

# The Nexus between Price Negotiation and Performance of Public Health Facilities in Homa Bay County, Kenya

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## Abstract

This study investigates the relationship between price negotiation and the performance of public health facilities in Homa Bay County, Kenya. Price negotiation plays a pivotal role in the pharmaceutical supply chain, yet its contribution to procurement performance remains underexplored. Data were collected from 286 participants, including healthcare workers, suppliers, policymakers, and patients, using structured questionnaires. A multivariable linear regression model revealed that price negotiation accounts for 25.0% of the variance in health facility performance ( $R^2 = 0.250$ , F = 20.118, p < 0.001). High transparency and fair negotiation practices correlated with lower supply costs and improved medical services (B = 0.292, p < 0.001), and increased accountability (B = 0.152, p = 0.019). Budgetary constraints showed no significant effect (p >0.05), indicating negotiation strategy's greater influence over financial resources. The study recommends enhancing transparent negotiation procedures to improve procurement outcomes. These findings provide valuable insights for health managers and policymakers operating in resource-limited settings to strengthen procurement systems.

#### **Keywords**

Price Negotiation, Performance, Public Health, Pharmaceutical Procurement, Homa Bay County, Kenya

## **1. Introduction**

The procurement of pharmaceuticals remains a vital healthcare delivery core function especially within low- and middle-income countries faced with substantial resource limitations and medical challenges. Accurate procurement methods enable healthcare facilities to obtain critical medicines which directly affect medical service quality together with their availability and long-term stability. Price negotiation represents the essential yet under-investigated stage of procurement operations in public health facilities because it enables both cost reduction and resource allocation efficiency (Aggrey et al., 2024). Health management of pharmaceutical procurement presents substantial difficulties in Homa Bay County as well as other Kenyan counties due to budgetary restrictions and supplier fragmentation and bureaucratic administrative delays (Achoki et al., 2019).

Public health facilities in Homa Bay County face distinct challenges due to the current healthcare setting. The healthcare facilities must maintain continuous access to cost-effective medications of good quality due to the excessive burden of diseases primarily characterized by a 15.2% HIV prevalence rate much higher than the countrywide average (Achoki et al., 2019). Even with limited budgets and systemic inefficiencies and weak negotiating power, essential drugs become difficult to secure at fair prices by these facilities. The study of price negotiation effects on health facility operations serves as a necessity to develop better policy and practice improvements.

Healthcare buyers and pharmaceutical suppliers engage in systematic discussions for implementing final drug pricing together with payment schedules and procurement requirements. The process seeks to achieve the best cost efficiency alongside providing secure and effective pharmaceutical supplies to patients. Basic public health organizations benefit from effective negotiation because it creates affordable procurement costs which allows funding redirection to other services while enhancing both quality and transparent service delivery programs (Mahuwi & Israel, 2024). The use of weak negotiations results in facilities paying excessive prices from indecisive supply chains which provide shoddy products that worsen both healthcare operational efficiency and trust from patients.

This research stems from the realization that Kenya has extensively studied supplier selection and requisition systems but needs better understanding of price negotiation due to its crucial impact on health service quality. Public health facilities experience financial instability because they lack skilled negotiators and standardized negotiation processes as well as reliable market data (Boche et al., 2022). The issues in Homa Bay County become more aggravated due to weak agreement monitoring and insufficient oversight systems. Health institutions experience enhanced financial strain because drug accessibility and service quality decline throughout this process.

#### 2. Literature Review

Pharmaceutical procurement represents a complex procedure which directly determines public health system operational and financial performance levels. During price negotiation pharmaceutical firms determine drug costs and this process shapes both the affordability and purchasing transparency of medicines and healthcare delivery service performance. Academic research together with institutional evaluations maintain that price negotiation remains a strategic tool for delivering essential medicines at costs acceptable for public health systems (Aggrey, Ngaruko, & Asienga, 2024).

Public Procurement and Asset Disposal Act establishes a regulatory framework for price negotiation as well as ethical public procurement standards in the Kenyan marketplace. Achoki et al. (2019) discovered that the Homa Bay county health facilities along with other facilities in multiple counties maintain inefficient medicine procurement practices arising from high prices and unclear negotiation approaches as well as defective implementation monitoring. Various procurement inefficiencies weaken procurement results while undermining healthcare services because they create procurement delays and budget increases and lead to inadequate drug purchases.

The effectiveness of price negotiation in Ethiopian public hospitals was constrained because of poor data quality combined with inadequate staff capabilities and ineffective communication systems as Boche et al. (2022) pointed out. The procurement teams operating in Homa Bay experience the same lack of current market data and standardized negotiation frameworks as described by (Boche et al., 2022). The absence of systems results in procurement negotiators who cannot attain beneficial prices or maintain quality standards and produce irregular procurement outcomes. The lack of structured negotiation training begets a serious procurement problem that makes staff unable to handle suppliers effectively through strategic methods.

According to Aggrey et al. (2024) effective negotiation allows procurement officers to fight waste while maintaining ethical practices while boosting stakeholder sustainability. Effective negotiations for procurement success demand three key elements: current market data interpretation, organizational backing of policies and specialized negotiation abilities. The limited power of Homa Bay County health facilities emerges from weak procurement policy enforcement along with their inability to reach a broad collection of suppliers. Health facilities accept unfavorable contract terms because of this negative impact on their cost burdens and reduced service delivery efficiency.

The high transaction costs linked to bargaining and enforcement and monitoring serve as the foundation of Transaction Cost Economics (TCE) Theory that explains such procurement inefficiencies (Williamson, 1985). Costs can decrease through present-day negotiation procedures which boost efficiency and decrease procurement risks. TCE theory confirms it is essential to conduct swift supplier acquisition processes with expert knowledge especially within limited resource areas such as Homa Bay County. Institutions achieve better drug supply continuity by implementing efficient negotiations which leads to decreased operating expenses.

According to Institutional Theory the price negotiation process requires special attention to both compliance requirements and legitimacy principles. Public procurement practices get their form mainly from regulatory body pressures and donor agency expectations (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Facilities which uphold legal procurement standards along with ethical principles maintain both strong security against fraud and maintained trust and operational reliability from public stakeholders. Structural governance will strengthen in Homa Bay County through the alignment of negotiations with existing institutional mandates which subsequently boosts performance levels.

The literature demonstrates price negotiation functions as a key operational strategy essential to pharmaceutical procurement practices. Transparency in negotiation processes combined with strategic direction enables substantial contributions to public health facility performance through effective purchasing of medicines and increased availability of drugs and institutional accountability systems. Facilities become vulnerable to financial losses and reduced services delivery when they use unstructured negotiation practices with no transparency. The bridge cannot be built until capacity is strengthened along with market surveillance and strong policy compliance procedures to transform negotiation into a performancebased mechanism over a procedural system.

#### 3. Statement of the Problem

The public health institutions located in Kenya's limited-resource Homa Bay County experience continuous difficulties to obtain and sustain continuous delivery of vital pharmaceutical drugs. The national procurement guidelines established through the Public Procurement and Asset Disposal Act (PPADA) 2015 and Kenya Medical Supplies Authority (KEMSA) regulations fail to produce satisfactory essential medicine procurement at the facility level.

Procurement policy execution suffers due to bureaucratic problems as well as facility-level insufficient resources and weak monitoring systems. The existing problems with delivery processes and the purchase of inferior drugs and price inflation have appeared along with the inability of public health facility procurement officers to conduct effective needs assessments because they lack proper training together with essential tools.

The high disease prevalence levels coupled with a distinct 15.2% HIV rate greater than national standards (Achoki et al., 2019) in Homa Bay County cause healthcare needs to become acute; therefore the inefficient essential drug procurement process damages public health facility operations. Patients face two problems in public healthcare facilities: they receive no medical treatment because critical medicines are missing and must buy medications from private sellers at expensive prices which damages public health trust and widens health disparities.

Research has documented generic supply chain barriers throughout Kenya although there exists a lack of empirical evidence describing the direct relationship between pharmaceutical procurement stages and health facility performance measurement. There is minimal use of various theoretical frameworks specific to systems theory and value-for-money procurement analysis to understand how procurement operates in the larger health delivery system.

The research intends to unite empirical and theoretical approaches by analyzing pharmaceutical drug procurement procedures that affect public health facility performance at Homa Bay County. The analysis of procurement cycle phases together with performance indicators which evaluate drug accessibility and service effectiveness and patient contentment will deliver practical findings for healthcare policymakers and managers and procurement specialists to develop better healthcare outcomes for underserved populations.

## 4. Conceptual Framework

The present study relies on a concept-based framework which demonstrates that efficient pharmaceutical procurement methods impact public health facility effectiveness especially in Homa Bay County. Various steps of procurement form the essential independent variables within these processes which include both the identification of needs and the subsequent requisition of drugs and their subsequent supplier selection and price negotiation. The activities work together to establish how pharmaceutical supplies become accessible and affordable while maintaining their quality levels in health facilities. Proper need identification allows healthcare providers to appropriately measure a drug requirement which reduces both drug overstocking and stock-shortages. The streamlining of the requisition process under procurement compliance guidelines makes supply delivery faster and more effective. The selection of suppliers according to transparent performance-based criteria enhances drug supply chain reliability and fair competitive price deals lead to better resource management and cost-effective purchases.

The response variable in this framework is the performance of public health facilities, measured through indicators such as drug availability, service delivery quality, timeliness of care, and patient satisfaction. The relationship between procurement processes and facility performance is moderated by contextual factors such as regulatory frameworks, funding adequacy, and staff capacity. The framework indicates that better procurement processes will result in better health facility outcomes to support health system strengthening efforts and universal health care in Homa Bay County.

## 5. Methodology

The study used a quantitative cross-sectional research design to investigate how price negotiation impacts public health facility performance in Homa Bay County Kenya. The study adopted quantitative research for its ability to produce quantitative data while establishing statistics between facility performance and negotiation price relationships. The workflow approach provided researchers with a chance to view present-day procurement methods as they collected data that revealed specific trends occurring when studying performance measures in Homa Bay County.

## 5.1. Study Design

This study took place in Homa Bay County which lies on the western side of Kenya next to Lake Victoria. The Homa Bay County public health structure features the county hospital reference facility together with multiple sub-county health centers alongside various other facilities operated by the government. Homa Bay County was chosen because of its known procurement issues and elevated disease incidence particularly its 15.2% HIV prevalence rate which exceeds the national average. Health service delivery assessment benefited greatly from the important environment created by the identified conditions through pharmaceutical procurement practices and price negotiation investigation. As shown in **Figure 1**, the conceptual framework maps the influence of price negotiation on facility performance through procurement phases.



Figure 1. Conceptual framework (Author's computation, 2024).

#### 5.2. Study Area

The study was conducted in Homa Bay County, western Kenya, bordering Lake Victoria. The county includes a referral hospital, sub-county health centers, and

other government-operated facilities. The area was selected due to its procurement challenges and high disease burden, including a 15.2% HIV prevalence rate.

#### 5.3. Target Population and Sampling

The research examined participants who directly participated or were influenced by pharmaceutical procurement operations. The research enrolled both healthcare professionals like nurses, pharmacists and clinical officers and administrative personnel which included procurement and supply chain officers and representatives of supplier firms and patients seeking medical services from public facilities along with representatives of county health policies.

#### 5.4. Sampling and Sample Size

The researcher estimated that their studied population numbered 1000 people divided into five equal sub-groups of 200 respondents. The groups included stakeholders who had different perspectives and interests related to the research goal.

The study implemented a stratified random sampling technique to achieve representative and unbiased participation from the sample group. The research first established societal stratification through the definition of certain public health facilities at the county referral hospital and sub-county hospital and health center and dispensary levels. Patients were selected based on recent service interactions and provided perceptions of service quality and drug availability. While their insights differ from supply staff, their input was essential to assess perceived performance. Stratified random sampling ensured equitable representation from all five stakeholder groups. Simple random sampling method served to pick participants in every stratum to maintain objectivity and prevent selection bias. Every subgroup received equal opportunities for selection through this method which improved the reliability as well as generalizability of the research findings.

The study employed Yamane's formula to determine the correct size of its sample to analyze finite populations. The sample size calculation for 1000 population subjects with 95% confidence and 5% margin of error produced 286 respondents as the target sample. The research involved an equivalent number of respondents from each stakeholder category which constituted 57 participants from each category. An additional participant number of 58 was added to one group to round up the numbers while still maintaining statistical soundness.

Researchers used a structured questionnaire for the study which they specifically developed for their research purposes. Items in the structured questionnaire were adapted from validated procurement and performance assessment tools used in previous healthcare procurement studies (e.g., Kabubu et al., 2015; Garattini et al., 2014). The questionnaire was refined through expert reviews and pilot testing. The survey instrument used close-ended questions based on a Likert scale that allowed responders to show their consent level regarding statements about price negotiation procedures and performance measurement aspects. Creative resources became available after researchers examined official sources of information to make certain its relevance to the situation. The survey evaluation sections evaluated negotiation fairness quality and facility price efficiency performance together with the evaluation of negotiation transparency.

The instrument underwent a pilot test before main data collection aimed to verify its reliability and validity measures. A pilot stage with ten participants began using respondents from the nearby county who matched the demographic back-ground of the main study yet avoided selection for the final study group. The questionnaire gained improvements through feedback obtained from initial pilot participants in its wording as well as its organizational aspects and placement of questions. Two sets of experts, both from the medical procurement field and academia evaluated the questionnaire content thus ensuring validity. An internal consistency analysis calculated Cronbach's Alpha at 0.6 that satisfied the acceptable criteria for social science measurement instruments. The stability of the instrument was confirmed by multiple reliability methods that included the test-retest and split-half procedures.

Trained research staff conducted questionnaire delivery to study participants personally in different healthcare facilities within the selected county. Every participant received information about the study purposes and response confidentiality before being assured of voluntary participation. All participants signed written consent to participate in the study through ethical research procedures. Engineering specialists received training for both professional survey practices and thorough data management handling protocols to maintain data quality from start to finish of the data collection. Kobo Collect software served to automate data entry while reducing entry mistakes and enabling smooth digital transfer to analytic software.

### 5.5. Data Analysis

The researchers employed Statistical Package for the Social Sciences (SPSS) software to code and analyze obtained responses after the data collection phase ended. Three stages constituted the analysis structure. The analysis started with descriptive statistics that presented response distributions along with frequencies and percentages in addition to means and standard deviations. Bivariate analysis through Chi-square tests helped investigate any relationship between price negotiation characteristics and perceived performance endpoints. The study used multivariable linear regression analysis to measure how price negotiation affected facility performance while including other potential variable factors.

Analysts used performance as the dependent measure in their regression model while establishing price negotiation as the essential independent variable. The model was expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

where *Y* represented performance, *X* denoted price negotiation,  $\beta_0$  was the constant term,  $\beta_1$  the coefficient of price negotiation, and  $\varepsilon$  the error term. This model enabled the estimation of how changes in price negotiation practices af-

fected facility performance scores. The analysis was conducted at a 95% confidence level, and the findings were considered statistically significant at a *p*-value less than 0.05. Every ethical protocol related to experiments involving human subjects received full compliance. The research obtained consent from an institutional review board to proceed. Voluntary participation enabled free withdrawal from the study process at any period without adverse results for participants.

The research examined price negotiation practices in pharmaceutical procurement within Homa Bay County public health facilities during the pharmaceutical procurement process. This investigation did not include examination of the procurement cycle elements beyond price negotiation because these aspects were outside the research scope. The study used cross-sectional research which delivered complete information about existing practices yet failed to enable researchers to observe long-term evolution or establish causal relationships.

Despite its discerning limitations this study employed rigorous research methods which remained suitable for its context together with its research objective. These findings based on the approach provide reliable information about public health facility performance impacted by price negotiation while giving valuable guidance to policy makers together with procurement practitioners in enhancing healthcare delivery among resource-constrained areas.

## 6. Results and Discussions

The research revealed that price negotiation operations produce substantial effects on the operational efficiency metrics of public health facilities. Price negotiation proves to be an influential procurement factor for facility performance because it explains 25.0% of performance variance using an R<sup>2</sup> of 0.250 and F-value of 20.118 (p < 0.001). Price negotiation practices which uphold fairness and transparency resulted in lower medicines procurement expenses and better drug availability (B = 0.292, p < 0.001).

The findings of this study hold practical value because they enable policy development. The research demonstrates price negotiation's role in health facility operation results therefore generating practical procurement system enhancement recommendations. The improvement of procurement systems requires training procurement officers to negotiate bids and incorporation of market benchmarking tools and forced supplier transparency by means of regular performance appraisals. The implementation of proposed strategic measures will produce better financial management and reduced drug shortages and maintain stronger healthcare systems in Homa Bay's resource-constrained areas.

The research investigates the extensive impact of price negotiation on public health facility operation throughout Homa Bay County. The paper establishes its conclusion from original project findings by examining how negotiation processes impact cost efficiency and drug access and service delivery improvement. Through its examination the paper enhances our understanding of sustainable procurement techniques for decentralized healthcare systems. The research shows price negotiation practices have a significant impact on public health facility performances in Homa Bay County which emphasizes procurement function importance. Health facility performance showed 25.0% of variation based on price negotiation variables ( $R^2 = 0.250$ , F = 20.118, p < 0.001). The observed statistical values in the regression coefficients demonstrated positive correlations between structured price negotiations with transparency which led to enhanced operational results (B = 0.292, p < 0.001). This supports the notion that well-executed transparent price negotiations by procurement teams deliver substantial improvements in operational efficiency.

Although narrative comments cited budgetary constraints, statistical analysis confirmed no significant effect (p > 0.05). This indicates that operational inefficiencies and not financial limitations were primarily responsible for performance gaps. The model summary presented in **Table 1** demonstrates the extent to which price negotiation explains variations in the performance of public health facilities. With an R<sup>2</sup> value of 0.250, the regression model indicates that 25% of the variance in facility performance can be attributed to the quality and effectiveness of price negotiation practices. This moderate level of explanatory power suggests that while other factors may influence performance, negotiation remains a critical determinant within the procurement framework in resource-constrained environments like Homa Bay County.

Table 1. Model summary.

| Model | lel R R Square |       | Adjusted R Square | Std. Error of the Estimate |  |  |
|-------|----------------|-------|-------------------|----------------------------|--|--|
| 1     | 0.500a         | 0.250 | 0.237             | 0.754                      |  |  |

Source: Author's computation 2024.

**Table 2** provides the ANOVA results for the regression analysis, confirming the statistical significance of the model. The F-statistic value of 20.118 and the associated *p*-value (p < 0.001) indicate that the regression model is statistically significant. This means that the relationship between price negotiation and facility performance is not due to random chance. The robust F-value underscores the strength of the model, thereby validating the importance of structured and transparent negotiation processes in improving procurement outcomes in public health settings.

| Table | 2. | Anova. |
|-------|----|--------|
|-------|----|--------|

|   | Model      | Sum of Squares | Df  | Mean Square | F      | Sig.   |
|---|------------|----------------|-----|-------------|--------|--------|
|   | Regression | 57.261         | 5   | 11.452      | 20.118 | 0.000b |
| 1 | Residual   | 171.917        | 302 | 0.569       |        |        |
|   | Total      | 229.179        | 307 |             |        |        |

Source: Author's computation 2024.

Research results indicate negotiation transparency has a substantial effect (B = 0.152, p = 0.019) on health service performance because stakeholders view transparent price discussions positively. Research participants demonstrated strong agreement that effective negotiation practices had a positive impact on facility outputs through their influence on health service quality since 90.3% of them confirmed this connection. The study results validate scientific insights that negotiated integrity establishes trust between parties which lowers the chances of fraudulent practices that preserve supply chain operations in resource-limited environments.

The research study revealed an expectation that budget constraints stop price negotiations, yet statistical analyses demonstrated no relationship between budget amounts and performance results (p > 0.05). The research indicates that health facility efficiency does not necessarily deteriorate from resource shortages when managed by effective negotiation systems. Perpetual funding limitations did not impact procurement success yet the caliber and method of involvement by procurement officers strongly determined the facilities' capacity to procure affordable premium quality pharmaceuticals.

The research shows that strategic procurement techniques empowered through marketplace comparisons and supplier assessments alongside performance evaluation processes successfully reduce procurement-related risks which in turn strengthens facility efficiency. The research proves the necessity of teaching procurement staff negotiation abilities and implementing established pricing systems as both skills assist in reducing arbitrary choices that lead facilities toward unsatisfactory outcomes. Price negotiation serves a dual purpose of cost reduction together with the role of a strategic mechanism for optimizing service availability and patient satisfaction and enhancing health system strength within Homa Bay County. The detailed regression coefficients shown in **Table 3** reveal the individual

| Model  | Unstandardized<br>Coefficients (B) | Std.<br>Error | Standardized<br>Coefficients (Beta) | Т      | Sig.  |
|--|------------------------------------|---------------|-------------------------------------|--------|-------|
| (Constant)   | 1.444                              | 0.299         |                                     | 4.832  | 0.000 |
| Price negotiations with suppliers are conducted transparently and fairly                         | 0.152                              | 0.064         | 0.198                               | 2.362  | 0.019 |
| The price negotiation process effectively reduces procurement costs without compromising quality | 0.178                              | 0.069         | 0.220                               | 2.595  | 0.010 |
| Budgetary constraints are a significant challenge during price negotiations                      | -0.089                             | 0.067         | -0.110                              | -1.316 | 0.189 |
| Effective price negotiations have a positive impact on the overall performance of the facility   | 0.292                              | 0.063         | 0.243                               | 4.611  | 0.000 |

#### Table 3. Coefficients.

contribution of each negotiation-related variable to facility performance. Notably, transparency in price negotiation (B = 0.152, p = 0.019) and the ability to reduce procurement costs without compromising quality (B = 0.178, p = 0.010) are both positively and significantly associated with improved outcomes. Interestingly, budgetary constraints showed no significant effect (p > 0.05), suggesting that operational improvements can be achieved even in financially limited settings if negotiation processes are well executed. This reinforces the strategic role of negotiation as a value-driven tool in public procurement.

## 7. Conclusion

The research evaluated price negotiation effects on public health facility performance which revealed major impacts on operational efficiency together with drug availability and service quality enhancements. Price negotiations performed with ethical clarity as well as transparency explained 25.0% of the variation in health facility performance and negotiation transparency together with fair pricing revealed the most significant statistical relationship. The manner negotiation is carried out proves more important than the size of the budget according to statistical data even though budget constraints were identified by most respondents as the main limiting factor.

Strategic organizational decisions now emphasize that procurement officials must receive negotiation training and should utilize standardized negotiation structures. Through transparent and fair practices with data-based negotiation methods procurement units can handle systematic procurement challenges resulting from supplier disarray and delay problems. Price negotiation serves as a foundational factor for determining public health facility performance in resourcelimited situations like Homa Bay County so it should not be treated as a procedural requirement.

### 8. Future Work

This research shows that successful price negotiation directly improves the operations of public health facilities. Public health procurement officers must undergo ongoing professional development in negotiation skills which should cover supplier relationships and cost-benefit evaluation and contract administration. The necessary negotiation skills given to procurement staff allow them to reach favorable business terms while cutting down procurement inefficiencies.

Public health facilities should build market benchmarking tools as fundamental components of their procurement procedures. The procurement teams can drive their decisions through market information access to build informed negotiations based on market rates which results in maximizing value for money and reducing costs. Organizations should create standardized negotiation procedures to build transparency and create accountability mechanisms. The frameworks need to provide detailed procedures together with ethical guidelines to follow during negotiations which reduces the potential for favoritism and mismanagement.

Healthcare organizations need to implement a structured system that evaluates and assesses the performance of their suppliers. The assessment of suppliers at regular intervals by checking their reliability and delivery quality and pricing status creates empirical data needed for future negotiations and contract renewals. Evaluations of suppliers serve to enhance vendor accountability and allow health agencies to remove underperforming vendors from their procurement system.

The study proposes that county health management teams should enhance their specific monitoring and oversight systems which focus on price negotiation. Clear governance systems need to exist to enforce negotiations support both institutional procurement rules and national rules and ethical standards. The combination of compliant oversight and enforcement principles enables maximum procurement efficiency which enhances both necessary drug availability and public health facility service quality.

We recommend structured negotiation training for procurement officers, routine benchmarking of supplier pricing, and creation of standardized transparent negotiation frameworks. County health teams should institutionalize oversight systems that evaluate negotiation performance and align with national procurement policy.

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## **Conflicts of Interest**

The authors declare no conflicts of interest regarding the publication of this paper.

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