

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

PROCUREMENT MANAGEMENT PRINCIPLES

COURSE: BBAM II

DATE: 11th August 2016

Time allowed: 3 hours:

INSTRUCTIONS TO CANDIDATES:

Read the following before answering the examination questions.

- a) Do **NOT** write anything on this question paper.
- b) Answer **QUESTION ONE** and any other **THREE** questions
- c) Begin a new number on a fresh page
- d) Credit will be given for use of relevant examples and illustrations
- e) Mobile phones are **NOT** allowed in the examination room

QUESTION ONE (COMPULSORY)

Tororo mining contract fraudulent says IGG

A probe into the contract to extract minerals in Sukulu hills, Tororo district, has revealed that it was given to the Chinese investors, M/s Uganda Hui Neng, fraudulently. Sources revealed that Frontier Exploration Uganda Limited, the company that first applied for the contract to explore minerals in Sukulu carbonate complex, petitioned the inspector General of Government (IGG), Justice Irene Mulyagonja, citing fraud. After investigations, the source added, the IGG recommended cancellation of the contract to Hui Neng, which is affiliated to Guangzhou Dongsong Energy Group. Dongsong holds the same mining certificate number (1,178) with Hui Neng.

"the minister of Energy and Mineral Development should, through the department of geological survey and mines (DGSM), require the current holder of the license secured by Hui Neng to show cause why the license should not be summarily cancelled on grounds of having secured through fraud," the source quoted the IGG's report July 5, 2016 as saying. Hui Neng secured a \$560m (about sh2 trillion) phosphates mining project, then signed Surface Rights Lease Agreements of 99 years with residents amid controversy over little compensation and petitions for going against the 21 years were approved by the lands ministry. Frontier Exploration contended that it was the first to apply for the contract, and that their application was endorsed by Oswan Vita Kitui, the then Tororo Chief Administrative Officer (CAO) on June 24, 2013 at 3:00pm. However, Hui Neng was also endorsed by Kitui's deputy on the same date but earlier in the day at 10:30am. "Swaibu Balaba, the then Tororo deputy CAO, without the authorization of the CAO, endorsed the application for Hui Neng, at 10:30 am on June 24, 2013. This was in contravention of regulation 8 of the Mining Regulations. Furthermore, the stamp used in endorsing Hui Neng's application was found not to be the official stamp of Tororo district local government administration. This automatically rendered M/s Uganda Hui Neng application to be in violation of Regulation 8 of the Mining Regulations. It was therefore, to that extent, irregular and unlawful," the IGG's report reportedly stated.

Sources also said the IGG found that representatives of Frontier Exploration were obstructed from lodging their application at the DGSM Security Registry on June 26, 2013, allegedly on the instruction of the commissioner DGSM, Edwards Katto. Also, Frontier Exploration representatives in 2013 reportedly requested for an administrative review by the energy ministry under the provisions of section 118 of the Mining Act, but the minister, Irene Muloni, did not respond to their request. Sources said the fresh report has been copied to Muloni, and the IGG reportedly asked Muloni to inform the IGG of the ministry's action within 30 days. The IGG has also reportedly recommended that the energy ministry causes the DGSM to receive the application by Frontier Exploration and have it determined

on its merits and in accordance with the priority provided under regulation 6 of the Mining Regulations or otherwise show sufficient and justifiable cause why this cannot be done. "the commissioner DGSM (Katto) and the then deputy CAO (Balaba) should show cause as to why they should not face disciplinary action for knowingly facilitating the apparent fraudulent processing of the Hui Neng application in respect to Sukulu Hills in Tororo," the IGG report stated.

(Extracted from New vision Monday, August 1, 2016; by Chris Kiwawulo)

Required;

- a. Identify and explain the red-flags raised in the case above that are in contravention with the best practices of procurement and contracting. (10 marks)
- b. As a procurement specialist, how would you have dealt with such issues as mentioned in (a) above? (10 marks)
- c. Examine the challenges that are usually encountered by the clients and contractors during the procurement process. (10 marks)
- d. Explain some of the principles that should have been exhibited from the realization of the need up ongoing- award contract administration. (10 marks)

QUESTION TWO

- a. Different methods may be used in public asset disposal as advised of which some include public bidding and auctioning. Why would an entity prefer not to use the latter rather than the former? (10 marks)
- b. Discuss the considerations for adoption of a given method in a decision to dispose (10 marks)

QUESTION THREE

- a. Propose evaluation methodologies evaluators can use to assess the best evaluated bidder (10 marks)
- b. Examine the procedure adopted when using a merit point system in during assessment of bids in public sector procurement (10 marks)

QUESTION FOUR

- a. Define procurement planning showing the key questions to be answered and outline the consequences of lack of planning. (6 marks)
- b. Discuss some of the challenges and critical success factors in public procurement planning. (14 marks)

QUESTION FIVE

The choice of the procurement method depends on the value of the estimate given by the users, type of procurement, and the circumstances of procurement. Explain any five procurement methods known to you and highlight advantages procurers will benefit from using such methods. (20marks)

QUESTION SIX

- a. Discuss the factors that a public entity ought to consider when selecting suitable contract types. (10 marks)
- b. As a person well versed with the knowledge of procurement and contract management, how would you differentiate contract management from contract administration and the role played by contract managers? (10 marks)

End of Question Paper