

**THE EFFECTS OF ETHICS ON THE  
PROCUREMENT PROCESS OF MEDICAL  
SUPPLIES IN THE PUBLIC HOSPITALS IN KENYA**  
**A CASE OF NYERI COUNTY, KENYA**

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**Abstract**

*Procurement is one of the vital functions in many organizations around the world. It plays the role of acquiring the needed resources at the time required. However, the process of procurement in many government institutions is affected by both internal and external factors that hinder effective service delivery to the general public. This study sought to investigate the effects of ethics on the procurement process of medical supplies in the public hospitals in Nyeri County, Kenya. Data for this study was obtained from the four government funded hospitals in Nyeri County namely, The Nyeri Provincial General Hospital, Karatina District Hospital, Mukurwe-Ini Sub District Hospital and Othaya Sub District Hospital. Purposive sampling technique was used to select the four medical superintendents while stratified random sampling was used to select 33 employees in the hospitals. Content analysis was used to analyze qualitative data while descriptive and inferential statistics were used to analyze quantitative data. The results indicated that ethics was strongly and positively correlated with procurement process with a Pearson's correlation coefficient of ( $r = 0.732$ ) at 5% level of significance and ( $p = 0.003$ ). The study concluded that a unit change in ethics led to a 54.02 % change in*

*procurement process. The study established that collusion, conflicts of interest and abuse of office affected the procurement process and recommended that ethical standards be enhanced and public officers must be conversant with the guidelines in the Kenyan constitution (chapter 6) and PPDA on the code of conduct. The study findings will be used by the government, policy makers and regulatory bodies like EACC, PPOA and the MoH to make decisions and regulations relating to procurement in public hospitals.*

*Keywords: Procurement, Ethics, Collusion, Abuse of Office, Conflicts of interest*

## **INTRODUCTION**

Public procurement is regarded increasingly as a strategic profession that plays a central role in preventing mismanagement and minimizing the potential of corruption in the use of public funds. In addition, Public procurement is progressively recognized as an instrument of government policy and a lever for wider economic, social and environmental change (OECD, 2007). However, OECD considers public procurement as the government activity most vulnerable to unethical practices. In this sense, lack of transparency and ethics are considered as the major threats to integrity in public procurement.

Unethical practices involve public officials unlawfully enriching themselves and /or those close to them by misusing the public procurement trust bestowed on them (Basheka & Tumutegereize, 2010). The World Bank (2010) indicates that many countries are yet to develop procedural frameworks to tackle the integrity issues in public procurement (OECD, 2007). According to Ferrell and Ferrell (2010), widespread and highly visible organizational misconduct and scandals such as Enron, WorldCom in the United States and in Europe, Parmalat (Italy), and Royal Ahold (Netherlands) have plagued global businesses and have served to highlight the need for ethical practices in both the public and private sectors.

In Africa, countries underscore the importance of ensuring ethical standards are maintained in public procurement processes. This view is upheld by Basheka and Tumutegereize (2010) who state that in most African countries procurement of goods, services and works required by government departments consumes a considerable part of government resources. Without clear ethical standards enabling governments and citizens to engage in a mutually responsive way, the vast resources channeled through public procurement systems run the danger of increased unethical practices and misuse of funds (Jeppesen, 2010).

According to Mathenge (2012), procurement remains a key sector in Kenya, which facilitates the acquisition and disposal of goods and services, thereby leading to smooth running of various institutions, both public and private. Ogachi (2011) indicates that the function of

procurement has grown immensely over the last ten years in Kenya and that within the period, procurement activities were largely coded in the procurement law and regulations.

According to PPOA (2007), the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, the introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of 2006 has introduced new standards for public procurement entities in Kenya. These laws ensure that the public sector buyers conduct purchasing in a way that satisfies probity and accountability requirements (PPOA, 2007). The Kenya Constitution section 227 (1) states that when a State organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective (National Council of Law Reporting, 2010).

The Kenya National Human Rights Commission (KNHRC) (2011) listed many unethical practices in Kenya public service in its report *Lest we Forget: the Faces of Impunity in Kenya* which mentions public procurement as being plagued by unethical practices. The public procurement unethical practices in Kenya are mentioned in various cases such as Forensic Lab for CID Department, Procurement of Hyundai police cars, Acquisition of patrol ships, Kenya Ports Authority importation of tug boats and cranes and maize importation. All these unethical practices lead to a drain in the public resources (Aliza, Stephen & Bambang, 2010). According to Pidaparathi (2006), although procurement unethical practices have attracted the attention of policy makers, little progress has been achieved in addressing the problem and more importantly to examine the extent to which such practices affect the procurement process. Hence this study sought to establish the effects of ethics on the procurement process of medical supplies in the public hospitals in Nyeri County, Kenya.

### **Objective of the Study**

To establish the effects of ethics on the procurement process of medical supplies in the public hospitals in Nyeri County, Kenya.

## **THEORETICAL FRAMEWORK**

### **Person-Situation Interaction Theory**

The study adopted a theory by Trevino (1986). The model postulates that ethical decision-making in an organization is explained by the interaction of individual and situational components. The individual reacts to ethical dilemmas with cognitions determined by his or her moral cognitive development stage.

The individual's cognitive moral development stage determines how an individual thinks about ethical dilemmas, his or her process of deciding what is right or wrong in a situation. In this case, the procurement manager is influenced by individual factors, situational milieu and organizational culture in his/ her decision-making matrix. The personal factors include ego strength, field dependence and locus of control whereas the situational milieu constitutes immediate job context factors such as reinforcement and work-related pressures. In this sense, the ethical standards of procurement professional are influenced by the three factors. The organizational culture comprises of the normative structure, referent others, obedience to authority and responsibility for consequences.

## **EMPIRICAL REVIEW**

### **Ethics and the Procurement Process**

According to Wee (2002) ethics are the moral the principles and values that guide officials in all aspects of their work. Ethical behaviour involves the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency. Ethical behaviors also include avoiding conflicts of interest, and not making improper use of an individual's position. The Contract Monitoring Kenya Network (CMKN) (2012) cited unethical practices as a major factor contributing towards inefficiencies in procurement in major public institutions in Kenya in return leading to squandering of public funds through fraud, favoritism and extravagance. This was revealed in a report by the CMKN dubbed Reforming public contracting: *Giving Kenyans value for money* that said there rampant unethical practices in public procurement. Githongo (2007) states that at the heart of grand corruption in Kenya is a series of financial arrangements that together make up a system of security-related procurement, procurement of commercial debt, and financing of the political system.

According to Mathenge, (2012) the current Kenya procurement management is deficient of ethical inclination and should employ ethical consideration to re-invent itself. Gikonyo (2010) notes that the most persistent barrier to combating corruption is the culture of secrecy in public procurement and associated government functions. Unethical behaviour in public procurement, which includes conflict of interest and corruption, is an issue since may damage relations within the purchasing department, the relationship with other departments in the company, and with suppliers. According to the World Bank (2010), unethical practices gnaw away Africa's resources and undermine development.

According to a study by Organisation for Economic Co-operation and Development (2010), collusion and corruption are distinct problems within public procurement and these problems result from unethical practices like conflicts of interest. They are best viewed,

therefore, as concomitant threats to the integrity of public procurement. Unethical procurement practices deprive citizens, as well as private entities, of the economic benefits of their taxes and natural resources (Transparency International, 2010). There are no studies on how ethics affects the procurement process in the Kenyan public health sector; this study will seek to bridge this gap by examining the effects of ethics in the procurement process in the public health sector in Nyeri County.

## **METHODOLOGY**

The study was conducted in Nyeri County which is one of the 47 counties in Kenya. The County has a total population of 693,558 people according to Kenya National Bureau of Statistics results, KNBS (2009). The study adopted the descriptive research design. The target population comprised 165 health workers and officials from different management departments in the four public hospitals. Purposive sampling technique was used to select the four main public hospitals in Nyeri County. Further, the study used stratified random sampling technique to select a sample of 33 respondents from a target population of 165 respondents in the four public hospitals in Nyeri County. According to Mugenda and Mugenda (2003), a sample of 20% is considered representative for a population less 500. The seven functional departments of the four hospitals were treated as strata after which simple random sampling was done proportionate to the number of respondents in each stratum.

Out of the thirty three (33) respondents served with questionnaire, twenty eight (28) respondents completed and returned the questionnaire. The response rate was 84.85% which according to Mugenda and Mugenda (2003) study was very good. In addition, Key informant interview guide were developed to provide the necessary qualitative data from the respondents drawn from each of the hospitals. Descriptive statistics and inferential statistics were used with the help of the Statistical Package for Social Sciences (SPSS) software which offers extensive data handling and numerous statistical details (Muijis, 2004). In order to determine the relationship between ethics and the procurement process, correlation and regression analysis were under taken. Pearson's correlation coefficient was used to show how each independent variable relates with the dependent variable. Further simple regression analysis was employed to determine the degree of relationship between ethics and the procurement process.

## **EMPIRICAL FINDINGS**

The study investigated the effect of ethics on the procurement process of medical supplies in the public health sector in Nyeri County. About 78.6 % of the respondents admitted that they

were aware of some unethical practices in their organization, 10.7 % who stated that were not aware of such while 10.7 % declined to indicate their response.

Table 1: Knowledge of unethical practices

<b>Knowledge of unethical practices</b>	<b>Frequency</b>	<b>Percentage</b>
No	3	10.7
Yes	22	78.6
No response	3	10.7
Total	28	100

The findings were in agreement with Miles and Breen (2005) who observes that financial malpractices also could occur at any stage of the process and influence decisions on the model of procurement (direct rather than competitive), on the type and volume of procured supplies, and on specifications and selection criteria ultimately compromising access to essential quality medicines

Unethical practices involved collusion, conflicts of interest and abuse of office. The study revealed that cases of collusion occurred 6-10 times per year, 21.4 % indicated 0-5 times per year, 21.4 % indicated 11-15 times and 3.6 % indicated that there were above 15 times reported while 3.6 % of the respondents indicated that there were reported 18-23 times in a year. Common cases of collusion observed included, collusion between suppliers and procurement officers to inflate prices and collusion among bidders to set and determine who offers the lowest price. This affected the transparency of the whole procurement process because if parties collude, the bidding and supplier selection process will not be fair.

On conflicts of Interest, the study established that 50 % of the respondents indicated 6-10 times, 17.9 % indicated 0-5 times, 14.3 % indicated 11-15 times while 7.1 % of the respondents indicated over 15 times.

Table 2: Number of Occurrence per Year

<b>Number of occurrence per year</b>	<b>Frequency</b>	<b>Percentage</b>
0 – 5 times	6	21.4
6 – 10 times	12	42.9
11 – 15 times	6	21.4
Above 15 times	1	3.6
No response	3	10.7
Total	28	100.0

Information from the key informants pointed out that conflict of interest affected the choice of procurement methods and contract awards because public officers would award contracts to

people with political influence or their friends and relatives. Ngugi and Mugo (2009) observe that conflicts of interest affected the setting of user fees for supply registration. Market approval (or registration) of products was usually granted on the basis of efficacy, safety and quality.

Abuse of office also affected the procurement process. Cases of abuse of office were said to occur between 6-10 times by 46.4% of the respondents, 39.3 % of the respondents indicated 0-5 times, while 3.6 % of the respondents indicated 11-15 times.

Table 3: Number of occurrence per year

Number of occurrence per year	Frequency	Percentage
0 – 5 times	11	39.3
6 – 10 times	13	46.4
11 – 15 times	1	3.6
Over 15 times	00	00
No response	3	10.7
Total	28	100.0

Common cases of abuse of office that affected the procurement process included obstruction and undue delays in procurement processing and exerting inappropriate influence on any procurement procedure. This affected the speed of need identification, methods of procurement used and contract award. This was in agreement with UNESCO (2010), which revealed that rising incidences of abuse of office among procuring entities caused pressure on staff to distort facts or break rules and interfered with their ability to work well. These effects can be damaging to the overall results of the procurement process.

In the attempt to curb unethical issues in the procurement process, measures such as fines, demotion, suspension and redeployment were taken. The most common measure taken was fines with about 58.8 % of the respondents indicating their knowledge on the same.

Interviews from the key informants revealed that the reason as to why fines were mostly used was because when the flow supplies from procurement to user departments could not be traced to the end; those responsible were made to pay for the supplies from their salaries. This is supported by a study by Lerberghe M.V (2004) which established that fines were a better way of dealing with unethical practices relating to procurement because it penalizes criminals without imposing costs on anyone else and also if the supposed criminal later turns out to be innocent, the fine can be returned. This was followed by 28.6% of the respondents who indicated demotion, 21.4 % of the respondents indicated suspension from work while 7.1 % indicated redeployment of the employees.

Lastly, Pearson correlation coefficient was computed to assess the relationship between Ethics and the Procurement process in the public health sector in Nyeri County.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.185	.051		3.620	.001
	Ethics	.457	.301	.735	1.251	.001

a. Dependent Variable: Procurement process

The results indicated that ethics was strongly and positively correlated with procurement process with a Pearson's correlation coefficient of ( $r = 0.732$ ) at 5% level of significance and ( $p = 0.003$ ), the p value was less than  $\alpha = 0.05$  which means the result was statistically significant. The result were interpreted that a unit change in ethics leads to a 54.02 % change in procurement process.

## CONCLUSION AND RECOMMENDATIONS

The study concluded that ethics affected the procurement process of medical supplies in the public hospitals. From the findings, collusion occurred in the public hospitals and this affected the procurement process because vendors would collude to make any proposed prices higher than would otherwise have been the case without collusion. Conflict of interest affected the procurement process also because public officials would influence the setting of user fees for supply registration extent. Moreover abuse of office also affected the procurement process because officers caused undue delays to the processes because of their power.

The study therefore recommended that ethical standards should be enhanced to reduce the cases of unethical practices relating to procurement in the public hospitals. Conflict of interest should be put on a check since it affects the setting of user fees for drug registration. Market approval (or registration) of pharmaceutical products should be granted on the basis of efficacy, safety and quality. Tender bids evaluation need to be improved to take lesser time. The tender committee needs to be investigated for allegations of corruption. Product specifications should be made clear. Punishments and sanctions should be put in place to deal with the unethical conducts; this will reduce or curb the occurrence of the same. In addition, public officers must be conversant with the guidelines in the Kenyan constitution (chapter 6) and PPDA on the code of conduct.

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