Private Sector Involvement in Public Procurement Opportunities: 
An Assessment of the Extent and Effect in Tanzanian Public Entities

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Abstract
The main purpose of this study was to assess the current status of private sector participation in public procurement opportunities and their effect on performance of the procurement function in the Tanzanian public entities. In particular the study intended to establish the extent to which the private sector organizations participate in the public procurement opportunities focusing on accessibility to the opportunities, the existing PPPs arrangements, proportion of contracts awarded to the private firms and the existing buyer – supplier relationships. The target population consisted of all 470 public entities in Tanzania out of which 100 entities purposively constituted the sample size. A mixed - qualitative and quantitative- research design was used as a technique for data collection, presentation and analysis. The study used a multistage stratified random sampling technique in identifying potential respondents. The study was guided by a null hypothesis that there is no considerable effect of private sector participation on performance of the procurement function in the Tanzanian public entities. Data were mainly collected through structured and self administered questionnaires supported with face to face oral interviews. Results of the regression analysis indicated that the coefficient for private sector participation is 0.428 and the t-test value is 3.621. Statistically, this coefficient is significant (p – value =0.000 < 0.05). These findings imply that 43% of the variation in performance of the procurement functions in the public entities was explained by the extent to which private sector organizations participate in the procurement opportunities as offered by the respective public entities. The study recommends that public entities must treat the private sector as a key partner to the well functioning of their procurement departments so that the latter can participate effectively. More specifically, the public entities must put in place commercial disciplines that will create confidence and attract the private sector organizations.

Keywords: Private Sector, Procurement Performance. Procurement Function, Public Entity.

1.0 Introduction
Public procurement requires performance of both the public sector as well as the private sector. The private sector is growing and becoming an engine of economic development in all – developed and developing countries (OECD, 2010). A competitive private sector market is therefore a key partner to the well functioning public procurement system. To be able to participate effectively however, the private sector must have confidence in the competence of the contracting authorities at all levels within the public procurement system in place. The more private sector firms participate in the procurement process, the wider competition is encouraged, and the better price, quality and timely delivery of the procured items are anticipated.

Due to increased demand for public services, governments in many countries have made concerted efforts to reduce their direct expenditures. Public –Private Partnerships (PPPs) are one of emerging method of doing so (Ongolo, 2006; Thai, 2009). The PPP is a contractual arrangement between the public sector entities and private sector firms for the purposes of delivering a project work or service. The private sector firm performs a public function on behalf of the public/ government according to output specifications. The PPP involves the transfer of various forms of project cycle risks from public to private sector (Aidan et al., 2004). Examples of PPPs in Tanzania include the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT), Kigamboni (newly renamed as Nyerere) Bridge, University of Dodoma Housing project, Dar Rapid Transport project. In Kenya it is estimated that 70% of flagship projects envisioned in the Kenyan Vision 2030 are expected to be delivered through public private partnerships. They include Port projects (Mombasa port, Lamu transport corridor); Railway Transport (concession of Kenya – Uganda railway, Standard railway gauge from Mombasa to Uganda border and Southern Sudan) and Konza ICT city (Juma, 2010; Mutero, 2013).

Despite their increased use, little independent research has been conducted on the effectiveness of PPPs. Evidence form six project case studies and an analysis of U.S. prison public- private partnership conducted by Aidan et al... (2004) suggests that the private sector often attempts to gain as much as it can at the expense of the
public sector. An assessment conducted in Kenya, identified lack of procurement knowledge among private sector players as one of the main challenges facing the procurement system in the country (OECD, 2007). Consequently, this has limited the degree of private sector participation in the procurement process and thus limiting competition (PPOA, 2007). Late payment to suppliers, contractors and service providers by the procuring entities, has been reported as one of the main reasons discouraging and thus limiting, the private sector firms from participating in the procurement opportunities offered by the public entities in Tanzania (Mkalimoto, 2011; Kalugendo, 2011, Kechibi, 2012).

In Tanzania, the Private Partnership Act 2010 and the Public Procurement Act 2011 provide for procurement under Public Private Partnership (PPP) arrangements. Regulations 369 – 379 of the Public Procurement Regulations 2013, describe the procedures for conducting procurement under public – private partnership in Tanzania. The purpose of the above cited Laws are twofold- first is to contribute towards the creation of sound economic climate in Tanzania, and second is to encourage participation by the Tanzanian private sector. In view of the foregoing, this study intended to establish the actual extent to which the private sector organizations participate in the public procurement opportunities and their corresponding effect on performance of the procurement function in the respective public entities.

2.0 Literature Review

2.1 Stakeholders Theory
Stakeholders’ theory originated by Freeman (1984) is defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve that include the suppliers, employees and business partners.

According to Freeman and Philips (2002), each stakeholder is given an important say in making important decisions. Business and executives, who manage them, should create value for customers, suppliers, employees, communities and financiers (Stieb, 2008). The stakeholder theory argues about the importance of a firm paying special attention to the various stakeholder groups that are deemed to have a stake in the operations of a firm. The representation of all stakeholder groups on boards is therefore necessary for effective corporate governance (Gibson, 2000). In the context of this study, the private sector was considered as one of the key stakeholders in the well functioning of public procurement in Tanzania as highlighted in various government policy documents. The study therefore sought to specifically establish how the private sector as a key stakeholder, influence performance of the procurement functions in the public entities. Moreover, the study intended to ascertain the extent to which decision makers in the public entities recognize the role played by the private sector and its associated consequences on performance of the procurement function in their respective entities.

2.2 Public Value Theory
This was another theory that the researcher considered relevant to this study. Public value theory was formulated by Moore, (1995) to provide public sector managers with a greater understanding of the constraints and opportunities within which they work, and the challenge to create publically valuable outcomes. Benington and Moore (2010) argue that public value theory envisages a manager’s purpose as going beyond implementation of policy and adherence to institutional norms. It includes seeking out opportunities to make significant improvements to the lives of the public. Moore, (1995) also notes that public value theory articulates a more proactive and strategic role for public sector managers who seek to discover, define and produce public value, instead of just devising means for achieving mandated purposes. So, rather than procuring at the lowest price, a public sector client might decide to spend more to achieve better whole-of-government outcomes (Staples, 2010). This might involve pursuing regional development or local supplier policies by selecting, for instance, building contractors who are more capable of engaging local small and medium-sized enterprises (SMEs) as subcontractors or suppliers, and or training apprentices or providing employment for at risk long term unemployed youth (Staples, 2008). Section 55 of the Tanzanian Public Procurement Act has a provision for exclusive preferences to local persons and firms all of whom are from the private sector. The private sector in Tanzania is growing faster and is an integral part in the country’s economic growth. According to the Tanzania Private Sector Foundation (2014), the bank lending to the private sector in Tanzania is USD 5 billion which is more than 15% of the country’s GDP. That is an opportunity that the public sector may wish to tape in order to improve the delivery of public services to the citizens. It is on the basis of these facts that we considered the Public Value Theory relevant to our study.

2.3 The Genesis of Public -Private Partnership
In many countries across the world, demand for public services is increasing. Insufficient public sector capital to meet this demand is leading to an unsustainable gap in investment (Thai, 2009). To bridge this gap, governments
are turning to public private partnerships (Ongolo, 2006); however, the main challenge in implementation of the public private partnerships is supplier identification, supplier selection and evaluation, due diligence supplier performance management and supplier relationship management and project implementation monitoring and evaluation. The origin of PPPs is not clear, however, the UK Government made the first determined push for the use of private sector financing of its infrastructure projects under the Private Finance Initiative (PFI) which embarked on in the UK in 1992 (Lambert and Lapsley 2006). PPP are used worldwide and there use is ever-increasing. Watson (2003) points out two main reasons for its increased use. The first is for government to reduce debt and the second is to attain value-for-money (VFM) from these large projects. Lilley and De Giorgio (2004) as well identify VFM and the timely delivery of new infrastructure as the main reasons for its increased use. In Australia, in the ten years to 2000, approximately $72 billion of public assets were transferred to the private sector. This represents 12% of Australia’s infrastructure assets, Earl and Regan (2003). PPP allow for greater expectedness of costs for the government and revenues for the private company since both of these are well spoken in the contract.

PPPs are designed to enhance the mutual sharing of costs, risks and benefits of infrastructure projects between the public and the private sector by taking advantage of the strengths of either side while simultaneously overcoming their peculiar limitations. In a nutshell, a well thought out and adequately structured PPP arrangement should efficiently and effectively achieve superior results than the traditional public sector infrastructure financing approaches. The PPP approach is expected to eliminate the decision making and managerial bureaucracy associated with the public sector (Perrot and Chatelus, 2000). It further positively draws from the good credit rating and general goodwill of the public sector to consolidate market based procurement of project finances while ensuring less resistance from the general public. The private sector’s limitations in managing macro level public infrastructure risks as pointed out by Caldwell (2005) can be overcome through the backing by the government in policy formulation for implementation of PPP.

Regardless of the theoretic grounding of the use of PPP in infrastructure, there is widespread documentation of the varied experiences of countries across the globe. In Europe, most PPP models are derivatives of the French concession model and the British Public Finance Initiative (PFI) model. Karisa and Dantas (2006) points out that PPP were instrumental in the development of high-performance roads in France originating from the use of concessions and tolls for financing motorway construction by public companies from the mid 1950s. They documented several major issues arising from France’s experience with concession as a form of PPP. These include the relative advantages and disadvantages of motorway financing through cross subsidies; relative advantages and disadvantages of toll financing of highways; efficiency of private recognition for highways; dilemma of regulating toll rates of concessionaires; importance of guarding against potential conflicts of interest when construction companies participate in concessions and relative ability of public and private sector companies to take environmental considerations into account.

2.4 Private Sector Participation in Tanzania

According to Majaliwa (2013) Tanzania over the recent years has recognized the importance of involving Private Sector in the provision of the Public Services. This is evidenced by the Government’s move to enact of the Public Private Partnership Act, 2010. The Act lays framework upon which the government and municipals may engage the procurement of private sector in the provision of the public based services and project. Moreover, the Public Procurement Act 2010 and its subsequent Regulations, 2013, provide for and spell out the procedures to be followed for procurement under the public –private partnerships. Mostly PPPs in Tanzania are being undertaken through the private sector development program, and have mainly involved direct service delivery (URT, 2009). New investments in physical infrastructure development using Public Private Partnership basis are low, a few exceptions are in the power and communications sectors. There has been a limited success. PPP implemented in Tanzania are concession agreements for running existing enterprises with limited provisions for rehabilitation and new investments. Following embracing of liberalization policies, there has been an increased involvement of the private sector in investment and provision of services which previously were being provided by the Government (URT, 2009). For example, in the case of services, PPP have been implemented successfully by Faith Based Organizations (FBOs) in education, health and water sectors for many years. In the case of other sectors, the performance has been mixed largely due to the complexity of such undertakings and lack of clear guidelines on the criteria for public and private sector partnership (Josephat, 2009).

Furthermore, the action plan included six strategies: decentralization, improvement of central health systems, health management, financing, human resources, and partnership (URT, 1998). In order to devolve more power to the local level, the Local Government Reform Program was formulated as a policy instrument to facilitate decision making and accountability in municipalities and district councils on public health-related matters amongst others. These policy documents made it clear the government’s intention to work closely with the private sector (for profit) and non-governmental organizations (NGOs). As advocated by Hughes, 2005 and Arrowsmith, 2010, public procurement as a function of government includes decisions about the services that
will be delivered to local authorities and the community they serve. According to Thai (2004), public procurement is utilized not only to secure goods and services required by public organizations for their missions and to support services provided to taxpayers, but it is also used to achieve social and other national objectives. Hence in order to achieve these procurement objectives, public entities must consider and appreciate the role played by the private sector organizations. By working together with the private sector, public entities will not only implement the government’s policy on private sector, but more importantly encourage competition among the potential suppliers, service providers and contractors and thereby ensuring value for money procurement.

3.0 Research Methodology
3.1 Research Design
This study adopted a Mixed Research design – Qualitative and Quantitative Research Designs. In collecting quantitative data, the survey method was employed by the use of structured questionnaires. The choice of this approach was twofold; first it is capable of yielding quantitative information that can be summarized through statistical analyses and secondly, the survey method is an effective tool for getting cause-and-effect relationships and hence is the most frequently used in almost all disciplines (Fisher, 2010). Therefore, the researcher deemed a survey method a convenient design in accommodating the variability associated with the diverse nature of the respondents and the procurement activities they are engaged in. For qualitative data, the interview guide was used to collect in-depth information that supplemented data obtained from the questionnaires. This in-depth information provided the researcher with detailed insight on what is the effect of private sector participation in the public procurement processes on performance of the procurement departments in public entities in Tanzania.

3.2 Target population
The population of the study generally consists of set of individuals, objects, cases, organizations, or events having certain traits, characteristics or attributes of interest to study. Since this research was carried out in response to procurement problems facing the public sector organizations, then the study identified all procuring entities in Tanzania (as defined by the Public Procurement Law, 2011) to be the target population. According to the Tanzanian Public Procurement Regulatory Authority (2015), there were 470 procuring entities in total classified in six categories as follows: - Ministries (27), Parastatals (130), Agencies (82), Independent Departments (40), Regional Administrative Secretariats (25) and Local Government Authorities (166). These are public bodies located country wide and which utilize a huge amount of the government money through procurement process.

3.3 Sampling Frame
Sampling frame also known as source list or sampled population, refers to a list of ultimate sampling entities; it is a physical representation of the target population and comprises all the units that are potential members of the sample (Mugenda, 2008; Kothari, 2011). In this study our sampling frame was a list of all procuring entities that were audited by the Tanzanian Public Procurement Regulatory Authority (PPRA) in the recent three financial years ie, the 2011/2012 FY, the 2012/13 FY and the 2013/2014 FY. For the purpose of this study, our sampling frame consisted of 298 procuring entities that were covered (audited) in the three years under consideration. The chosen sampling frame of 298 entities was taken from the PPRA Annual Performance Evaluation Report for the 2013/14 FY.

3.4 Sample Techniques and Sampling Size
Given the type of the research design, number of variables in the study, size of the sampled population and using a general rule as advocated by Kothari (2011) the researcher considered that one third (33.3%) of the accessible population would be reasonable and optimum for this study. Gay (1983) as quoted in Mugenda and Mugenda (2003) suggests that for correlational research, 30% or more is large enough to represent the salient features of the sampled population and hence the target population. Thus, 33.3% of the sampled population of 298 entities (0.333 x 298) was calculated to obtain the sample size of 100 entities. The study used a multistage stratified random sampling. This is because of its relevance as it involves different sampling stages and within which another sampling techniques can be applied. As mentioned earlier, public entities are classified into six different categories:- Ministries, Parastatals, Agencies, Independent depts., Regional administrative Secretariat and Local Government Authorities. Using proportional allocation the proportion of the size for each category was determined and obtained as indicated in table 3.1 below.
Table 3.1: Sample Size Determination

<table>
<thead>
<tr>
<th>Category of the Entity</th>
<th>Count</th>
<th>Formula</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministries</td>
<td>17</td>
<td>100/298 (17)</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>Parastatals</td>
<td>82</td>
<td>100/298 (82)</td>
<td>28</td>
<td>28.0</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>53</td>
<td>100/298 (53)</td>
<td>18</td>
<td>18.0</td>
</tr>
<tr>
<td>Independent Departments</td>
<td>25</td>
<td>100/298 (25)</td>
<td>8</td>
<td>8.0</td>
</tr>
<tr>
<td>RAS</td>
<td>16</td>
<td>100/298 (16)</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Local Gvt Authorities</td>
<td>105</td>
<td>100/298 (105)</td>
<td>35</td>
<td>35.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>298</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

In the second and ultimate stage, three respondents from each of 100 entities were selected and served with questionnaires. Using a purposive sampling, chairperson or a member of the tender board in each entity was selected. Finally, by a systematic sampling, two members, one from the entity’s procurement department and another from the user department were selected. Thus, a total of 300 (i.e., 3 x 100) respondents were selected. Choice of the respondents was based on the existing public procurement institutional framework and set up in the procuring entities which consist of the Tender Boards, Procurement Management Units/Departments and User departments. These are the key players in the management of procurement process in the public entities in Tanzania.

3.5 Research Instruments

In obtaining the required information, the study used a combination of data collection instruments. Both questionnaire and interview guide were applied. The questionnaires were mainly used for the survey while the interview guide was used to collect in-depth information that supplemented data obtained from the survey. The in-depth information through face-to-face interviews gave detailed insight on what really affect procurement performance. The instruments were prepared and tested before the actual survey in order to reveal any unresponsive questions. For reliability and validity assurance, the study adopted a Standard Questionnaire as per OECD guidelines on assessment of effectiveness of public procurement system in developing countries.

3.6 Validity and Reliability

Validity is accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomena under study (Joppe, 2000; Mugenda and Mugenda, 2003). Comments provided by fellow experts in the field of procurement were of great and valuable inputs in validating the research instruments. Validity in this study was also supplemented by the use two methods of data collection (questionnaires and interviews) popularly known as triangulation. As advocated by Decrop (2004), by combining data sources and methods triangulation opens the way for more credible interpretation. In this study reliability analysis was used to test the internal consistency of the research instruments for the purposes of identifying those constructs in the questionnaire with low correlations in order to exclude them from further analysis. Cronbach’s alpha a coefficient of reliability that gives unbiased estimate of data was used to test reliability of the answered questionnaires.

3.7 Data Processing and Analysis

Before analysis, the collected data were edited, coded, classified, and tabulated so that they are amenable for analysis. Using the Statistical Package for Social Science (SPSS) version 20, the collected data was analyzed. The analysis used both descriptive and inferential analyses for qualitative and quantitative data respectively. Descriptive statistics were used to obtain preliminary findings that informed further analysis. Such descriptive analysis provided simple summaries of the characteristics of the sample such as measures of central tendency, frequencies and percentages, among others. The data for the independent variables were qualitative in nature whereas data for the dependent variable were quantitative.

A two way Fisher’s Analysis of Variance (ANOVA) was used to test the formulated null hypothesis in which the F and t – tests were applied on the assumption of the homogeneity of the sample that is normally distributed at 0.95 confidence interval. This analysis helped in establishing the relationship between private sector participation and the performance of procurement function in the Tanzanian public entities. On the other hand regression analysis was used to show the percentage of the total variation of the dependent variable (procurement performance) that can be explained by the independent variable (private sector participation) and was assessed using the coefficient of determination (R–Squared) which also is a measure of the goodness of fit of the regression line. Hence in our study, the regression model was $Y = \beta_0 + \beta_1X_1 + \epsilon$, Where:

- $Y$ = Performance of the Procurement Function in the Public Entities in Tanzania
- $\beta_0$ = Constant of the Model
- $\beta_1$ = The Regression Coefficient
- $\epsilon$ = Random Error of the Model
X1 = Level of Private Sector Participation in Public Procurement Opportunities

4.0 Research Findings

Results of the regression analysis indicated that there is a relationship between procurement performance in the public entities in Tanzania and level of involvement in the procurement process by the private sector organizations. Based on the results as shown in table 4.1 below, the coefficient of determination (R-squared) and the correlation coefficient (r) reveal the degree of association between the dependent and independent variables where \( r = 0.562 \) and \( R^2 = 0.316 \). This indicates that there is a linear relationship between private sector participation and the performance of procurement function in the Tanzanian public entities. In simple terms, private sector participation explains 32% of the variability of the procurement performance in the public entities in Tanzania.

Table 4.1 Model Summary for Compliance with Procurement Rules and Regulations

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.562</td>
<td>.316</td>
<td>.298</td>
<td>.570</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Private Sector Participation

Analysis of variance (ANOVA) was carried out and its results presented in table 4.2 below. Since the p value of the F-statistic was less than 0.05, it showed that the coefficient in the equation fitted was not equal to zero implying a good fit. The ANOVA test indicates that private sector participation in public procurement processes statistically significantly predicts the procurement performance in the Tanzanian public entities, \( F(5, 184) = 17.009, p < 0.05, R^2 = 0.316 \).

Table 4.3 below shows that the coefficient for “private sector participation” is 0.428 and the t-test value is 3.621 and this coefficient is Significant (p-value = 0.000 < 0.05). These results suggest that, the procurement performance level increases by 43% when there is optimal involvement by the private sector. From the same results, the variable “private sector participation” is significant (t = 3.621, p-value = 0.000), indicating that there is a linear relationship between the performance level of the procurement department and the extent to which the private sector is involved in procurement processes of the public entities in Tanzania.

Table 4.3 Coefficient for Compliance with rules and Regulations

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>4.643</td>
<td>0.390</td>
<td>11.908</td>
<td>.000</td>
</tr>
<tr>
<td>Private Sector Participation</td>
<td>0.428</td>
<td>0.118</td>
<td>3.621</td>
<td>.000</td>
</tr>
</tbody>
</table>

The above results are in concurrence with the descriptive results in which 72.7% of the interviewed respondents were of the opinion that participation by the private sector organizations has a positive effect on performance of the procurement function in the public entities. Similar findings were previously established in the studies conducted by Agbes, (2009), OECD (2010) and Majaliwa (2013).

5.0 Conclusion and Recommendations

In view of the foregoing findings and discussion, it is evident that participation by the private sector organizations significantly contributes to the performance of procurement function in the public entities in Tanzania. This is supported by the regression analysis value \( F(5, 184) = 17.009, p < 0.05, R^2 = 0.316 \). The correlation analysis indicated a significant and positive correlation between Private Sector Participation (X1) and the performance of Procurement Function in the Tanzanian Public Entities (\( r = 0.562, p < 0.00 \)). These results were also confirmed by the descriptive analysis which indicated that majority of the interview respondents (72.7%), were of the opinion that private sector participation had a significant effect on performance of the procurement function in public entities in Tanzania. The face to face interviews further revealed that more 80% of major procurement contracts in the public entities had been awarded to private sector firms. Based on the presented findings, the study recommends that public entities should continuously work together with the private sector. The private sector is growing and becoming an engine of economic growth in all countries including Tanzania, of course. The public entities therefore must put in place commercial disciplines that will create confidence and attract the private sector. The best way to do this is to establish mutually and commercially based relationships with the private sector organizations in a fair and transparent manner. The public entities should treat the private sector as a key partner to the well functioning of their procurement activities so that the latter can participate effectively. On-time payment to suppliers, service providers and contractors and fair competition among the bidders, will encourage and see more private firms taking part in the procurement opportunities offered by public entities. As more firms from the private sector participate in the procurement process, the wider competition will be created, with its associated benefits in terms of better prices, quality and timely delivery of goods, services and on time completion of works contracts.
References
of Economic Affairs (IEA, Kenya)