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## **GOVERNMENT POLICY AS A CATALYST TO EFFECTIVE PUBLIC PROCUREMENT: A CASE OF ZIMBABWE ELECTRICITY TRANSMISSION AND DISTRIBUTION COMPANY (ZETDC)**

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### **ABSTRACT**

The purpose of the study was to explore the relationship between government policy and effective public procurement in parastatals with specific reference to The Zimbabwe Electricity Transmission and Distribution Company. Government policy is critical in mapping the desired culture and skills in the procurement function of any state-owned enterprise. On the other hand, public procurement is a strategic function that contribute to cost-savings, value for money and overall national economic growth. This was a case study of one parastatal, whose target population was 136 employees. A sample size of 91 was randomly selected for representativeness. 72 questionnaires were retrieved giving a response rate of 79.12%. A descriptive research design was used. Data was analyzed using SPSS. The study found out that there was a direct relationship between government policy and public procurement in parastatals. The study recommends for effective policy enforcement as well as adoption of e-procurement software systems to attain cost-effective levels.

**Keywords:** Government Policy, Public Procurement, Value for money, Culture, Cost-effective levels

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## **INTRODUCTION**

The efficient and intactness of any strategic procurement system in a country is dependent on the national policy framework. This usually affects procurement culture and national economic growth. The study interrogated the relationship between government policy and public procurement with the intention to address a miss-conception on gaps and impact of national culture on public procurement. A procurement policy has to assist the procurement management unit attain its goals and objectives, and as in this case, uninterrupted supply of electricity to the whole country for both industrial and domestic use. This eventually result in value for money being realized by the consumers leading to improved organizational reputation and performance.

### **Background to the study**

International Best Practices in electrical energy supply entail being guided by principles of equitable and unbiased selection of suppliers, non-interference by politicians, directly or indirectly in the procurement process, sound procurement ethics, transparency, competitive selection of suppliers and avoidance of any conflict of interest among others. One key aspect in international procurement perspectives is that the procurement management unit has to make a follow-up on any goods whose payments were made as per the contractual agreement and ensure they were delivered on time. This is done as a cost saving drive to both the procuring entity as well as the government by avoiding huge sums of money being lost in big projects. Brammer and Walker (2011) in their international comparative study of procurement in the public sector postulates that absence of a sustainable policy and compliance leads to the economy collapsing. Their view was shared by Amann, et al, (2014) and Alhola, et al, (2018) who argued that investment in sound sustainable public procurement policies lead to achievement of economic, social and environmental goals by a country as well as having a good brand name.

### **Statement of the Problem**

The advent of competitors to ZETDC supplying substitute mechanisms to different forms of energy is likely to push the entity out of competitive business. The entity has been dominating supply of electricity as a monopoly for over four decades until

the emergence of substitutes. ZETDC is facing competition from liquefied petroleum gas (LPG) and Solar Companies that aggressively push for their market share. Thus a delay by ZETDC in supplying power to new suburbs or even servicing existing ones, is leaving consumers with no choice except to ride on to the wings of current market trends. Competing companies provide value for money to their customers. In order to avoid sinking, ZETDC has to revisit existing procurement policy for it to be more competitive. It was upon this backdrop that the researchers embarked on carrying out this study in order to explore insights into ways of gaining value for money and fairness in public procurement.

### **Research Questions**

- a. What is the relationship between the government policy and public Procurement procedures adopted by Parastatals?
- b. How does lack of policy enforcement promotes unethical behaviour in public procurement?

### **Hypothesis**

**Null hypothesis:** There is a significant relationship between the government policies and the procurement procedures in Parastatals in Zimbabwe.

**Alternative hypothesis:** There is no significant relationship between the government policies and the procurement procedures in Parastatals in Zimbabwe.

### **Literature Review**

A systematic literature review was conducted for this study guided by the research questions. Mallet, et al, (2012:2) maintained that systematic reviews “involve identifying, synthesizing and assessing all available evidence, quantitative or qualitative, in order to generate a robust, empirically derived answer to a focused research question”. This makes systematic literature review for a rigorous and reliable reviews.

### **Theory of Innovation**

The theory that underpinned this study was the theory of innovation. This theory was propounded by Rogers (2003) and it advocates for use of advanced technologies as

contrasted from being rigid and slow in embracing latest systems in this fast-changing world. It reflects a dire need for evolutionary standpoint to establish the relationship between technology development and the associated risks that the government is exposed to. The theory advocates for research and development in the public sector in order to improve operation efficiency. According to Greenacre, et al (2012) innovation theory is not rooted in a single discipline or school of thought. In essence, so many strands or views are drawn from a variety of academic disciplines and research areas viewing innovation process as a relatively simple, one-directional journey from basic research to applied research to technology development and diffusion. Proponents of this theory argue that improvements in technology or sciences has a direct impact on production output and this is also determined by the level of research and development. This theory has a direct relevance to the study as it unveils the need for a strong research and development policy in the public sector in order to drive efficiency of service delivery in the public sector, particularly in parastatals in Zimbabwe. This theory has been more pronounced in the private sector (For example Econet Wireless) as compared to the public sector.

### **Government Policy**

The government procurement policy needs to uphold the fundamental principles of openness, transparency, and due process as enshrined in its national constitution so as to provide the desired level of professionalism and integrity. According to OECD (2015), government policy must ensure that its policy and those of all organizations are synchronized to ensure that everyone is aware of the procedures and strategies involved. This is to be supported by effective training and guidance to help all procurement professionals understand sustainable procurement and whole life costing. The government policy must ensure periodic and thorough audits are carried out effectively so as to monitor compliance to set standards and commitment of all employees to best practices. The government policy ought to support and educate suppliers on markets or creation of markets through learnt experiences and establish a body that oversees the entire procurement system in the country. In the case of Zimbabwe, this is the Procurement Regulatory Authority of Zimbabwe (Praz). If the policy points toward the above objectives, sustainable public procurement is likely to be attained.

## **Relationship between the government policy and Procedures used in Parastatals.**

The Principal -Agent theory best describes the relationship between the government and its parastatals. According to Lane, (2013), the principal-agent relationship is an arrangement in which one entity legally appoints another to act on its behalf. In a principal-agent relationship, the agent acts on behalf of the principal and should not have a conflict of interest in carrying out the act. The relationship between the principal and the agent is called the "agency," and the law of agency establishes guidelines for such a relationship. In this case the Principal is the Government, which assigns the agent (ZETDC), a subsidiary of Zimbabwe Electricity Supply Authority (ZESA) to carry out its major objectives of ensuring adequate supply of electricity to its people and industries. The agent has the following duties to the principal as explained by Gailmard (2014) as cited in Shapiro (2005:265):

*Duty of Obedience* were an agent must act in the principal's affairs only as actually authorized by the principal and must obey all lawful instructions and directions of the principal. *Duty of Good Conduct* within the scope of the agency relationship, were an agent must act reasonably and refrain from conduct that is likely to damage the principal's enterprise. *Duty of Diligence*, were an agent must act with reasonable care, competence, and diligence in performing the work for which he is employed *Duty to Inform*, were an agent must use reasonable efforts to give the principal information material to the affairs entrusted to her/him. *Duty to Account*, were an agent must maintain and provide the principal with an accurate account of money or other property that the agent has received or expended on behalf of the principal ; an agent must not mingle the principal's property with any other person's property. *Fiduciary Duty*, were an agent owes a duty of utmost loyalty and good faith to the principal.

This implies declaration of conflict of interest, self-dealing, duty not to compete with the principal, no misappropriation of funds, duty to account for financial benefits and keeping of confidential information. In return the Principal has set obligations to the agent such as compensation, reimbursing the agent authorized payments the agent has made on the principal's behalf (Lane, 2013), pay the agent for losses the agent incurred while acting as directed by the principal and duty to provide an employee

with reasonably safe conditions of employment and to deal with the agent fairly and in good faith. Usually, the government through the concerned Ministry appoints a board of directors that runs the affairs of ZETDC and then expects maximum cooperation from the entity to ensure its policies are met.

### **Lack of a strong procurement function in most parastatals**

Absence of expertise in most parastatals is the major hindrance from attaining the desired level of public procurement service (Dzuke and Naude, 2017, Musanzikwa, 2014). This mainly because most the personnel in those organizations do not treat procurement as a strategic function due to lack of knowledge and even those mandated to do the buying lack the necessary knowledge or practical competences? The inefficient use of funds can be generated from problems across the entire procurement process—from the poor procurement planning, definition of the needs and creation of the bidding documents, to a lack of transparency and competition in the process followed for announcements, bidding, evaluation and award of contracts, to poor contract supervision(Chigudu, 2014).

### **Political competition and Legal framework**

Chikwere, et al (2019) allude to major negative influence from politicians who have their promises to the electorate to be met and may end up directing those in the procurement function to buy without following due legal processes out of fear and torment. This has a negative impact on the ethical practices and constitutional requirements of a country thereby plunging the entire country into chaos. According to Chigudu (2014, p.25), “vested interests can manifest themselves through local business cartels in which the private sector and their collaborators in the public institutions benefit from such flawed systems. Where a procurement system is loose, there are opportunities for abuse of the tender process through patronage and corruption.” Further to this Hunja (2001) cited in (Ibid, 2014) noted that access to public contracts in developing countries serves as a means in most cases of financing political parties and to reward political party supporters. In the absence of political will, recommendations can be made, draft laws discussed and position papers made but no action may be made to implement changes proposed.” This leads to issues of constitutionalized corruption, ethical challenges and lack of professionalism, lack of supervision

and monitoring, violation of the principles of corporate governance such as failure to disclose conflict of interest and transparency in the entire public procurement system (Waigwa and Njeru (2016).

## **CUSTOMER SATISFACTION**

Customer centric procurement is important the survival of sustainable supply chains. Customers are the major key stakeholders in public procurement. According to Biesok and Wyrod-Wrobel (2017, p.23), “It is not easy to recognize and satisfy the consumers’ needs, expectations and habits, and knowing them doesn’t guarantee success on the market, because consumer behaviour is not rational. Among the methods, which can verify the consumer satisfaction of purchase or service, there is not one, universal method which would enable to express this issue in a comprehensive manner”. The needs and wants of the customers must be satisfied so as to have repeat business. Public procurement policy should aim to satisfy all its stakeholders within a specific time framework.

## **RESEARCH METHODOLOGY**

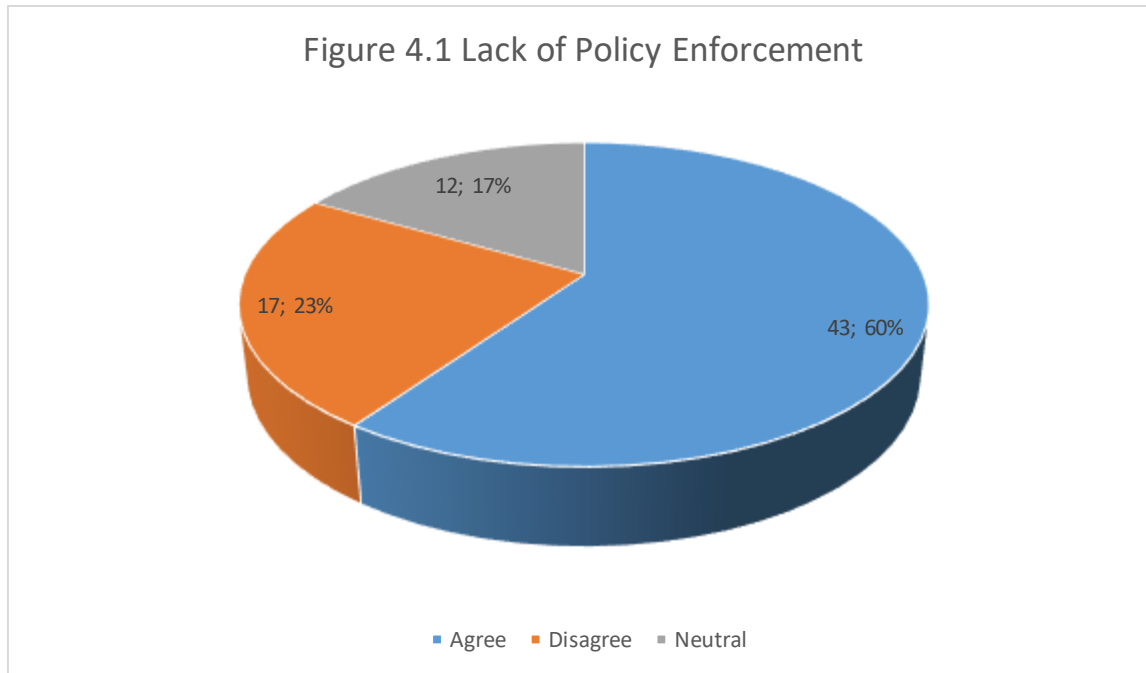
This study was guided by two main research questions:

- a. What is the relationship between the government policy and public Procurement procedures adopted by Parastatals?
- b. How does lack of policy enforcement promotes unethical behaviour in public procurement?

A case study approach was adopted. A Case study is defined as an in-depth study of few units with multiple variables (Yin, 2009,). Yin (2014) further argues that the purpose of intensive studies is to get as complete a picture possible of a situation, a phenomenon or event. In case studies, the focus is on one particular unit, and in this study, it was ZETDC. It offered an insight into the specific nature of current challenges and helped to establish the importance of policy for competitive procurement practices. A descriptive analysis was used as it offered best opportunity to explore variables under discussion, (Neuman, 2005, Saunders, et al, 2009). Quantitative instrumentation were used. The study population was 136 ZETDC employees. 91 questionnaires were distributed and 72 were retrieved. Data was analysed using SPSS.

## Discussions and Findings

### Lack of Policy Enforcement



The findings shown from figure 4.1 above indicated the extent to which lack of policy enforcement affected performance of ZETDC and in general effectiveness of public systems of parastatals in Zimbabwe. Forty-three respondents (60%) agreed that there was lack of policy enforcement in the parastatal. Seventeen respondents (23%) indicated their disagreement showing a positive support that enforcement was being done. Twelve respondents (17%) chose to remain neutral. The results indicated that if the tenets of the theory of innovation were applied in the parastatal where different technologies were in use in the procurement system of the parastatal, more efficiency would result in the organization performing better. ZETDC as an agent of the Government (Principal), has to execute its mandate as defined in its vision and mission statements. Thus, if there is consistent policy enforcement and monitoring, government policy can drive competitiveness of the organization leading to customer satisfaction.



## Unethical behaviour

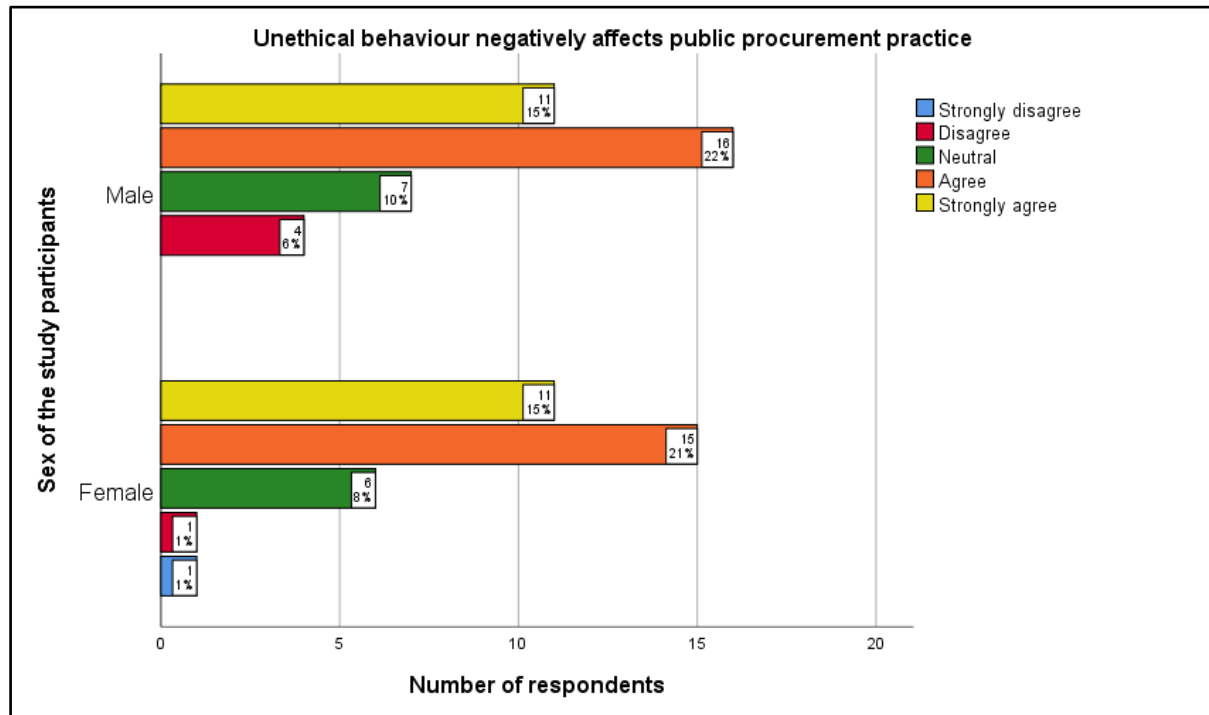
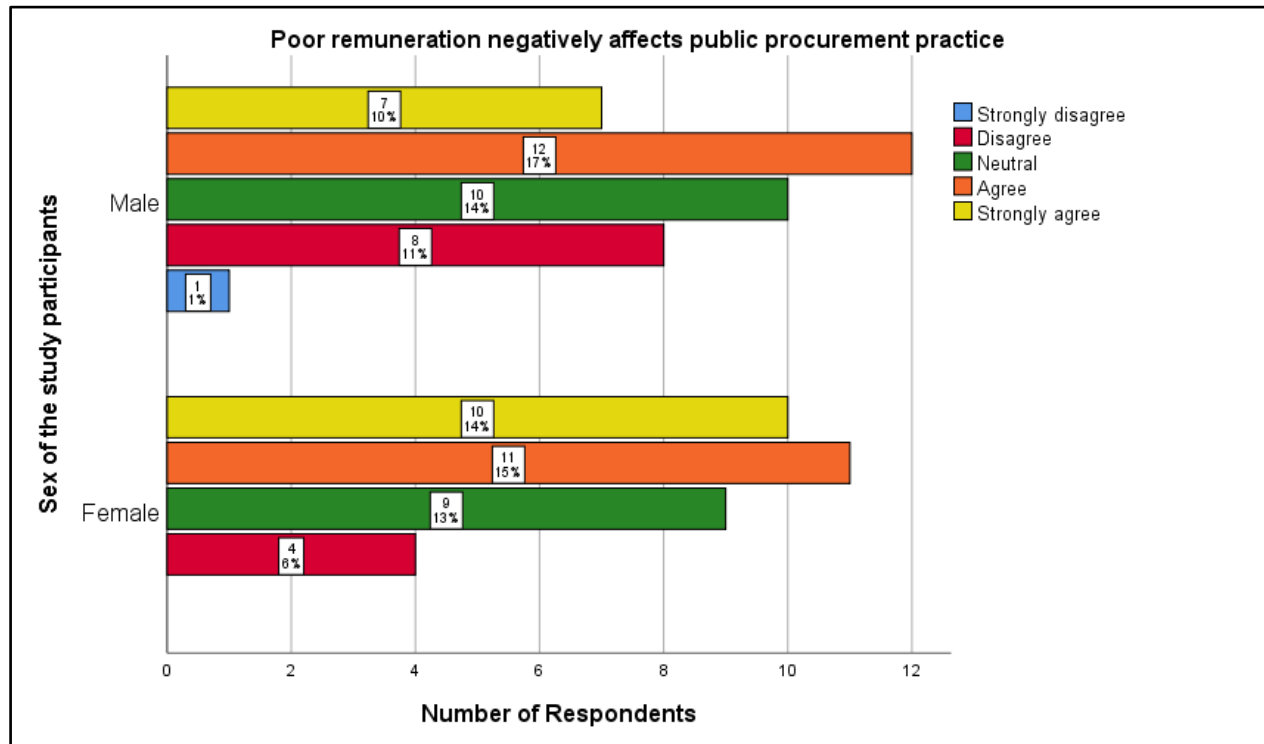


Figure 4. 1 : Unethical behavior negatively affect public procurement practice.

Of the 38 male respondents, slightly half of them 16/38 agreed that Unethical behavior negatively affected public procurement practice, 11/38 males strongly agreed, 7/38 were neutral, the minority of the males 4/38 disagreed and no respondent among males strongly disagreed on this view. While 34 respondents of the females, only 1 strongly disagreed and another one disagreed, the majority of the females 15/36 agreed, and 11/36 strongly agreed on their view. Accounting for both males and females 34/72 (43%) the majority agreed, 7% disagree, 18 were neutral, 30% strongly disagreed and only one (1%) strongly disagreed. Overall, in this survey males participated most 38/72 than females 34/72. The underlying result was a pronouncement that unethical practices negatively affected public procurement activities. Political competition may result in politicians overriding basic principles and policies of procurement. This creates loopholes in the system which may promote the mushrooming of unethical behavior or cultures that result in employees from both the public and private sectors being involved in underhand dealings.

## Poor Remuneration



*Figure 4. 3 Poor remuneration negatively affects public procurement practice.*

The findings above in Figure 4.3 indicated that the majority of female respondents 15% agreed with the view that poor remuneration negatively affected public procurement practice, 14% of female respondents Strongly agree, 13% were not sure on their view, 6% Disagreed and no female responded strongly disagreed. The findings then also show that the majority of the males 17% agreed, 14% were neutral, 10% strongly agreed 11% disagreed and only a single male respondent expressed strongly disagreed. Overall, the majority (56%) which is above average indicated that poor remuneration negatively affects the public procurement practice whilst 27% were not sure and 18% did not view poor enumeration as a factor that affect effectiveness. This points to a need for a government policy to review the remuneration policy of

parastatals so that it reduces unethical behaviors detrimental to professional procurement systems.

### Negative Supplier Employee's Attitude

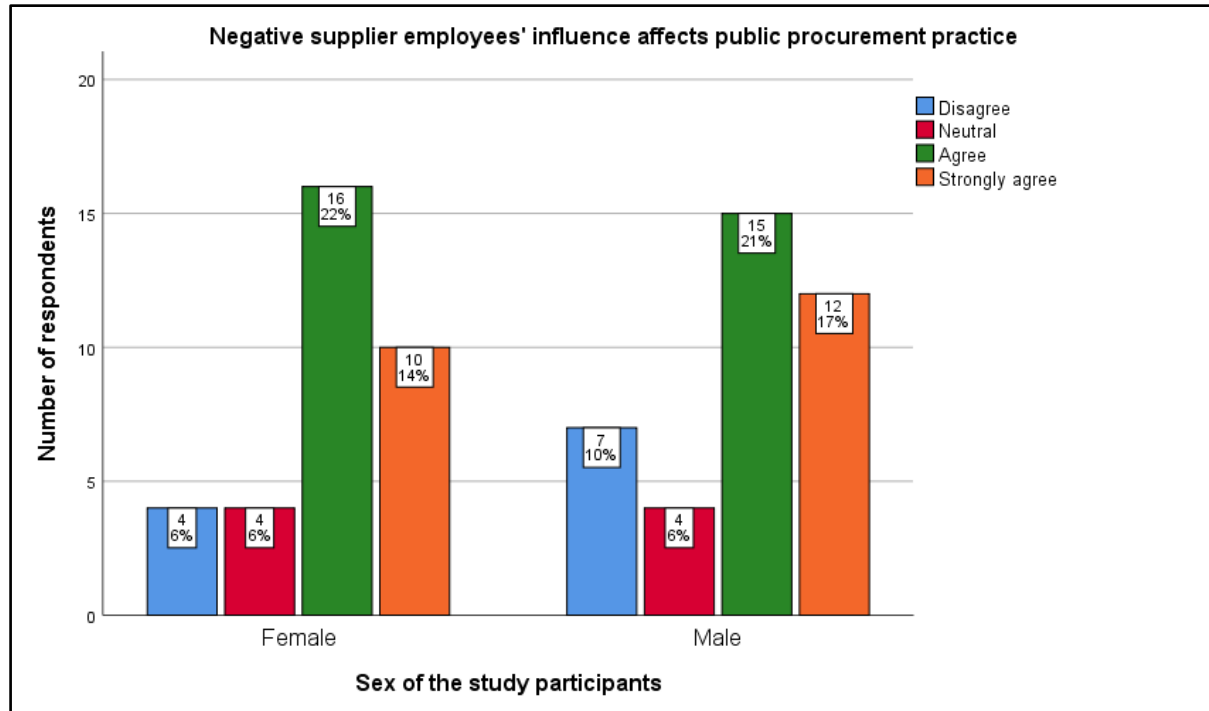


Figure 4. 4: Negative supplier employees` influence affects public procurement practice.

The findings above reveal that the majority of the male respondents (21%) Agreed on the factor that Negative supplier employees` influence affect the effectiveness of public procurement systems of parastatals, 17% of male respondents strongly Agreed and the minority of the males 6% were neutral and 20% disagreed. Furthermore, the findings also indicated that above average of the female respondents 22% agreed, 14% strongly agreed and there was same expression of views 6% for disagree and neutral. Overall, the results show that negative supplier employees` influence was a factor that could affect the effectiveness of Public procurement Systems of parastatals in Zimbabwe as the majority of the respondents 74% agreed whilst only 16% disagreed and 12% minority were not sure. However, the findings also show that there was a normal distribution between sexes of respondents. If suppliers` employees were underpaid, they would be tempted to bribe parastatal employees leading to unethical practices. These findings cohorts with the literature, OECD (2019) who

mentioned that internal and external controls are coordinated, sufficiently resourced and integrated to ensure effective monitoring of the public procurement system.

## Government Policy and Public Procurement Practices in Parastatals

### Chi – square testing

Null hypothesis: There is a significant relationship between the government policies and the procurement procedures in Parastatals in Zimbabwe.

Alternative hypothesis: There is no significant relationship between the government policies and the procurement procedures in Parastatals in Zimbabwe.

Table 4.1 Chi-Square Test

<b>Chi-Square Tests</b>			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	44.225 <sup>a</sup>	8	.000
Likelihood Ratio	12.395	8	.134
Linear-by-Linear Association	3.232	1	.072
N of Valid Cases	78		

Table 4. 5: Chi - square tests

The findings shown on table 4.1 above shows that there is statically sufficient evidence showing there is relationship between the government policies and the procurement procedures in parastatals in Zimbabwe, (since Pearson chi – square with 8 degrees of freedom = 44.225,  $p=0.000$ ) shows high relationship status and significance as the p value is zero. Government has a greater influence in ensuring that sustainable practices in public procurement were adopted and followed to the letter.

## Factor Analysis on the relationship between the government policy and ZETDC Parastatal

Table 4.2 Factor Analysis

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.809
Bartlett's Test of Sphericity	Approx. Chi-Square	46.839
	Df	3
	Sig.	.000

The KMO and Bartlett's Test of 0.809 shown above indicated that there were enough items predicated by each factor in this research objective. This was because any score above or greater than 0.70 is considered adequate. Furthermore, the significance score indicated here of 0.000 means that the variables tabulated below were correlated highly enough to provide a reasonable basis for factor analysis for this research objective

Table 4.3 Factor Analysis Variables

Relationship between the government policy and ZETDC parastatal	
Government policy influences public procurement and processes at ZETDC	Component 1
Government and ZETDC have a principal-agent relationship	.962
Government provides regulations through PRAZ	.962
Government is the enforcer of regulations and standards	.925

The findings shown above of four factors were considered for this research objective and they all showed that they had the highest number of respondents who expressed strongly expressed their viewpoints with a factor analysis score of more than 0.80. Hence the findings suggests that respondents had a strong view on positive relationship by agreeing to the variable showing that there was a significant relationship between the government policy and ZETDC parastatal.

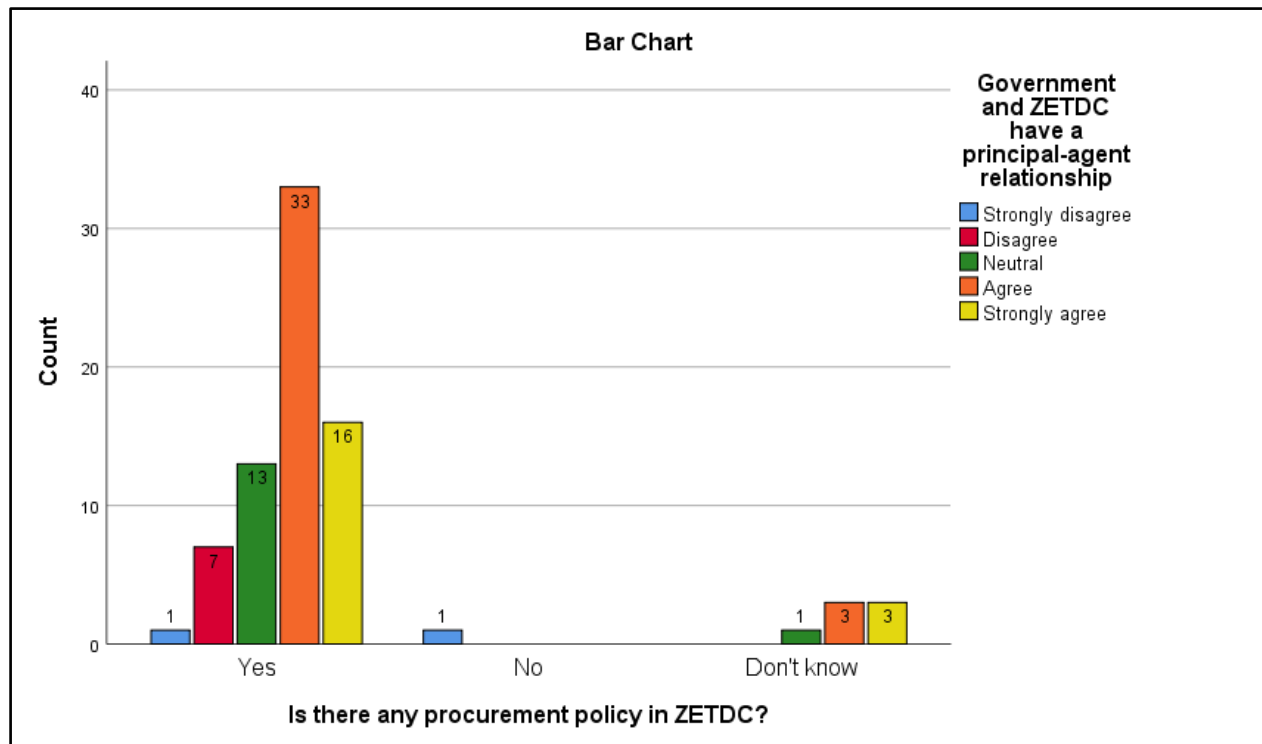


Figure 4.5 *Availability of procurement policy in the institution*

The findings in Figure 4.5 above shows that thirty-three respondents (58.9%) agreed that the procurement policy was in existence in the organization and sixteen (18.05%) strongly agreed. Seven respondents were neutral whilst only one (1.4%) strongly disagreed. These findings were in line with Brammer and Walker 2011 who indicated that in their International comparative study of procurement in the public sector postulates that absence of a sustainable policy and compliance leads to the economy collapsing.

## RECOMMENDATIONS

The study revealed that government policy directly impacts the procurement processes of parastatals. Lack of policy enforcement result in the development of unethical practices between the suppliers' employees and the Procurement Management Unit's staff. The study recommends a speedy adoption of e-procurement software systems as advocated by the theory of innovation to both improve efficiency of processes and reduce human interface likely to breed undesirable cultures in the procurement function in parastatals. There is also need for strong political will or commitment in upholding the tenets of government policy on public procurement.

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