation capacity of the economy (Trionifetti, 2000). Research is therefore needed in order to help public enterprises to become more effective in their procurement activities. However, there is limited research on public procurement in Zimbabwe. Due to little research on this phenomenon, literature on Public Procurement in Zimbabwe is limited. Musanzikwa ‘s (2013) study as well as that one of Dzuke and Naude (2015) are not detailed in providing the needed information about public procurement as the focus is on procurement challenges in the Zimbabwean public sector. Tsabora (2014) studied the role of State Procurement Board vis à vis the legal framework surrounding it. The study concluded that the procurement law was vague and had too much political interference from political parties leading to discretionary behaviour. The limited number of studies on the public procurement in Zimbabwe warrants more research in the country whose public procurement activities are becoming more and more corrupt. Therefore, this research makes a weighty contribution by providing significant information relevant to fill the research gap that exists given the challenges postulated by other researchers who looked at public procurement in Zimbabwe.

Thus the main objective of this study is to assess factors that affect public procurement compliance levels in Zimbabwean public enterprises.

This study is guided by the following sub-objectives:

- To determine the effect of professionalism on the compliance to public procurement regulations among public entities in Zimbabwe;
To establish the impact of enforcement on the compliance to public procurement regulations;

To establish the effect of familiarity with procurement regulations on the compliance to public procurement regulations;

To determine the effect of political interference on compliance to public procurement regulations;

To determine the influence of ethics as a variable on compliance to public procurement regulations.

The research will be of paramount importance as it will help public procurement practitioners in designing an efficient and effective public procurement system. The results of the study research will help policy makers on how they can implement the policy on public procurement to ensure transparency and adherence to proper procedures as stated in the Procurement Act. The academic contribution of the study to the academics in the area of procurement is that it adds to the body of knowledge on public procurement literature by developing and testing a conceptual framework on efficient public procurement in a developing country like Zimbabwe. The rest of the paper is arranged as follows: the second part presents the review of literature on public procurement and factors that influence compliance to public procurement regulations. The third part discusses the methodology used in the study while the fourth part presents data analyses, results and interpretation. The study will be concluded by the discussion of the results, and the suggestions for future research.

2. Related Work and Hypotheses Development

2.1 Public Sector and Public Procurement

A public sector is defined as one that is owned and operated by the government on behalf of the public (Dube & Danescu 2011). Public sector organisations commonly provide services for the public or citizens of a country. In Zimbabwe, the public sector is that part of the economy which is responsible for the provision of various services to the general populace ranging from health, education, water, energy and communication. Public procurement is government activity of purchasing goods and services for it to enable it to perform its functions (Arrowsmith (2010). Arrowsmith (2010) brings in important elements of
procurement namely procurement planning, contract placement and contract administration. Thai (2006) argues that public procurement should deal with a wide range of issues. They include balancing pressure between competing socio-economic objectives and national or global competition as mandatory requirements by regional and international trade agreements, striking a balance on issues of fairness, transparency and parity, ensuring maximum competition to ensure value for money and exploiting new technology such as e-procurement to achieve efficiency.

Public procurement in Zimbabwe is governed by the State Procurement Act [Chapter 22; 14] of 2009. The Act provides that purchase transaction that exceed the US$500 000 for Goods and Services and US$2m for construction is done by the State Procurement Board. Those below these thresholds are done at procuring entity level following the guidelines as stipulated by the Act. The *Procurement Act* [Chapter 22:14], [Act No. 2 of 1999] (Zimbabwe Government, 1999) and the Procurement Regulations, Statutory Instrument 171 of 2002 (Zimbabwe Government, 2002) constitute the legal framework for public procurement in Zimbabwe. There are various methods of procurement stipulated in the Act depending on the total amount of the purchase. However, from time to time Statutory Instruments are issued as well as Cabinet Circulars. Most of the cabinet circulars are issued in favour of promoting the local industry and the Indigenisation Policy.

### 2.2 Factors affecting compliance to public procurement regulations

Traditionally, there are general principles that are crucial in achieving an efficient and effective procurement system. These are referred to as the pillars of procurement. It is the researcher’s opinion that by observing those pillars compliance in public procurement will be attained.

#### 2.2.1 Professionalism

Authors agree that professionalism is critical in compliance to public procurement regulations. Hunja (2003) states that promotion, support training, and professional development for individuals who are in engaged in public procurement is a key mechanism to ensure adherence to professional and ethical standards. In agreement, Gelderman et al. (2006) maintain that professionalism plays an integral role in ensuring compliance within public procurement. The position is also buttressed by Basheka and Mugabira (2008) who state that there are low compliance levels in public procurement systems because of lack of
professionalism. In the same vein Lan et al. (2005) report that the process of finding, hiring and retaining committed, robust, and ethical employees is a challenge. The authors state that professionalism is a key mechanism in addressing institutional change in public procurement and the researchers in this study believe that the level of professionalism in Zimbabwe’s public procurement remains under-researched. Therefore, the researcher seeks to examine the extent to which professionalism explains compliance in public procurement for public enterprises in Zimbabwe and put forward the hypothesis as below:

\[ H_1: \text{Professionalism has a positive influence on compliance levels in public procurement.} \]

2.2.2. Familiarity with Procurement Act Regulations

Procurement in Zimbabwe is guided by the Procurement Act [Chapter 22:14] of 2009. This manual outlines processes and procedure that accounting officers responsible for procurement using public funds should follow. The main objective of the Act is to harmonise public procurement processes in the public enterprises to ensure judicious, economic and efficient use of public resources and to ensure that procurement functions of equity, transparency, fairness and non-discriminatory are met. The Act specifies clearly the law of procurement, various methods of procurement, thresholds, procedures, appeals and complaints resolution procedures. Lack of procurement knowledge remains a major weakness to the achievement of procurement efficiency. Eyaa and Oluka (2011) noted a limited understating of roles in by many corporate members in state owned enterprises in Africa such that their behaviour and decisions tend to be discretionary. Management and other stakeholders tend to manipulate those responsible for procurement. This is a clear indication that awareness of procurement regulation in state owned enterprises is low. Research has shown that most of the directors’ rubber stamp documents and non-executive directors do so for decisions taken outside the board. As argued by Fisher (2004), because of such power dynamics of the state and misunderstanding of individuals roles non-compliance will always be a problem. What is not known is the extent to which public procurement personnel in Zimbabwe are aware of the procurement regulations. In that vein, the study postulated the second hypothesis:

\[ H_2: \text{Familiarity with procurement regulations has a positive impact on compliance levels in public procurement.} \]
2.2.3. Enforcement

Enforcement by external agencies plays a key role in compliance in public procurement. For the procurement personnel to comply there has to be some agency that nurture enforcement and hold them accountable. In Zimbabwe there is no body which is solely responsible for enforcing compliance. That role is being taken by the State Procurement Board (SPB) who also has the mandate of procuring goods, services and works on behalf of government entities. Even though the Procurement Act provides that government entities should submit tender documents on a quarterly basis to the SPB many entities do not do so and that role of procurement auditing is not being given full attention. The Anti-Corruption Commission also works with the SPB to ensure compliance. Working also in the area of ensuring transparency and compliance in Zimbabwe is the Auditor General’s Office and it produces annual reports on how procurement transactions have been handled by some government entities. Zubcic and Sims (2011) postulates that enforcement can be viewed as actions taken by regulators to ensure compliance. Sparrow (2000) is of the different opinion as he doubts the effect of enforcement as a predictor of non-compliance. He argues that enforcement tends to make those in the procurement profession more sophisticated and find ways on how they can circumvent the system by establishing weak links. Nonetheless, quite a number of scholars agree that enforcement improves compliance (Cunningham & Kagan, 2005; Imperato, 2005; Zubcic & Sims, 2007). The study therefore hypothesised that

\[ H3: \text{Enforcement by external agencies has a positive influence on non-compliance with procurement regulations} \]

2.2.4. Political Interference

Public procurement is considered an inherently politically sensitive activity (Schapper, 2006). This is so because public procurement in state owned enterprises involves large sums of money and politicians are always at the forefront of such an activity. This is substantiated by Pillary (2004) where he says that politicians abuse their offices for private gain and this affects motivation to remain honest for most professionals. In a related study, Raymond (2008) also agrees with this assertion where he says that politicians mostly ministers receive covert payments from suppliers. This kind of behaviour interferes with the procurement process and constraints compliance. Issues of fairness and transparency will be sacrificed too if too many influential people are involved in the procurement process. In Zimbabwe
quite a number of senior officials and political leaders have been implicated in a number of procurement scandals for national projects. This behaviour on its own deters compliance to procurement rules and regulations. To Hui et al. (2011) political interference from the local politicians, other influential stakeholders and senior management has deterred transparency resulting in non-compliance. It is with this background that the study proposed the following hypothesis:

_H4: Political interferences has a negative effect on compliance with procurement regulations_

2.2.5 Ethics

Unethical behaviour exhibited by procurement professionals can have a detrimental effect on procurement performance, competitiveness as well as compliance (Carter, 2000). The view is supported by Saini (2010) who opines that ethics are a prerequisite for all procurement professionals if non-compliance levels are to decrease. The present study sought to examine the extent to which ethics affect the compliance levels in public procurement and therefore submits that:

_H5: Ethics have a positive effect on compliance levels in public procurement._

3. Methodology

In this study population refers to those individuals involved in procurement in public entities within the Harare region. Most of these are commonly referred to as Procurement Officers or Executives. The choice for these people is because they are the ones who are directly involved in handling procurement for the various entities that they work for. In Harare government entities that are involved in public procurement according to Procurement Regulations SI 160 of 2012 are 72 (seventy two). Two members from each organisation who were directly involved in procurement were being targeted thus making a total of 144 (one hundred and forty four) potential respondents. Due to the feasibility of the sample size, the researcher decided to do a census study as all the seventy two public entities were chosen for the study. The researcher used both probability and non-probability sampling techniques in this study. The study purposively targeted those individuals who were into procurement (non-probability). These respondents were viewed as good prospects for accurate information and were seen to be a good target to comprehend the questions and topic under study.
Upon doing the pilot study the researcher discovered that in some organisations procurement personnel were more than two hence decided to employ a probability sampling method by randomly selecting two procurement professionals per each public entity. This meant that each potential respondent had an equal opportunity to be selected.

4. Data Analysis

The researcher employed computerised software called Statistical Package for Social Sciences version 21 for data processing. The first stage was converting the raw data into structured format (data coding). Secondly, a descriptive analysis of the respondents’ demographic information was done followed by an internal consistency analysis using Cronbach Alpha Coefficients. Correlation and regression analyses were used to assess relationships between the variables. A total number of 144 questionnaires were distributed to the procurement professionals in the public entities in Harare. Out of the targeted 142 respondents, 100 respondents managed to complete the questionnaire successfully and this yielded a response rate of approximately 70%.

4.1. Results

Out of the responses got from the study it was seen that 12% constituted the 21-30 years age range, 43% constituted the 31-40 years age group, 37% constituted the 41-50 years age group and 8% constituted the 51-60 age groups. The majority of the respondents are aged between 31-40 years of age with 43% and the least was the 51-60 age groups with 8%. In terms of academic qualifications, most of the professionals were Diploma holders which constituted a 47% followed by Undergraduate holders which constituted 35% then Post Graduate holders with a 13% and lastly 5% was for Certificate Holders. With regard to professional qualifications, the results demonstrated that that a bigger percentage of procurement professionals do not have a professional qualification evidenced by a huge 65% of the sample. A mere 35% of the sample indicated that they have a professional qualification. The higher percentage of professionals without professional qualifications may suggest that chances for non-compliance are high as individuals may not have the knowledge required by procurement personnel.
4.2. Reliability

Cronbach alpha co-efficient for the study was calculated for the study and the results showed that the overall Cronbach alpha was 0.893 demonstrating that the scale was reliable as it surpassed the threshold of 0.7 advised by Nunnally (1978).

In order to ascertain the degree of association between constructs under investigation, the Pearson correlation was computed. The results are shown in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Compliance</th>
<th>Professionalism</th>
<th>Enforcement</th>
<th>Familiarity</th>
<th>Political interference</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionalism</td>
<td>0.073</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enforce</td>
<td>0.539**</td>
<td>-0.02</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.403**</td>
<td>0.124</td>
<td>0.674**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political interference</td>
<td>0.614**</td>
<td>0.050</td>
<td>0.767**</td>
<td>0.890**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td>0.155</td>
<td>-0.076</td>
<td>0.139</td>
<td>0.138</td>
<td>0.115</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The findings from the research indicate that the correlation between the independent variables and the dependent variable ranged from 0.073 to 0.614.

To examine the causal relationship between the independent and dependent variables, regression analysis was conducted. Regression analysis was deemed to be an appropriate statistical approach due to the existence of significant associations amongst the variables. Prior to conducting regression analysis, key assumptions were verified. The adequacy of the sample size was assessed since regression analysis is susceptible to sample size. Tabachnik and Fiddel (2007) proposed a sample size of \( N > 50 + 8m \) (where \( m = \) number of independent variables) as adequate to perform multiple regression analysis. The sample size considered in the study is 144 respondents, which is above the minimum of 82 respondents when four independent variables are involved.

Multi-collinearity was assessed by inspecting the two common measures namely the tolerance value and its inverse – the variance inflation factor (VIF) for each independent variable. Multi-collinearity refers to a high degree of inter-correlation between constructs (Hair et al., 2009). Hair et al. (2009) recommends that a very small tolerance value (0.10 and below) or a large VIF value (10 and above) indicates high collinearity.
As shown in Table 2 below, the tolerance values for the independent variables are all above 0.10; therefore, the multicollinearity assumption was not violated. This is also supported by the VIF values which are well below the cut-off of 10.

These results are not surprising, given that the Pearson’s correlation coefficients between the independent variables ranged from only 0.073 to 0.614. Table 2 shows the results of regression analysis.

Table 2. Regression Coefficient Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.298</td>
<td>.088</td>
<td>3.375</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>Professionalism</td>
<td>.005</td>
<td>.019</td>
<td>.004</td>
<td>.247</td>
</tr>
<tr>
<td></td>
<td>Enforcement</td>
<td>.338</td>
<td>.038</td>
<td>.359</td>
<td>8.940</td>
</tr>
<tr>
<td></td>
<td>Familiarity</td>
<td>.348</td>
<td>.046</td>
<td>.407</td>
<td>7.533</td>
</tr>
<tr>
<td></td>
<td>Political Interference</td>
<td>- .211</td>
<td>.056</td>
<td>-.244</td>
<td>3.789</td>
</tr>
<tr>
<td></td>
<td>Ethics</td>
<td>.027</td>
<td>.019</td>
<td>.025</td>
<td>1.372</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Compliance, \( R^2 = 0.974; \) Adjusted \( R^2 = 0.973; \) F=14.355; \( p=0.000. \)

The regression table shows an adjusted R-squared value of 0.973 which implies that 97.3% of compliance is explained by the independent variables.

The results depicted in table 2 above shows that professionalism is not a significant predictor of compliance (\( \beta = 0.004; \ p>0.05 \)), familiarity with procurement regulations has a positive impact on compliance (\( \beta = 0.407; \ p<0.05 \)), enforcement has a positive and significant effect on compliance (\( \beta = 0.359; \ p<0.05 \)), political interference negatively affect compliance \( \beta = -0.244; \ p<0.05 \), and ethics do not have a significant impact on compliance (\( \beta = 0.025; \ p>0.05 \)). Therefore, hypotheses \( H2, H3 \) and \( H4 \) are accepted, however \( H1 \) and \( H5 \) are rejected.
5. Management and Policy Implications

The negative impact of political interference on compliance means that for public enterprises to be compliant with public procurement regulations there should be no interference from politicians. The findings are in tandem with Schapper et al. (2006) who state that public procurement is considered an inherently politically sensitive activity. The findings are also supported by Froystad et al. (2010), state that corruption caused by political interference is a big issue in procurement processes in many countries due to large amounts of money involved. Echoing the same sentiments, by Raymond (2008) mention that ministers and political parties receive stealthy payments in government procurement thereby constraining compliance. A related research by Tsabora (2014) found that political orientation which underpins most government entities means that public procurement is highly vulnerable to political manipulation and consequent corruption thereby hampering on compliance. The implication is that in carrying out its public procurement mandate, the State Procurement Board need to be able to make independent decisions. The more there is political interference, the less effective the Public Procurement Board becomes in executing the duties.

The positive causal relationship between familiarity with procurement regulations and compliance indicates the crucial importance of familiarity of public enterprises with the procurement procedures. If these enterprises are familiar with the procedures that should be followed when carrying out transactions, they become more compliant. The results are supported by Gelderman et al. (2006) who in their study of EU procurement directives found that familiarity with procurement regulations improves compliance to procurement regulations. Rossi’s (2010) study also found that compliance with formal elements gives an indication of knowledge of rules. Corroborating the results a study by Eyaa and Oluka (2011) found that lack of familiarity with procurement regulations results into poor compliance levels. Fisher (2004) also reiterates the same sentiments as he says that compliance arises from a dynamic equilibrium between various powers of the state and understanding their roles. This therefore indicates that familiarity of procurement regulations to ensure compliance should not be for procurement officials only but for politicians also who are known to exercise their political muscle to influence decision making.

The results reveal that enforcement is a significant predictor to compliance. This suggests that for compliance to be achieved there is a need to ensure more
enforcement. The government need to come up with stringent measures to ensure compliance to public procurement regulations so that value for the money is achieved. The misconception of assuming that procurement professionals will comply mainly because of the existence of the Procurement Act is not supported as respondents stated that the act is not fully supportive of enforcement. This can also be related to the fact that some admitted to not having read and understood every clause of the Act. The results are consistent with a study by Nwabuzor (2005) which reports that non-compliance and corruption among procurement officials within the government in several developing countries is due to a weak enforcement system and absence of rule of law. Imperato (2005) supports the view by stating that enforcement improves compliance. In addition, Zubcic and Sims (2007) argued that increased penalties and enforcement lead to greater levels of compliance to laws. The State Procurement Board should therefore fully execute its mandate of ensuring that State entities comply with procurement regulations.

6. Managerial Recommendations

To ensure compliance, robust training programmes should be designed for public procurement professionals as well as tender committee members who are also responsible for the adjudication process. Workshops and sensitization seminars to key stakeholders can be a way to go to address political interferences. There is also need to simplify the Procurement Act so that procurement professionals understand the public procurement law. The researchers believe that strengthening record keeping is critical as it facilitates enforcement leading to compliance. PROCUREMENT plans should be done by all procuring entities at the beginning of the year and such plan is shared with SPB. This acts as a control mechanism to ensure compliance and enforcement. There is also need to strengthen monitoring and evaluation of procurement procedures by SPB. There is need to avail resources such as information technology infrastructure and highly educated personnel. The researchers also advocate for an independent watchdog regulator which monitors compliance to public procurement rather than having government stewards whose behaviour is at the discretion of their bosses. As long as there is too much control and influence from government, political interferences will still remain a challenge in addressing non-compliance.
7. Limitations

The first limitation of the study was the focus on public entities in Harare, Zimbabwe’s capital city. It left out some town councils, municipalities, rural district councils and other local boards outside Harare who could offer different opinions to the selected factors hence the results cannot be generalised or transferrable to other public agencies. Replication of this study is therefore warranted. A possible direction for future research is to conduct a similar study in other provinces in Zimbabwe or in other countries in order to examine similarities and differences. Secondly, the study relied on public entities listed in the Procurement Regulations Statutory Instrument (SI) 160 of 2012 as an authoritative source. Some state owned enterprises were not listed in it. Future research could replicate the study in those different settings and other newly established public entities not in the SI. Thirdly, the study targeted a specific profession that is procurement professionals only. Future research can combine other respondents like senior management in public entities and the tender committee as they may have a decisive influence on the compliance behaviour of procurement professionals. The researcher conducted a quantitative study; this could be a limitation in that the respondents will not have room to provide some other factors or underlying causes to non-compliance. Future studies can replicate such a study using qualitative methods.

8. Conclusion

Despite the widespread attention given to the issue of low compliance to public procurement in public enterprises, both locally and globally, there is a surprising shortage of empirical studies on the determinants that result in an improved compliance to public procurement regulations in Zimbabwe in particular. The problem of low compliance to public procurement regulations in the public entities cannot be allowed to persist unabated given the significance of public procurement to economic growth. Policy makers need to actively seek ways and means to improve compliance to public procurement regulations in the public enterprises in the country. This study makes a contribution towards the improvement of compliance to public procurement in the public enterprises by showing that familiarity with procurement regulations, enforcement and political interference are significant predictors of compliance. The results also show that professionalism
and ethics do not significantly impact compliance. To ensure compliance, there should be no political interference, there should be more enforcement and public procurement professionals need to be familiar with public procurement regulations.

References


