



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FIRST YEAR FIRST SEMESTER EXAMINATIONS
FOR THE DEGREE OF MASTER OF SCIENCE SUPPLY
CHAIN MANAGEMENT**

CITY CAMPUS - WEEKEND

MSC 819: PUBLIC PROCUREMENT MANAGEMENT

Date: 17th June, 2017

Time: 2.00 - 5.00pm

INSTRUCTIONS:

- Answer Question ONE and any other THREE
- All questions carry equal marks

QUESTION ONE (15 Marks) - Compulsory

ABC Company Ltd is a public institution operating in Kenya. It was created through the act of parliament more than 20 years ago. The organization has had serious management challenges compounded by high staff turnover. Most of the employees are poorly motivated and lack professionalism in undertaking their duties. The organization has no written policies on operations and the chief executive orders are implemented as given. ~~Whoever questions the orders is treated as undermining the authority of the Chief Executive.~~ Corporate governance has never been practiced in the organization since its creation and staff competence is at its lowest level.

The newly employed chief executive, Mr. Hussein, feels things must be done differently with a view to enhancing staff morale and organizational productivity. He decides to purchase a staff bus in order to motivate his employees. He pays a visit to one of the leading motor vehicle dealers and identifies a suitable bus. He then asks for quotation to enable him process the order before the close of the day. His idea is to ensure that the bus is available and operational within one week.

Upon Mr. Hussein's instruction, the local purchase order (LPO) is raised and delivered to the motor vehicle dealer who subsequently raises an invoice and delivery note at the same time in readiness for the supply.

The bus is tested to ensure readiness for use and delivered to the company in four (4) days. The invoice and all other documents, including operating manuals are delivered to the Chief Executive who immediately organizes for payment in two days. The Chief Executive is very happy that he managed to show case efficiency and effectiveness as everything has been accomplished in less than 10 days.

You have just been hired by ABC Company Ltd. as the supply chain manager (SCM). The Chief Executive is very happy that you have joined his "dream team" and has just tasked you to review his just concluded bus project.

Required:

- (a) (i) Analyze the procurement activities as carried out by the Chief Executive highlighting the various gaps noted with respect to the public procurement process followed. (5marks)
- (ii) Identify five service delivery challenges that relates to public procurement that ABC Company Ltd is experiencing (5marks)
- (b) Enterprise Resource Planning is one of the E- procurement tools that public sector organizations may use in managing supply operations. Analyze factors that public sector organization may consider before introducing this system (5marks)

QUESTION TWO (15marks)

- (a) Explain how the three 'E' s economy, efficiency and effectiveness in public procurement system could promote socio-economic stability of a country (6marks)

- (b) "A dispute has arisen between a buyer and supplier in relation to the performance of contract which has since been taken to the court of law." Explain the options available to the court in resolving the dispute. **(9marks)**

QUESTION THREE (15 Marks)

- (a) "Procurement plan is a tool that assists in budget preparation. Budget is a vital control tool for public expenditure." Highlight **five** advantages of using budget as a control tool for public expenditure **(5marks)**
- (b) Briefly explain benefits of the procurement manuals which are provided by the public procurement review and advisory board (PPRAB) formerly the PPOA **(5marks)**
- (c) You have been recently employed by the Ministry of Devolution in Kenya as the head of procurement and supply chain. There are serious reported cases of non-adherence to the provisions of PPAD (2015). You are, therefore, tasked to prepare recommendations that the finance committee of the Senate can make to increase adherence to the provisions of the PPAD (2015). Identify five such recommendations you would make. **(5marks)**

QUESTION FOUR (15Marks)

- (a) On 1st June 2016, a chief executive officer (CEO) of a Kenyan parastatal delegated the signing of procurement contracts to his deputy, during his absence. On reporting back, after two weeks, the CEO found that the deputy had signed contracts without considering the professional opinions of the Head of procurement. The CEO then argued that he was not responsible for his deputy's action.

Required:

- (i) Evaluate the CEO's argument **(4marks)**
- (ii) "Using the PPAD Act, 2015 a contract implementation team must be informed for complex and specialized contracts." Outline the core functions of the contract implementation team in any public sector procurement **(5marks)**
- (b) Highlight six legally and regulatory principles that govern public procurement **(6marks)**

QUESTION FIVE (15Marks)

The Lolwe Irrigation Project based in Kisumu County included a civil work contract and tunneling, estimated at about Khs 20 million. The project was fully financed by the World Bank. International Competitive Bidding (ICB) with prequalification was chosen as the method of procurement. A total of 40 firms submitted prequalification documents to the

executing agency (EA). The EA evaluated applications with the assistance from the implementation consultants. 15 individual firms and 3 joint ventures were prequalified.

Some firms were disqualified because they did not display sufficient financial capacity although they had adequate technical capacity and experience. Other firms met both the experience and financial criteria but had performed poorly in the recent world-bank financed projects. The World Bank and the EA considered different approaches to the issue that arose.

Required:

- (a) "A firm meets the criteria for technical capability, has good performance record, but does not have sufficient financial resources." Explain whether the firm should be prequalified or not **(5marks)**
- (b) "A firm is known to have performed poorly in the recent project but otherwise meets the experience and performance criteria based on previous contracts." Discuss whether this firm should be disqualified on the basis of poor performance in the recent past **(5marks)**
- (c) "One of the applicants is a joint venture comprising of two international firms and a local partner. The local partner is technically and financially weak. The two international partners have adequate technical and financial capabilities." Explain how this application should be evaluated **(5marks)**