ASSESSMENT OF TENDERING SYSTEM ON PUBLIC SECTORS PROCUREMENT: A CASE STUDY OF MINISTRY OF FINANCE

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A Dissertation submitted to Mzumbe University Dar es Salaam Campus College in the Partial fulfillment of the requirement for the award of Master of Science in Procurement and Supply Chain Management Degree of Mzumbe University.

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled “Assessment of Tendering System in Public Sectors: A Case Study of the Ministry of Finance, In partial/ fulfillment of the requirements for award of the degree of Master of science of Procurement Supply Chain Management of Mzumbe University.

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Accomplishment of this work would not been possible without inputs, minds and hands of many who put their efforts. It has been impossible to mention them all. Every one of the following will present a handful.

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I wish to state here by that, all deficiencies or errors that may be contained in this document ate absolutely my sole responsibility.
DEDICATION

I dedicate this work to my lovely husband Michael, my daughter Kendra and my son Davin for their support in my education life history.
ABSTRACT

The study was to assess the extent to which tendering system links public institutions with the value for money in the procurement process. The study has the following specific objectives, Identify and explains the role of tendering system in procurement in public organizations, to identify and assess the practice of tendering in procurement in public organization, to determine the challenges associated with tendering in procurement in public organizations.

The Research methodology concerned about data collection where the researcher applied systematic approaches in data collection. Both qualitative and quantitative were used to the 32 respondents from Ministry of Finance. Closed and open ended questions were used where the collected data were coded and analyzed by using Statistical Package for social Science (PSS) and Microsoft excel where table and figures were drawn.

It was concluded that, tendering system are moderate adhered by MOF as prescribed in PPA, 2004 and its regulations 2005 this is because the MOF is fully equipped with personals having adequate knowledge of the respective professional, currently our Government finding itself in deep critical legal problems with the various companies due to the violation of the tendering procedure the live example is that of Tanesco and Dowans. The Ministry is seldom get complains from suppliers or contractors this reflects a big step in the procurement field compared with the past years. These procurement principles are sometimes refer to the good governance of the Ministry of Finance

It is recommended that, management should train their employees and allow them to participate in seminars which conducted at national and international level, to be aware with the current matter on procurement guidelines, policy and procedure. There must be internal and external stock verifier whose main function is to check for the procedure from initial point of procurement up to the disposal of goods for adherence to PPA and its Regulations. E – tendering should be introduced in the public procurement in order to increase transparency and save time. This would help to avoid complain because every bidder can see what is going on during the process of procurement, evaluation until the winner is obtained

The researcher really hope that output from this study shall be practical use to MOF.
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<td>Bank of Tanzania</td>
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<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
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<td>CPAR</td>
<td>Country Procurement Assessment Report</td>
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<td>GN</td>
<td>Government Notice</td>
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<td>GPN</td>
<td>General Procurement Notice</td>
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<td>HQ</td>
<td>Head Quarter</td>
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<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MU</td>
<td>Mzumbe University</td>
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<td>PCCB</td>
<td>Prevention and Combating of Corruption Bureau</td>
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<td>Public Procurement Regulatory Authority</td>
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<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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CHAPTER ONE:

1.0: AN OVERVIEW OF THE STUDY

1.1 Introduction
The purpose of this chapter is to introduce the background of the study, statement of the problem, study purpose, research objectives, research questions, significance of the study and scope of the study.

1.2 Background Information to the Problem
Public procurement is a big business. Over 60-70 percent of the total budget of governments is spent on procurement of goods, works and services by the entire government every year. About 50 percent of this budget comes from taxpayer’s money, thus control and proper use of this public resource should be wisely used. In this view, procurement in Public Sector must be exercised by following laid down Regulations & procedures. Within procedures are found steps to be accomplished before an order is awarded to prospective supplier. Competitive bidding is one of the most popular methods required by the newly enacted public procurement act. In order to efficiently manage the proper use of public funds, a sound procurement system should be put in place to handle acquisition of goods, works and services. It is widely accepted that, competitive bidding or commonly known as tendering, is a procurement system that accord fair dealing to all players in the public business of buying and selling. In this view, responsible procurement is fundamental to responsible public sector. Lexington (1974) once wrote that, good public sector and good procurement system are found together.

1.2.1 International Perspective of Tendering
The most convincing way of effecting public sector procurement is to follow the competitive bidding in order to strike a workable balance between on the one hand the need to preserve the right of suppliers, contractors and consultants and the integrity of the procurement process and on the other hand, the need to disrupt procurement process.

Prospective Bidders are usually required to quote the price on goods, works and services at which they will perform in accordance with the terms and conditions of the contract, should they be successful bidders. Public sector buyers generally are not able to restrict
the number of bidders; rather, all suppliers desiring to bid are permitted to do so. The buyer should treat all bid data confidential and should not divulge one bidder’s data to another bidder, either before or after the contract has been awarded. All bidders should be advised of the bid closing date, and no bids should be accepted after that date. If, for extraordinary reasons, the bid date is extended to give an interested vendor more time, it is the buyer’s responsibility to notify all bidders of the new bid closing date. The rules of common courtesy require the buyer to notify all unsuccessful bidders that the contract has been awarded. This allows those firms to release production capacity that may have been reserved for this potential contract. Nothing offers more potential danger to a public office’s reputation of fair dealing than poorly handled competitive bidding.

Three kinds of tender are in vogue. Open tender, limited tender and single tender. Through proper advertisements in at least three or four leading national English newspaper and in the Tanzania Trade journals, tenders will usually have to quote in prescribed tender forms, along with nearest money deposit. The tender documents are priced publication of the company, the specification, terms and conditions of supply are given in the documents.

Global tenders are issue for very costly and high technology requirements, particularly associated with international credits like world Bank Loans. Since the source many are outside the country, detailed plan must be done and global tender must involve simplicity in language and clarity, specifying the tendering and accepting authorities. A checklist should be made before starting the open tender process. It is possible the same reputed vendor do not answer the open tender.

One of the major difficulties open tenders buying is the quotation of an irresponsible bidder. It is always possible to quote the lowest price, even below the material cost. Blanket rejection of such lowest tender will lead to audit objections and must be dealt with carefully, by assigning proper technical reason and fitting the signature of all members of tender committee. Prequalification of vendors is a way of solving the above problems. Adoption of limited tender or addressing to the most likely sources restricts the suppliers to genuine bidders. Quotations for limited tenders are solicited from registered supplier and other known sources. Tendering system seems to be relevant to the organizations as it enables them realize the value for money in the process by enhancing accountability in spending public finances.
1.3 Statement of the Problem

Fundamental to Public sector procurement falls under the focus of competitive bidding in order to realize value for money and accord fair deal to all bidders. For it is the lowest evaluated bidder who wins the contract, comes public accountability if this truth is negated. Government procurement is mainly made through tendering method, which is generally said to be transparent.

The need to use appropriately public money and to show that it has been used appropriately is what is required of an accountable government. The member of the public would like to see that every shilling paid by the tax payer is accounted for and it must bring maximum value to the people in order to come up with appropriate use of public funds so as to develop social needs and infrastructure development for the benefit of the public members. Procurement entities should make sure they practice tendering as one of the procurement methods (SEC. 8 OF PPA 2004). Value are misprocured, Through many types of corruption in the procurement process (Mwanda E.E., 2006)

Tendering is expected to have a significance role to play in the procurement process of both goods and services in the public institutions. Despite being backed up with a number of policy and legal frameworks, tendering has been the aspect which has drawn the attention of politicians and technocrats inside and outside the public institutions. Most of these stakeholders have commented that tendering in the procurement of goods and services in the public institutions does not follow or is not in line with the established normative orders and seems to deviate from the policy and legal frameworks that aim to guide it. Therefore, it is the intention of this study to conduct an assess of the tendering system in the public institutions for the purpose of understanding the extent to which it either helps or limits these public organizations realize the value for money.

1.4 General Objectives

The general objective of the proposed study was to assess the extent to which tendering system links public institutions with the value for money in the procurement process.

1.4.1 Specific objectives

1) To identify and explain the role of tendering system in procurement in public organizations.
2) To identify and assess the practice of tendering in procurement in public organization.
3) To determine the challenges associated with tendering in procurement in public organizations.

1.5 Research Questions
In attaining the research objectives, the study aimed at answering the following research questions:

1) What are the main roles of tendering system in procurement in public organizations?
2) What is the main practice of tendering in procurement in public organization?
3) What are the main challenges associated with tendering in procurement in public organizations?

1.6 Significance of the Study
1.6.1 Public Sector
The study would be of use to all public sector officials as an aid in planning and controlling in order to achieve value for money in their activities in the current changing environment characterized by changing public needs from their government.

It would also be useful to other organizations such as non-government organizations as well as private companies.

Findings of this study will act as a good source of information to the MOF and other government Entities in operationalization the PPA.

The research findings will provide data base for further study by junior and senior researchers as well as form part of literature source for Scholars.

1.6.2 Researcher
i. The research was an academic research conducted in partial fulfillment for the award of the MSC Procurement and supply chain management.
ii. To enhance the researcher’s professional knowledge in the subject matter, and as a contribution of literature to profession in the country
1.6.3 Researchers

It would act as a reference to other researchers when conducting their researches concerning achieving value for money in procurement.

1.7 Limitation of the study

i. Time constraint. Time allocated for conducting the research was very limited. Since the researcher was required by the employer to perform other daily duties.

ii. Fund. Due to limited fund it was impossible to interviews many people because interviewee may demand some money for waste their time answering your questions.

iii. I was limited by the sample taken from user department, PMU staff and Tender boards. It was expected that the conclusion that would be drawn would present the true picture of what was being done in public procurement concerning achieving value for money.

iv. Response to questionnaires. Some questionnaires were returned late while some have no response. However there was a high response rate since the researcher distributed them earlier and made continuous follow ups to the respondents.

v. Difficulties in getting some important information. There was some difficulties in getting information since some of them were taken as confidential to the Ministry.

1.8 Delimitation

i. Consider the researcher as constrained by the time the researcher distribute the questionnaires very early to ensure high rate of response and make continuous follow up to the sampled respondents

ii. To overcome the second limitation the research was conducted in Ministry of Finance Headquarter only.

iii. The effort was needed to get those needed information’s from the source at a time frame given and the researcher revealed out to the ministry that the information needed was for research purpose which was needed as the academic requirement by Mzumbe University.

iv. Also time management was very important due to limitation of time

1.9 Organization of the Study

The scope of this study is to the extent to which tendering system links public institutions
with the value for money in the procurement process. The researcher will cover six department/ sections of MOF. The study will be conducted at User department staff, Head of departments supplies, PMU Members, Tender board members and legal officers, This department/ sections are useful due to fact that they are involving in Procurement management of the ministry. Yet conducting a research on this departments will help the researcher to reduce biasness in doing research and come with a fair conclusion.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter contains the definition of various concepts in connection with tendering procedures, related theories and concepts, local and foreign literature. Followed by the review of the available literature coupled with empirical and theoretical studies. The purpose of doing literature review is to make the researcher familiar to the problem so as to enable him/her to come up with the solution to the problem through experience gained from literature. It aims to exploring views and observation of different authors on procurement operations, the focus is to try to combine existing knowledge on the subject under study and provide generalization. It is generally accepted that policies and sound public procurement practices are among the essential elements of goods governance. Good practices reduce costs and produce timely results and value for money is achieved; poor practices lead to waste and delays and are often the cause of allegations of corruption and government in efficiency. On the other hand, in private sector operations, good commercial practices for procurement backed by adherence to established policies, procedure and regulations are vital for economy and efficiency. Public sector purchases are accountable A good number of authors of different books both are seen to talk the same language on the sound principles and practices as a major contributing factor to procurement efficiency and in particular tendering.

2.2 Definitions of Terms

2.2.1 Tender
Tender – means offer proposal or quotation made by supplier, contractor or consultant in response to a request by procuring entity. (PPA, 2004)

2.2.2 Tender documents
Tender documents or solicitation documents - means the documents prepared by a procuring entity, on the basis of which tenders are solicited from tenderers.

2.2.3 Tender period
Tender period - means the period between the dates of the first publication of the invitation
to tender or the date of the mailing of the invitation to tender and the closing date for the submission of tenders.

2.2.4 Tender price

_Tender price_ means the sum stated by the tenderer in his tender contract.

2.2.5 Corrupt practices

_Corrupt practices_ - means the offering giving, receiving or soliciting of anything of value to influence the action of public officer in the procurement process or contract execution. (PPA No.21 of 2004)

2.2.6 Fraudulent Practices

_Fraudulent Practice_ – means a Misrepresentation of facts in order to influence procurement process or execution of contract to the detriment of the Government and includes collusive practices among renderers designed to establish tender price and artificial non competitive levels and to deprive the Government of the benefits of free and open competition (PPA, 2004)

2.2.7 Tender validity Period

_Tender validity period_ means the period of time subsequent to the closing date submission of tenders for which the tender price and the conditions of the tender are not subject to any change by the bidder

2.2.8 Post Qualification

_Post-qualification_ means a formal procedure applied after tenders have been evaluated prior to award of contract, to determine whether or not the lowest evaluated tenderer has the experience, capability and resources to carry out the contract effectively.

2.2.9 Pre qualification

_Pre-qualification_ means a formal procedure whereby supplier or Contractors are invited to submit details of their resources and capabilities and are screened prior to invitation to tender on the basis of meeting the minimum criteria on experience, resources capacity and financial standing.
2.2.10 Procurement

Procurement - means buying, purchasing, renting, leasing or otherwise acquiring any goods or works by a government spending public funds appropriated by the authority or issues made to the authority from the exchequer account and includes all functions that pertain to the obtaining of any goods or works including description of requirements, selection and invitation of tenderers and preparation and award of contracts.

Public procurement has its origins in the fiduciary obligation of government administrations to deliver goods and infrastructure, for example roads and harbours and services, for example health care and education to the population of a country or a specific geographic region, city or town (Odhiambo & Kamau, 2003).

Public procurement refers to the government activity of purchasing the goods and services needed to perform its functions (Arrowsmith, 2010).

According to Odhiambo and Kamau (2003), public procurement is broadly defined as the purchasing, hiring or obtaining by any contractual means, goods, construction works and services by the public sector. It involves the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid and revenue received from the economic activity of state.

According to Hommen and Rolfstam (2009), public procurement is ‘the acquisition (through buying or purchasing) of goods and services by government or public organizations’. Arrowsmith (2010) contends that the concept of public procurement can be referred to as procurement planning, contract placement and contract administration.

Based on the above discussion, public procurement can be defined as follows: Public procurement is the function whereby public sector organizations acquire goods, services and development and construction projects from suppliers in the local and international market, subject to the general principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. It includes many activities that support the service delivery of government entities, ranging from routine items to complex development and
construction projects. It also directly or indirectly supports government’s social and political aims.

Besides the fiduciary obligation to deliver goods and services to the constituents of the particular government administration, public procurement addresses a wide range of objectives. It has been used by governments to achieve socio-economic objectives such as stimulating economic activity; protecting national industries from foreign competition; improving the competitiveness of certain industrial sectors; and remedying national disparities (Bolton, 2006; Thai, 2006). The objectives of public procurement are achieved through various means, and legal and regulatory rules on conducting public procurement (Arrowsmith, 2010).

Public procurement is increasingly recognized as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts. As part of the efforts to adopt a long-term and strategic view of their procurement needs and management, most countries have resorted to using their annual procurement plans as a possible problem solver (Mahmood, 2010).

Global effort towards opening up public procurement markets is not a new phenomenon. The GATT negotiations of 1947 rejected subjecting government procurement to GATT guidelines. The arguments were mainly based on “nationalistic” tendencies. The Tokyo Round of 1979 was not successful either. Only a Code on government Procurement was achieved with few countries agreeing to be bound. In the mid-1980s discriminatory public purchasing was identified as one of the obstacles to the completion of a single European market (Martin, Hartley & Cox, 1997). The recognition of discriminatory procurement policies as a protectionist tool led to the World Trade Organization (WTO) to gather support for a multilateral agreement intended to eliminate preferential treatment to national suppliers in procurement deals (Garcia-Alonso & Levine, 2004). The problem of favoritism or discrimination in public procurement deserved attention because government is an important part of modern economies and because favoring domestic suppliers either
explicitly or implicitly is widespread (Vagstad, 1995). It is this importance that is widely attributed to non-discrimination, which has led to various countries and regional block to enact laws that explicitly debar discrimination of foreign suppliers in public procurement contracts.

2.2.11 Procurement Process

*Procurement Process* – means the successive stages in the procurement cycles, including planning, choice of procedure, measures to solicit offers, award of contract and contract management (PPA, 2004)

2.2.12 Procurement Proceeding

*Procurement proceeding* – means the proceeding to be followed by the procurement entity a any approving authority. (PPA, 2004)

2.2.13 Procurement Management Unit

*Procurement Management Unit* – means division or department in each procuring entity responsible for the execution of the procurement function (PPA, 2004)

2.2.14 Services

*Services* - means any object of procurement other than goods or works, which involve the furnishing of labour, time or effort including the delivery of reports, drawing or designs, or the hire or use of vehicles, machinery or equipment for the purpose of providing transport, or for carrying out work of any kind, with or for carrying out work of any kind, with or without the provisions of drives, operators or technicians.

2.2.15 Goods

*Goods* – means Raw material, Products, equipment and other physical objects of every kind and description whether in solid, liquid or gaseous form.

2.2.16 Supplier

*Supplier* – means a company, corporation, partnership or individual person supplying goods or services, hiring equipment or providing transport services and who is according to the contract, a potential party to a procurement contract with a procurement entity (PPA, 2004)
2.2.17 Consultant

Consultant – means the method of procurement where by limited number of consultant or providers of services are invited by the procurement entity to compete with each other in submitting either un priced or priced tenders. Where tender are evaluated basin on or quality alone or combination or quality and cost. (PPA, 2004)

2.2.18 Contractor

Contractor – means a film, company, corporation organization, partnership or individual person engaged in civil, electrical or mechanical engineering or in contraction or building work of any kind including repairs and renovation, and who is according to the context, a potential party or the party to a document contract with the procuring entity. (PPA, 2004)

2.2.19 Successful tender

Successful tender - means the tender selected by the government after an Invitation to tender procedures as:

i) Offering the lowest evaluated cost, in case the method

ii) Being the most responsive and responsible to the needs of the procuring entity and to the advantage of the Government, in case the method of procurement used was competitive quotations, single source procurement, competitive selection or where goods or services of minor value were procured.

2.2.20 Competitive Bidding

Economists of the classical school speak of a competitive scale that includes three fundamental types of competition: pure, imperfect, and monopoly. At the one end of the scale is pure (or perfect) competition.

Dobler and Burt (1996) asserted that under conditions of pure competition, the forces of supply and demand alone, not the individual action of either buyers or sellers, determine prices.

Procurement in the current prevailing economics has to be undertaken in a competitive fashion so as to create checks and balance on both responsibility and accountability on using public funds.
The Public Procurement Act NO 3 of 2001 currently regulates the government procurement practice. Under this Act procurement in government can be performed by the use of three methods; namely competitive quotation, direct procurement and competitive tendering. These are covered in the Public Procurement Act No.3 of 2001 in sections. 32 and 36 respectively.

2.2.21 Competitive Tendering
Under this method, the procuring organization invites interested bidders to compete with each other in submitting priced tenders for goods, works and services. This method is widely used by government ministries and departments for the procurement of goods, works and services of substantial amount. This method is the most transparent among the method in use. It focuses the minds of the suppliers when they are preparing their proposal and quotations. It is likely to result into lower costs. It also saves the practitioners from accusations of favoritism when selecting suppliers. The prospective supplier should be aware of the requirement and timescale. The availability of the funds and shorter time can help to pitch their proposal and presentations.

2.2.22 Competitive Quotation
Under this method the procurement entity is required to receive (obtain) a competitive priced quotation for goods, work or services, from at least three different suppliers as the law requires. Furthermore, the buyer is obliged to observe the estimated value of procurement to be within the power of accounting officer’s maximum limit allowed for such procurement and that the successful bidder should be the one offering the lowest evaluated cost to the procuring entity.

In some other cases, the Act sets forth the use of direct method when purchasing goods and services. Under this method goods, works and services of minor value may be procured directly from the source selected by the procuring entity without seeking maximum competition as in other procurement methods, this also involves buying from single sources of supply and it also involves buying from the Central Government Stores which is the government department established with effect from 1 July 1961 under the provision of section 18 and 19 of the exchequer and audit ordinance NO. 21 of 1961. It is basically government procurement and supply management organization. With such
function as procurement this establishment undertakes warehousing, inventory management, distribution and disposal management.

It is envisaged that by using the competitive methods the public will ensure that all procurement are made in the context of transparency and accountability. Transparency fosters the ability of all interested participants to know and understand the actual means and processes by which contracts are awarded and managed.

It is a central characteristic of a sound and efficient public procurement practice and is characterized by well-defined polices and efficient public procurement practice and is characterized by well-defined policies and procedures open to public scrutiny, clear standard tender document containing complete and clear information and equal opportunity for all in bidding process. In other words transparency means the same (open) rules apply to all bidders and that these rules are publicized as the basis for procurement decisions prior to their actual use. It is the effective means to identify and correct improper wasteful and even corrupt practices in procurement. Fighting waste and corruption, and improving procurement/Financial accountability are essential elements of good governance needed to instate efficient and effective government policies.

2.2.23 Transparency and Accountability

Accountability support ministries, departments, institutions, and agencies in their daily operations and procurement management through visibility. Government official in their ministries, departments, institutions and government agencies are responsible and accountable for any plan, action and outcome that involve spending public funds. These entities should include provisions in tender documentation and contract that alert prospective provider to public accountability requirements including reporting to the parliament and its committees.

The public expects the public officials to act ethically and fairly when conducting procurement activities. High ethical standard support good procurement outcomes, by encouraging suppliers to participate in the government market activities. Reducing costs of managing risks associated with potential improper behaviors, including fraud, theft or corruption.
Procurement actions and results must represent value for money. Value for money should be the core principle, which governs any public procurement. It is supported by the underpinning principles of efficiency, effectiveness, accountability, transparency and ethics. Public officials who procure goods, works and services need to be satisfied that the best possible results has been achieved taking into account all relevant costs and benefits over the whole of the procurement cycle. Accepting the lowest price is not necessarily an indicator of best value for money. Value for money is a concept evaluated on a whole-of-life basis of the property, works or service being procured and is influenced by a number of factors: the procurement method adopted, market maturity performance, financial consideration and the anticipated price that could be obtained the point of asset recovery.

2.3 Theoretical Literature review

Effective procurement is the key to success of an organization whether is a public or private. Procurement has become a very important area of interest to the government to improve economy and peoples welfare. Thus being the economic reform which goes hand in hand with procurement system. In contemporary business world the procurement process has been recognized to the tribute and organizations budgetary (Farrington 2006) Reck and long (1998), point out that there are four stages of development that purchasing must pass through to become a competitive weapon in the battle for markets. The four stages are:

i. The passive stage
ii. The independent stage
iii. The supportive stage
iv. The integrative stage.

Baily and Farmer (1996) define procurement objectives as the purchase of the right quality of materials, at the right time, in the right quantity from the right source at the right price.

i. To supply the organization with steady flow of materials and services to meet it needs.
ii. To develop staff policies, procedures and organization to ensure the achievement of the foregoing objectives.
iii. To manage inventories so as to give the best possible services to users at the lowest cost.
iv. To buy efficiently and wisely obtaining by ethical means the best values for money spent.

To ensure continuity of supply by maintaining effective relationship with existing sources and by developing effective relationship existing sources and by developing other sources of supply either as an alternative or meet emerging or planned.

Lysons and Farrington (2006) present a stage in the evolution of civilized human relationship as it enables a desired object to be obtained by trading rather conquest plunder or confiscation. Despite its long history, it was only in the later half the 20th century that the importance of the efficient purchasing was widely recognized and later when its strategic aim as opposed to operational significance was acknowledge with emphasis on purchasing processes, relationships and performance rather than on products.

Stannack and Jones 2006 identify four stages of purchasing evolution which are the product centered purchasing, the process centered purchasing, the relational purchasing and the performance centered purchasing which is based on the product management methods.

In the Ministry of Finance there was a Ministerial tender board which authorizes all procurement of goods or services according to Public Procurement Act 2004, and its regulations 2005 and Public Finance Regulations, 2001. Depending on the nature of procurement (mainly specialty, value and urgency) or where this method is not practically possible, the ministry is allowed to use the competitive quotations at least three quotations. Tender board should select the most efficient, effective and economical procurement method to be undertaken.

Ministry of Finance has a functional Procurement Management Unit. The procurement unit is inefficient somehow due to late delivery and lack of good quality for the procured items and services although some of these concerns might be realistic, but from procurement point of views it could be due to limited knowledge on PPA, 2004 and its Regulations 2005.
According to Jeffrey Liker and Thomas Y. Choi (2004) actively developing the supplier relations is important. Understanding your suppliers and utilizing your suppliers mutual competition has proven to be a very effective way of supplier relationship development. Other development ideas include managing your suppliers to improve their performance and abilities. It’s important to keep the managing role to yourself when conducting shared product development projects. The buying organisation should communicate information with determination to selected suppliers. (Liker & al. 2004, 4).

Understanding the actions and processes of your suppliers is a basis for starting to develop your relationships with them. Supply market intelligence is one the factors that need to be accounted. It explains the mutual competition between competing organisations in the market. With the help detailed supply market understanding, the factors that affect competitive advantage can be identified. The determination of the knowhow of supplier processes and the total cost structure helps to develop supplier relationships. (Liker & al. 2004).

The buying organisation can imply that they have a deep knowledge about the supply market and supplier presented in the market. This shows that the organisation can evaluate and compare suppliers that will enforce the suppliers to be more efficient and effective. It can also improve the service level of the suppliers. (Liker & al. 2004).

The best action to improve the supplier’s performance is to give clear instructions on what is expected and required from them now and also in the future. Conducting a diverse analysis on supplier’s performance will provide a tool to the supplier to develop its actions to a more wanted direction. (Liker & al. 2004).

2.4 Value For Money
Value for Money (VfM) is an essential test against which a procuring entity must justify a procurement outcome. From the user or the targeted public point of view, value for money is the value (output) attached to some defined cost (input).

Value for money is narrowly defined as a concept associated with deployment of resources. The user department or consumer attempts to attach value to products or services received and compares the same with resources expended. A broader definition
associates value for money with the economy, effectiveness and efficiency of a product, service or process.

A comparison is made between the input costs against the value of the outputs and a qualitative and quantitative judgment over the manner in which the resource involved have been utilized and managed. Value for money is based therefore not only on the acquisition price/cost (economy) but also on the maximum efficiency and effectiveness of a procurement transaction. One might therefore wish to verify proof of use of technology, financial analysis tools, timeliness etc. throughout a procurement process, particularly where large sums of money are involved. Accounting officers and their procurement staff must have the capacity and skills to run the show efficiently and effectively to minimize risks and maximize impact; and must understand the markets and effectively manage suppliers. The team must peg its performance against peers and other industries so as to seek for continuous improvement and innovations necessary to deliver greater value to the procuring entity and this also where the catch is – value for money being eroded by incompetence of staff involved with procurement in the public sector. In some countries there are still no defined curricula or training path for public procurement staff. The Public Procurement Regulatory Authority (PPRA) in Tanzania admits in an OECS/DAC assessment of the country’s procurement system in 2006 that, “there were no defined skills and knowledge profiles for specialized procurement skills” (EOCD/DAC, 2007).

The EOCD/DAC study revealed failure by many procuring entities to observe simple issues like bid validity periods thus rendering many awarded tenders null and void. Some tenders were awarded far beyond the legally allowed maximum period (sometimes up to six months later) while others had their bid period slashed to below the legally allowed minimum period e.g. 19 days instead of 30 days (Msita 2009).

There is also the problem of procuring entities attempting to modify mandatory (legal) provisions through the solicitation documents or evaluation teams using criteria other than those stipulated in the solicitation documents. Most of these have been referred to the Public Procurement Appeals Authority while others have landed in court. Inadequate procurement competence is thus taking toll on public Procurement, making it expensive to PE’s and the taxpayer. It acts as an impediment against achievement of value for money in procurement.
2.5 Rigidity in procurement laws

Rigidity of public procurement laws in the developing economies has been singled out as one of the major factors impeding the achievement of value for money and attainment of international best practices. With procurement in Tanzania gaining a wider definition (CPAR, 2006) to include consultancy services, works and high tech projects and the attempts by the new legislation governing public procurement delegating more authority to accounting officers and tender boards entrepreneurial/managerial skills of those involved in the process become of paramount importance than ever before. Procurement laws are compelling public institutions to “invite the world” to participate in a tender so as to increase competitiveness in anticipation for reduction in public spending. However, management science is challenging the legal requirement in that it has failed to take into account all costs associated with the increased competition. Models have been developed showing possibility to save money through limiting the number of bidders (Costantino et al, 2008) but without compromising competition.

The public procurement system in Tanzania and its governing legislation i.e. the Public Procurement Act (PPA) No. 21 of 2004 have managed to embrace enforcement of legal and regulatory compliance – sometimes at the price of sacrificing value for money. There is currently a tension mounting between managers of public enterprises on one side as they attempt to run their firms along the pursuit for economy, efficiency and strategic sustainability and enforcers of the legal and regulatory compliance on the other. But perhaps the worst scenario is when these relationships become complicated by pressure from political interests and expectations for more transparency by the general public. The recent attempts by the Tanzania Electric Supply Company Limited (TANESCO) to buy a power generating plant (Popularly known in Tanzania as “DOWANS”) is a case cited by this proposal, trying to explain he failure by the ongoing procurement reforms to take on board value for money

2.6 General Understanding of Tendering

The growing public administrative and management interest through necessity and improved insight into the opportunities in the procurement area has resulted in a variety of organizational and tender concepts. Terms such as procurement, purchasing, supply, supply-chain, material, material management, sourcing, and logistics are used almost interchangeably (Lenders and Fearon, 1997).
Furthermore, Parkinson and Baker (1986) observed that there is no consensus among scholars, universal definition of each of the procurement term which involves a number of processes and other terminologies that are applicable in tendering practice worldwide. They further examined that officers in public as well as private institutions may resume similar or identical responsibilities but substantially different titles when executing their tendering activities.

The meaning of tender is neatly defined by the Public Procurement Act No.3 of 2001, depending on context either:

i. A request drawn by a government for offers or quotations to be made by suppliers or contractors, or

ii. Offer, quotation or technical proposal made by a supplier or contractor in response to a request by a government.

The above activities are commonly done in an interactive way by market, public buyers and tenderers. In the context of this study ‘tenderer’ means any natural or legal person or group of such person submitting a tender with a view to conclude a contract.

2.7 Types of Tender

Open Tenders

Suppliers are invited to compete for contracts which are normally advertised in the newspaper, journals and website. This type of tender promotes transparency, efficiency, competition and helps to obtain value for money

Restricted open tender

Specific supplier are invited to compete for a contract and restricted to appropriate technical specifications.

Lead time is reducer through this type of tender and administrative cost as well. It is suitable for emergency procurement and it ensure timely delivery.

Selective Tenders

Tender are invited from supplies on an approved list that have been previously vetted regarding their competence and financial standing.
Serial Tenders

Prospective supplier are requested on either an open or selective basis to tender for an initial scheme on the basis that, subject to satisfactory performance and unforeseen financial contingencies, a program of work will be given to the successful contractor, the rates and prices for the first job being of the rest of the program.

Negotiated Tenders

A tender is negotiated with only one supplier so that competition is eliminated. This type of contract is unusual.

2.8 Pre-requisite of Tendering

The work of Dobler and Burt (1996) on competitive bidding and negotiation, observed comprehensively on sourcing potential suppliers to be invited to submit bids (or proposals). They identified five prerequisites for proper use of competitive bidding so as to comply with the notion of obtaining fair prices. The five criteria are as follows:

i. The value of the specific purchase must be large enough to justify the expense, to both buyer and seller.

ii. The specifications of item or service to be purchased must be explicitly clear to both buyer and seller.

iii. The market must consist of an adequate number of sellers.

iv. The sellers that make up the market must technically qualify and actively want the contract-and, therefore, be willing to price competitively to get it.

v. The time available must be sufficient for using this method of pricing. The time required for preparing, mailing, opening, and evaluation bids are usually considerably longer than those unfamiliar with the system would expect.

In addition to satisfying the preceding five prerequisites, four other conditions were earmarked by Dobler when employing competitive bidding as the means of source selection. The conditions are as follows:

i. Situations in which it is impossible to estimate costs with a high degree of certainty
ii. Situation in which price is not the only important variable

iii. Situation in which the purchasing organization anticipates a need to make changes in the specification or some other aspect of the purchase contract

iv. Situation in which special tooling or setup costs are major factors

In essence, the competitive bidding system itself, when all the prerequisite criteria prevail, evaluates quite accurately the many pricing factors bearing on the purchase being made. The factors include determinants such as supplier production efficiency, willingness of the seller to price this particular contract at a low profit level, the financial effect on the seller’s sales forecast, and competitive conditions in general.

**Fair Deal**

Because the proper uses of competitive bidding appear to be widely misunderstood. Government officials, because of political pressures from parliament, tend to overuse competitive bidding on grounds that politicians may stress this method as the best method by allowing all constituents the opportunity to compete, regardless of their qualifications, politicians can avoid disputes with their constituents.

According to Commonwealth procurement Guidelines issued in March 1998, in procurement, as in all aspects of business and public administration, if all parts involved comply with ethical standard they can:

i. Deal with each other on a basis of mutual trust and respect; and

ii. Conduct their business in a fair and reasonable manner, and with integrity.

Commonwealth staffs associated with procurement, particularly those dealing directly with suppliers, were required to ensure that they:

i. Recognize and deal with conflict of interest

ii. Deal with suppliers even-handedly;

iii. Do not compromise the Commonwealth’s standing through acceptance of gifts or hospitality; and

iv. Are scrupulous in their use of public property
2.9 Summary of Public Procurement process

As a process public procurement is performed through a logical flow of activities and predetermined time limits (work plan) all of which have got cost implications. The performance of each activity is largely influenced by time management and competence of the Procuring Entities staff involved. This paper identified five activities undergone by a typical public procurement process with specific reference to Tanzania.

- Procurement Planning
- Budget/Resource Confirmation and Allocation
- Solicitation of Bids
- Bids Evaluation
- Contract Award and Management

**Procurement Planning**

Poor planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of the skills of staff responsible for procurement is featuring as one of the major setbacks in public procurement. Procuring entities must view procurement as a strategic activity that must be fully integrated into their short and long term plans and provides support to delivery of their strategic objectives and realization of value. Public Procurement Audits in Tanzania are singling out absence of annual procurement plans (APPs) in most procuring entities as one of the major factors fueling procurement costs and thus rendering achievement of value for money a distant dream. Section 45 of the Public Procurement Act, 2004 compels procuring entities to have procurement plans so as to avoid emergency procurement; to aggregate procurement requirements to reduce procurement costs and to integrate their procurement budgets with their expenditure programs. A number of procurement costs can be reduced and even avoided upon selection of the appropriate procurement method and proper scheduling of the bid processing stages, an activity performed during procurement planning which can significantly keep down transaction costs and enhance productivity. Besides identification and prioritization of needs, procurement planning charts out goals, performance tracking/monitoring mechanism and assists PE’s to effectively manage risks.

A procurement entity shall plan its procurement in a rational manner and in particular shall

i] Avoid emergency procurement whenever possible.

i. Aggregate its requirement wherever possible, both within the procuring entity and between procuring entities, to obtain value for money and reduce cost
ii. Make use of framework contracts whenever appropriate.

iii. Avoid splitting of procurement to defeat the use of appropriate procurement methods unless such splitting enables participation of local institution, suppliers or contractors.

**Budget/Resource Confirmation and Allocation**

All PE needs as identified during planning must be quantified and interpreted in monetary terms i.e. into a budget and funding sources clearly confirmed. The law in Tanzania compels PEs to ensure that funds have been set aside or committed before commencement of procurement proceedings. Procuring entries commencing a procurement process without having firmed up the financial resources may end up in costly wrangles with suppliers and service providers but the worse part of it is that they will have breached the law. In absence of a budget it may not be easy to measure the impact or effectiveness of the resources being expended in procurement.

**Solicitation of Bids**

In a typical procurement process this is the activity in which most costs pertaining to communication and documentation are incurred. The law in Tanzania requires open tenders to be advertised at least twice in newspapers of national wide circulation (for national competitive bidding) or international trade journals or magazines for international competitive bidding.

Though the law doesn’t go further to describe the size of the adverts it has been observed by PPRA that some procurement adverts are “over size”. Adverts which could easily be accommodated in a quarter pages are placed on a full page thus sending high advertisement costs. The regulator has recently issued a guideline on this which calls for procuring entities to reduce bid advertisement costs by combining several similar tenders in one advert and designing the advert to fit the minimum necessary space. Use of standard bidding documents issued by PPRA can significantly reduce the cost of the solicitation documents i.e. paper work.
**Bids Evaluation**

Bids are said to be under evaluation throughout the period covering submission deadline and award of contract. It is a period characterized by a series of meetings of the tender committees (boards) and evaluation teams. If not properly managed, the process can be quite costly. According to the guideline issued by PPRA on this exercise, procuring entities are required to exercise proper planning of procurement in which for example opening of several tenders can be scheduled on one date and also adjudication of several tenders to be done in a single meeting of the tender board. The guidelines also advocates approving of contract award using circular resolutions as allowed by Regulation 41 (6) G.N. No 97 of 2005. However, through experience the author has gathered that some of the most wasteful costs generated during bid evaluation are those pertaining to the incompetence of the evaluation team. This is where value for money is at stake and the potentialities for appeals and litigation are found. Incompetence of the team increases the frequency of the tender board rejecting the evaluation reports.

**Contract Award and Management.**

Contract management covers all the activities performed by both the procuring entity and the suppliers/contractors/service provider upon signing of the contract up to full discharge of the obligations of each party. Regulation 121 of the Public Procurement Act 2004 requires procuring entities to be responsible for the effective management of any procurement of goods, services or works which is undertaking; to monitor the timely delivery of goods and services in the correct quantities and quality specified in the contract and to monitor the progress and timely completion of works in accordance with the terms of each contract. The regulation further requires each procuring entity to take or initiate steps to correct or discipline deviations from observance of contract conditions and to ensure that the responsibilities imposed on it by the contract are fully discharged. However despite all these explicit requirements PPRA admits that many PEs are not managing their contracts property and among areas of concern include failure to appoint inspection and acceptance committees to inspect delivery of goods so as to ascertain quantity and quality as per contract requirements. In works procurement where more funds are normally committed relative to goods and services, works supervisors to oversee the implementation of construction works are not appointed. Studies and audits carried out in Tanzania confirm that for many PEs the procurement process virtually “ends” upon award of contract! A lot of good effort is spent up to the point of selection of supplier, contractor
or service provider without further questioning whether what is being delivered is actually what is being paid for. There is a tendency of the available literature on procurement giving little regard to issues on contract management. Much of the focus is on how to solicit, negotiate and award a contract. Award of contract is not the closure point of a procurement process but rather the “beginning” (Lloyd, 2004). Procuring entities need to exercise proper contract management to avert the apparent loss of value during this procurement phase.

2.10 Importance of Tendering.
Purchasing through tendering strengthens law and regulations to close room for malpractices and corrupt behavior and consequently brought about confidence and respect to purchasing professional (PPA 2004). According to the report on country procurement assessment review (CPAR) commissioned by the word Bank in November 2003, the merits of ongoing through public procurement reforms can be summarized as:

i. To increase the participation to the private sector

ii. To ensure that procurement is conducted in a fair transparent and accountable manner

iii. To contribute towards the creation of sound economic climate in Tanzania

iv. To subject public procurement to a robust and effective legal and regulatory environment.

v. Enhancing the effective use of public financial resources.

vi. To improve the availability, quality, reliability and cost of public services

vii. To increase a wide opportunity for vendor appraisal by assessing supplier quotations submitted in terms of ability to supply goods or services required.

viii. It helps to reduce the price through competition.

2.11 Weaknesses of Tendering
i. Tendering system consume a lot of time due to the long procedure to be followed and adhered
ii. Tendering system is not suitable for emergency or urgency procurement.

iii. Supplier may quote low price in order to win the contract at the end he/she fail to deliver goods/services required.

iv. Tendering system is costly to the organization. In terms of tender board meeting, advertisements of tender, Preparation of tender documents and tender open ceremony.

2.12 Empirical Studies.
According to Keith F. Punch (1998) empirical studies means that, something is observable where observation is broadly interpreted. The essential idea is to use observable, real world experience, evidence and information as the way of developing and testing ideas. Empirical applies to quantitative data and qualitative data.

2.12.1 Tanzania Case
According to www.tzaffairs.org/2008/05/report-on-richmond-scandal/

It is understood that the Richmond saga began when plans were being made for the construction of an oil pipeline from Dar es Salaam to Mwanza. There was intense international competition to obtain the construction contract. Eventually it was awarded to a hitherto unknown American company called Richmond Development Company. It soon became apparent however that this company was not able to do the job.

In 2006 Tanzania faced a serious crisis in electricity supply and, as an emergency measure Richmond was awarded a contract to supply generators to provide 100 megawatts at a cost of Tshs. 172 billion. The generators failed to arrive on time and when they did they did not work as required. The pipeline was never built and the generators were provided by another company. Under part of the contract however the government agreed to pay some $137,000 a day regardless of the amount of electricity provided. Opposition MP’s began to smell a rat and the House of Assembly set up a Select Committee to investigate the whole saga under the chairmanship of the ruling CCM party’s Kyela MP Dr Harrison Mwakyembe. The committee worked diligently and eventually came up with a 165-page report.

On February 8 the Guardian described what happened when Dr Mwakyembe read his report to Parliament: ‘Courteous norms and sugar-coated language were set aside as fiery
MP’s spoke with bitterness as they contributed to the debate on the findings of the select committee. Opposition and government CCM MP’s spoke with one voice in criticizing the contract imposed by top government officials on TANESCO. It was a ‘born-again’ Parliament, with MP’s clearly stating that the time for tolerating vice and the signing of bad contracts by ministers and other public officials while Parliament looked on helplessly were gone for good. After hearing the committee’s findings they said: “It’s time we (legislators) joined hands. It is time we worked together regardless of our political differences in matters of public interest. We have to protect the welfare of millions of Tanzanians who are dying simply because of problems caused by these dubious contracts” MP’s said. Anna Komu (opposition CUF MP) said “The squandered TShs 200billion were equivalent to the annual budgets of the ministries of Education and Community Development and Gender, and Children’s Affairs. Philemon Ndesamburo (opposition CHADEMA MP), asked the President to drop the head of the PCCB anti-corruption authority and Attorney General from the task force investigating the BoT scandal and said that those behind the Richmond contract should be taken to court and have their property confiscated by the state. “In other countries, such people are hanged in public” he said.

Dr Mwakyembe told parliament that his committee had proved beyond reasonable doubt that Richmond did not deserve to be awarded the tender for the generators. “We would like to announce in this Parliament that Richmond Development Company LLC, which won the tender and eventually signed a contract with TANESCO on June 23, 2006 lacked experience, expertise and was financially incapacitated.” The firm had no share records or registration in the US or Tanzania and the whole bidding process had been marred by corruption and gross irregularities. Richmond had later passed its contract to Dowans Holdings. Dr Mwakyembe came up with 16 recommendations to make those responsible for ‘this shameful act’ pay for their misdeeds.

The committee also proposed that the Minister for Energy and Minerals, Nazir Karamagi, be taken to task for barring TANESCO from withdrawing from the agreement which it wished to do. The committee said Karamagi’s decision indicated that some trusted leaders were out to advance their personal interests at the expense of national interests.

As for a subsequent report by the Prevention and Combating of Corruption Bureau (PCCB), a report which had cleared the Richmond contract, the committee said that this
had been a ‘whitewash.’ The committee proposed that immediate changes in the Bureau’s management be made to restore public confidence in it. It was not there to cover blunders. The committee also proposed that Attorney General Johnson Mwanyika, and his representative, Donald Chidowu, who formed part of the Government negotiation team, be fired immediately for failure to advise the government on the various irregularities. Mwakyembe said his committee had failed to comprehend the degree of arrogance displayed by officials in the Ministry of Energy and Minerals, who had deliberately disregarded the advice of the cabinet on adherence to procurement procedures and had three times ignored technical advice by the Public Procurement Regulatory Authority. The ministry had ended up granting Richmond the contract and rejecting eight other applicants.

The committee further advised on the need for the government to abandon the ‘colonial attitude’ that contracts between the government and private companies should remain secret. Parliamentary standing committees should be involved in the early preparations of agreement.

2.12.2 Abroad Case

It has been a difficult few years for world’s airlines. Even before two hijacked planes flew into the twin tower of New York’s Trade centre on 11 September 2011, economic downturn was hitting them hard as demand for business travel feel away.

Since that fateful day, things went from bad to worse as a result of deteriorating business climate, the threat of further terrorist attacks, the war on Iraq and panic over the SARS virus. In February 2002, British Airways responded to this crisis with a new plan entitled “Future size and shape”. The plan called for 13,000 job losses and annualized cost saving of $650 a year by March 2004. In February 2003, it stepped up the pressure to reduce cost by setting a target of additional $ 450m in a savings.

This has put airline’s procurement function firmly in the hot seat. At the company’s annual investor day, BA’S procurement director Silva Maizey was asked to address major shareholders and financial analysts for the first time, explain how airlines will share $300m or 10 percent, of its annual purchasing bill by 2005. Good progress has already
been made with of $95m of procurement and IT saving signed off by the end of March 2003.

These saving have been achieved partly by negotiating lower price through electronic auctions which has saved over $ 20m and by channeling a greater proportion of spending through fewer suppliers. BA has already cut its supply base from 14,000 to 5,000 and aims to further reduce it to just 2,000.

But costs are also now being taken out by managing the internal demand for goods and services more effectively and by reining in specification so that money is not wasted on in necessary features. This has meant creating a different mindset among the 200 members of the procurement department and following a more rigorous and consisted approaching through deeper implementation of strategic sourcing process, we are able to consider saving of 10 per cent in procurement.

www.google.co.tz

2.13 Research Gap
Like most researches, this study will survey on supervisors and practitioners in procurement and activities in Tanzania public sector on achieving value for money in procurement.

Lack of appropriate procurement skills and incompetence among managers and staff entrusted with public procurement activities have been pointed out by a number of studies as some of the impeding factors, rigid rules regulating public procurement systems further complicate the challenge and may render the achievement of value for money a distant goal.

There has been no study focusing specifically on other factors apart from mentioned above that rendering tendering processing in achieving value for money.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This part of the research report gave details on how this research was conducted in order to achieve the intended research objectives. The methodology included research strategy to be used, research design, area of the study, population of the study, sampling procedures, types of data, data collection method and its management.

3.2 Research strategy
The study employed both qualitative and quantitative strategies for the purpose of realizing its objectives. Qualitative data provided the views, opinions and altitude of the respondents towards the subject matter being studied. Likewise the quantitative strategy or approach was expected to provide some crucial information on the frequency of compliance to the tendering system.

3.2.1 Types of Study Design.
The research design was in a way that helped the researcher to know how value for money can be achieved by tendering system in public sector together with the procedures involved in tendering system and the challenges behind so as to draw reasonable conclusions and give recommendations from the data collected.

3.2.2 Case study
The researcher based on a case study which is Ministry of Finance to find out the role played by tendering system in achieving value for money on public procurement. Therefore tendering system was efficient and presents a fair view to the public and it shows accountability on every single shilling spent on public procurement.

3.3 Area of study
The study was carried out in Ministry of Finance. Researcher chosen Ministry of Finance due to the many procurement activities and which were involved in the community development and donor funded project for providing better services to the public. This helped me to get enough data concerning tendering system.
3.4 **Nature of Data Required**

Researcher collected both primary and secondary data.

3.4.1 **Primary data.**

Primary data were those data which were collected by using questionnaires, personal observation and face to face interviews, and fall under the primary data

3.4.2 **Secondary data**

The secondary data comprised other sources of data collection such as tendering files, prospectus of potential suppliers, annual reports of department/ ministries, minutes arising from meetings, purchasing policies and procedures, purchasing plans, and other relevant documents.

3.5 **Population under the study**

Specific target population in this study was consisted of Suppliers, User department’s staff, Members of tender board, PMU Members, Head of departments, legal officers who practice on tendering activities in the public sector. The public sector and its set-up is large to an extent that it is fairly impossible to make study of the whole of it.

3.6 **Sample Size and Sampling technique**

For the purpose of this research, one public sector institutions were selected; this was Ministry of Finance. Selection of it was purposively base on their size and volume of procurement activities. Simple random sampling method had dominated the process. Departments carry equal weight and had independent chance of being selected in the context of this study.
Sampling Frame

<table>
<thead>
<tr>
<th>S/N</th>
<th>RESPONDENT CATEGORY</th>
<th>SAMPLE SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>User department staff</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Head of Departments</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Suppliers</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>PMU Members</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Tender board Members</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Legal Officers</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: The researcher’s Analysis, 2013

3.7 Data Collection Techniques.

Basic collection methods were used by the researcher to come up with relevant and adequate information.

3.7.1 Personal Observation

Physical observation was done in different stages during bid submission and tender opening ceremony to see if late bidders are not accepted and bidders representative attend the bid opening ceremony. The observation aimed to ensure the validity and reliability of the evidence in the area concerned.

3.7.2 Face to face interview

The target respondents were those staff in Procurement Management Unit this was aimed at obtaining necessary information for the study. The respondents opinions provided relevant information to the researcher.

The researcher conducted semi-structure interviews by the use of interview guide to conduct the interview. By using an interview guide, researchers outlined of broad topics or areas to be covered in the interview (Krishnaswami and Ranganatham, 2009). The advantage of this method is that it serves as a prompter during interview. It aids in focusing attention on salient points relating to the study and in securing comparable data through different interviews and is also flexible with the possibility of using both open ended and closed questions or it allows interviewers to pose additional questions in order
to solicit additional information if deemed necessary (Adam and Kamuzora, 2006). Interviews were used to 4 PMU Members because they have got rich information about procurement.

3.7.3 Questionnaires Administration
Questionnaires were designed in such a manner that relevant information was gathered and were useful in depicting the operation trend of the organization.

It is argued that, this method is widely used data collection techniques that provide efficiency way of gathering responses from a large sample. Moreover, questionnaires are a popular method for collecting data and are used by both research paradigms. This method of data collection is quite popular, particularly in case of big enquires. It is being adopted by private individuals, research workers, private and public organizations and even by governments, Kothari (2004).

Questionnaires to be used in collection of data were semi-structured questionnaires as this reduces the possibility of soliciting biased information. Researcher administered questionnaires within the ground whereby they asked respondents’ questions and recording the responses in their note books for future use. Researcher used questionnaires to 32 who were 20 User department staff, 3 Head of Departments, 4 Suppliers, 3 Tender board Members and 2 Legal Officers

3.7.4 Documentary Review
It involved the collection the collection of data documents such as tendering files, prospectus of potential suppliers, annual reports of department/ ministries, minutes arising from meetings, purchasing policies and procedures, purchasing plans, and other relevant documents. Researcher used these report so as to know what has been done for the past period which was relevant to the study

3.8 Data Management and Data analysis
All data after being collected was summarized. Then the summarized data was then be analyzed.
3.8.1 Data Processing.
After collecting the data through the methods mentioned above, data were processed, interpreted and analyzed by means of categorizing, ordering, manipulating and summarizing so as to obtain answers for the research questions. The findings of the study were presented in form of descriptions, illustrations, tables and diagrams where necessary and applicable.

3.8.2 Specific Analytical Techniques.
Researcher used both qualitative and quantitative research technique to conduct research. Frequency chart is a kind of display of a given data, in which the frequency of each data item is found.

The frequency of data item is the number of times it occurs in the data set.
Tallies are also used to display the frequency of an item in a data.
The mean is the sum of all the data divided by the number of pieces of data.
The median is the number that lies in the middle when all of the data numbers are written in order

The mode is the number that appears the most in the data.
The range is the difference between the largest and smallest numbers in the data.
CHAPTER FOUR

4.0 PRESENTATION, ANALYSIS AND DISCUSSION OF THE FINDINGS.

4.1 Introduction
This chapter presents the research findings and analysis of collected data. Summary of results, discussion of findings and problems encountered during data collection are explained in this chapter. Analysis of the data of the present study looked at descriptive statistics and analysis of qualitative themes that allowed answering the main three specific research questions of the study. Demographic characteristics of participants were also explored.

4.2 Analysis of Response
This section presents data with priorities of the collected data. Sample frame was divided into three categories namely; PMU staff, user departments, suppliers, Head of Departments, Tender Boards members and legal officers

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Category</th>
<th>Number of Questionnaires</th>
<th>Response</th>
<th>Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PMU staff</td>
<td>4</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>2</td>
<td>User Departments</td>
<td>20</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>3</td>
<td>Suppliers</td>
<td>4</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Head of Departments</td>
<td>3</td>
<td>2</td>
<td>66.67</td>
</tr>
<tr>
<td>5</td>
<td>Tender board Members</td>
<td>3</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>6</td>
<td>Legal Officers</td>
<td>2</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>32</strong></td>
<td><strong>88.9</strong></td>
</tr>
</tbody>
</table>

Source: The resercher’s Analysis, 2013

Member of the PMU, tender board (chairman and secretary inclusive), heads of departments, suppliers and legal officers were requested to respond to questionnaires.

As it is shown in the table 4.1, not all distributed questionnaires were received back; this is one among the problems encountered during data collection using questionnaires. The number of respondents in each category was above 50% of the expected number and the overall percentage of response was 88.9% of the expected. Since it is above fifty percent
of the targeted sample then the results reflect the actual situation of the targeted sample size.

Analysis and amplification were done on the collected data as narrated below.

4.3 Study Participants

The study analyzed data of 32 participants who are from six different categories as seen above in table 4.1. Among the recruited participants, there were more male (18, 56.3%) compared to female participants. Age of recruited participants ranged from 23 years old to 55 years old. Most of participants were generally old, 36.7% comprised of participants who were below 30 years of age. The mean age of study participants was 35.23 with standard deviation of 8.44 (Table 4.2)

Looking at education level of the participants, ss evident in table 4.2, majority of them have university education (n=18, 56.3%) followed by 21.9% who had advanced school as their highest level of education, 12.5% completed professional course while 9.4% secondary education was their highest level of education. Examining into detail their area of specification we find that majority of participants have MBA-Procurement followed by 21.9% with MSc-PSCM. There was only one person with MBA-CM and three (9.4%) of them have ACSE-CPSP.

The study also looked at position of each participants. Among 32 recruited participants, majority were PSO which comprises 37.5% of the total, followed by 21.9% of participants with SO and SO II. It was observed that 15.6% had SSO as their grade.
Table 4.2 Distribution of Demographic characteristics of procurement employees at public sector in Ministry of Finance

<table>
<thead>
<tr>
<th></th>
<th>Frequency (N=32)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>18</td>
<td>56.3%</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>43.8%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>11</td>
<td>34.4%</td>
</tr>
<tr>
<td>31-40</td>
<td>8</td>
<td>25%</td>
</tr>
<tr>
<td>41-50</td>
<td>10</td>
<td>31.3%</td>
</tr>
<tr>
<td>51-60</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Level of Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary School</td>
<td>3</td>
<td>9.4%</td>
</tr>
<tr>
<td>Advanced Sec School</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>18</td>
<td>56.3%</td>
</tr>
<tr>
<td>Professional Course</td>
<td>4</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Specification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSc-PSCM</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>MBA-Procurement</td>
<td>13</td>
<td>40.6%</td>
</tr>
<tr>
<td>BBA-PLM</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>ACSE-CPSP</td>
<td>3</td>
<td>9.4%</td>
</tr>
<tr>
<td>MBA-CM</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Grade/Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PSO</td>
<td>12</td>
<td>37.5%</td>
</tr>
<tr>
<td>SSO</td>
<td>5</td>
<td>15.6%</td>
</tr>
<tr>
<td>SO</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>SO II</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: The researcher’s Analysis, 2013

As seen in Figure 4.1 below, majority of participant (71.9%) had three or less years spent at the entity. Mean year spent at entity was 3.44 with standard deviation of 2.514. Only 21.9% had year of service more than 5 years. This suggests that most of the employees at the public sector in Ministry of Finance have less years of experience with the particular system.
4.4 Discussion of the Findings from the Objectives of the Study

4.4.1 Main roles of tendering systems in procurement in public organizations

For the above objective, the researcher designed a number of questions so as to obtain detailed information concerning main roles of tendering systems in procurement in public organizations.

The following is the summary of the findings.

From the response, 93.8% believe that it is important to use tendering system in the public organizations to the efficiency of procurement. 27 (84.4%) out of 32 interviewed reported that the main role of tendering system is to promote transparency and enhance competition on business opportunity while five (15.6%) participants sees tendering systems as an opportunity to buy or sell services and products.

Regulation 5 and 11 of Public Procurement Regulations 2005, requires the Ministerial tender boards to demonstrate a high degree of transparency and integrity as the solution of reducing complains from procurement stakeholders, Researcher was very much interested to know if the Ministry of Finance treat equally potential bidders and with at most fairness throughout the contract award process.
One of the roles of tendering systems in procurement in public organizations is to make sure they follow Regulation which has put in place by Public Procurement Act and its Regulation. All participants agreed that tendering systems follows guidelines that are in place and not only that but also in public organizations, tendering system are said to be followed by MOF and this was confirmed by 81.3% study participants.

In ensuring transparency one of the role of tendering system is to make sure the public is aware with the tendering opportunity. 22 (68.8%) agreed that tender opportunities at Ministry of Finance are advertised in a widely speculating newspaper such as daily news, guardian and Majira. It is also advertised in the PPRA website. Majority of participants (18, 56.3%) reported that they do regularly advertise on international trade journals or magazines for international competitive bidding, 3.1% only at times that's when they advertise on international journals and 37.5% reported that they do not advertise in international journals.

One of the elements of competition is advertisement. Tender should be advertised to convinced eligible bidders to submit their proposal. It is also required by PPA that tender should be advertised in order to select a competent supplier of goods and services with reasonable price. Public procurement is underpinned by five pillars, the most important one being value for money and the other four pillars are open and effective competition, ethics and fair dealings, accountability and transparency and equity are intended to ensure that value for money is attained in all procurement transactions. Considering one of the pillars, open and effective competition to affect it our public procurement act and its regulations make it mandatory to advertise tender in newspaper of widely circulation. Also the need to ensure transparency and accountability through decentralization of procurement to PEs has high associated transaction costs occasioned through failure to aggregate requirements and therefore reduce transaction costs through reduce advertisement costs and allowances during Tender Board meetings.

Any government in the world is working for its people therefore in the end the most important stakeholder of any procurement regime are going to be the citizens of a given country. The citizens are not concerned with the process all they need is goods and services of the required quality that meets their requirements and that are provided at the right time. So there is always the need to balance between the requirements of
procurement laws of transparency and accountability which put a lot of burden to government officials to ensure that they adhere to the law while at the same time ensuring that goods or services reach the people at the right time.

Table 4.3 Distribution of Main roles of tendering system as reported by employees at public sector in Ministry of Finance

<table>
<thead>
<tr>
<th>Role</th>
<th>Frequency (N=32)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is tendering system important?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>30</td>
<td>93.8%</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>6.3%</td>
</tr>
<tr>
<td>Tenders Followed by MOF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>26</td>
<td>81.3%</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>18.8%</td>
</tr>
<tr>
<td>Tender Advertised in News paper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>22</td>
<td>68.8%</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>28.1%</td>
</tr>
<tr>
<td>Tender Advertised in International Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>18</td>
<td>56.3%</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>37.5%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Advertisement Times</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once</td>
<td>11</td>
<td>34.4%</td>
</tr>
<tr>
<td>Twice</td>
<td>13</td>
<td>40.6%</td>
</tr>
<tr>
<td>Several Times</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Advertising cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>12</td>
<td>37.5%</td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>59.4%</td>
</tr>
</tbody>
</table>

Source: The researcher’s Analysis, 2013

Concerning impact of tendering process in the organization, participants reported that one of the impacts is that it allows quality assurance in which it facilitates and ensure there is an increase of quality of goods and services in public organizations. Value of money was also reported to be one of the impacts of tendering process. The procurement process has also been reported to promote transparency which increase fairness and competition to the bidders in which everyone has an equal chance to participate.

Desk data obtained by the researcher through reading different official documents at Ministry of Finance, interviews with all respondents and observation of different
procedures corresponds to the response obtained through questionnaires that competitive tendering at Ministry of Finance has achieved provision of equal opportunity to all bidders, treat them fairly and ensure openness of the whole procedure.

In the issue of cost associated with the whole procedure of competitive tendering about 50% of respondents commented that competitive tendering is costly in terms of time as well as clerical works involved in the whole procedure.

During the field, the researcher interviewed and observed different procedures of which revealed some of the weaknesses in competitive tendering being poor quality of supplies and late deliveries which relates to the findings obtained through questionnaires.

4.4.2 Main practice of tendering in procurement.
Results of the current study from examining qualitative them shows that public organization follow PPA and its Regulations and they are involved in preparing annual procurement plans annually as it has been stated in the Act No. 21 of 2004 section 25(1) in which the Ministry of Finance prepares annual procurement plan every year.

“The chief executive officer shall not later than three months before end of each financial year prepare and submit to the board of Directors an annual Management plan which shall include a budget for its approval for the next financial year.”

Respondents also reported that there are times in which delay takes place in preparation of annual procurement plan. When the delay occur it forces the MOF to change some of their procurement methods and activities so as to accommodate the delay. Another impact of delay in implementation of annual procurement plan which was mentioned by respondents is that there was delay in procuring goods and services in which affected the entire system of governance. The government fails in implementing important activities/projects and that might affect the time given for implementation as well as cost of goods or service keeps on changing and might cost the government more. Among 32 respondents, 17 (53.1%) they usually do not get funds for tendering process on time.
The study also explored involvement of procurement employees in preparations of tendering documents.

Findings of the current study shows that majority of respondents (n=18, 56.3%) have been taught on how to prepare procurement documents (see table.) They all argue that the training helped them in preparing tendering documents. Therefore the findings suggest that training on how to prepare tendering documents is very important and each employee at public sector involved in procurement should be given such training. Participants also reported that they use guides in preparing tendering documents including PMU regulations and standard operating procedures issues by PPA. 59.4% of the interviewed participants reported to be involved in preparation of tendering documents.

Table 4.4 Shows Cross tabulation of Preparation of tender documents and Ever been in Training

<table>
<thead>
<tr>
<th>Participate in preparation of tendering document?</th>
<th>Ever taught about the preparation of tendering documents?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes (57.9%)</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>No (42.1%)</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>19</td>
</tr>
<tr>
<td>No</td>
<td>Yes (53.8%)</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>No (46.2%)</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>Yes (56.3%)</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>No (43.8%)</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: The researcher’s Analysis, 2013
The study also looked at the interaction between ever been taught on how to prepare tendering documents and the actual behavior of preparing tendering documents. As evicted in table above, most of those who prepare tendering documents are those who have receive training on how to prepare these documents (11, 57.9%). However, findings of the study also shows that there is high number of employees at public sector who have never received training on how to prepare tendering documents but they are involved in preparing them (8, 42.1%). This suggest that there is probability that some of guidelines on how to prepare tendering documents are not followed and not because people are ignoring them but task of preparing the document is given to people who have not received training.

4.4.2.1 Invitation for bids
The invitation to tender in Ministry of Finance is usually initiated by the user department, which brings its requirement to the PMU. The PMU prepares tender notice intending to invite suppliers, services provider, or contractor to bid for supply of goods, services or works required. Then PMU bring the draft of this invitation to MTB for approval. After the approval by the Ministerial Tender Board, then it is sent to the wide circulated media like newspaper. After publication many bidders show up to purchase the tender document with non refundable amount. Tender price of the documents is usually displayed in the invitation to tender.

4.4.2.2 Bid Submission.
Usually the tender documents explain in details the procurement to be done. The tender documents have three requirements to be shown by the applicants:-

- Legality of the companies’ existence e.g. Business license, Tin, VAT, CRDB, Company Registration.

- Resources acquired by the Applicants e.g. technical persons, equipment and funds.

- BOQ – Bill of quantities which leads to determine the total price quoted.

During the submission of the tender documents, bidders are required to submit two copies, one must be the original, they must be sealed and marked as instructed in the Tender documents unsealed or late bids are returned to the applicants unopened. During the
receiving of the Tender documents, submitted by the bidders, the secretary to the Tender Board, mark the date & time received on each tender document.

**4.4.2.3 Bid opening:**

The process of opening of bids take place in venue, date & time as specified in the Tender documents. Usually the bids are opened in public or in presence of bidders who choose to attend. During the opening process the legal requirements are retained for evaluation.

After reading all tender documents by the Chairman as PPA: 66 (3) (4), each tender form is signed by the member of MTB indicating the date singed. This is to avoid tempering with the tender documents after the prices have been revealed.

> “All tenders submitted before the deadline time and date for submission shall be opened in public, in the presence of the tenderers or their representatives and other parties with a legitimate interest in the tender proceedings and the tender opening shall take place at or immediately after the deadline time and date given in the Tender Documents for the receipt of this Tenders and names of all those present at the tender opening and the organizations they present shall be recorded by the secretary of the tender board.” PPA, 2004: 66 (3)

(4) 1 quote.

The names and addresses of each tender and the total amount of each tender, and of any alterative tenders, if they have been requested or permitted, shall be read aloud by the chairman of the meeting and recorded by the secretary of the tender board or his delegate, as each tender is opened.

The process of opening the bids at Ministry of Finance conforms to the PPA, 2004.

**4.4.2.4 Tender Evaluation:**

In Ministry of Finance, The process of evaluation is as follow:-

The evaluation process begins immediately after the opening of the bids.

Head of the department recommend the names of evaluation before the approval by the accounting officer. Thus the evaluation team is appointed by the accounting Officer as required by procurement regulations to be done (it depends on the value, nature and
complexity of the procurement). The evaluation Committee comprises three to five members including technical persons regarding the nature of the procurement.

Under tender evaluation process, the researcher interviewed some workers mainly from the PMU, members of the Tender Board and some who had participated in the evaluation process. All of them were happy with the evaluation process, explaining that, during the evaluation process besides the members of the evaluation team nobody is allowed to participate or interfere or to oversee how it is being carried. i.e. the evaluation is carried in secret, and independently.

The PMU members said always the evaluation reports are submitted to them before forwarded to the MTB. The reports show the evaluation teams use the criteria set in the Tender documents, conditions, stipulated in PPA 2004 and it is regulations. This makes them to be happy with the procedure.

The researcher also provided questionnaires, among the questions is no. 6 which asked “in your opinion do you think tendering system is sufficient and relevant to your organization by 36 respondents which 83.4 responded that tendering is the best method of purchasing, besides its bureaucracy, is very transparent and no one has the mandate to decide things concerning public funds”. In addition, they said that it is a mass decision making concerning public money.

During this study it was also noted that some of the bidders failed to meet the tender documents demands e.g. some didn’t signing their tender forms, etc.

Some of the bidder also quotes two lots instead of three lots as required by tender document.

Some of them failed to fill the BOQ, the standard units used are not known to them. Many engineers complained that the quantity $M^2$ were written $M^3$ but they just filled the tender document without seeking clarifications from the client as required.

Those engineers blamed the client for misleading them but the secretary of the tender board elaborated that both client and bidders made mistake. He said according to the
regulations, bidders had/allowed to seek clarification from the Authority before filling the
tender documents.

This helped the researcher to note that during the tendering professional ethics are not
adhered to by some bidders instead they are interested in winning the tenders only.

Basic Criteria of evaluating Bids
During the evaluation process, evaluation committee uses the criteria set up in the tender
documents for that particular procurement. The evaluation team has no mandate to put its
own criteria i.e the criteria sat out by MTB in the tender documents (During the invitation
for bids) are only used for evaluation.

i. Preliminary Evaluation

- Eligibility
  The evaluation team, usually tries to confirm if the bidders are eligible and can
  continue to be evaluated by verifying the legal documents like Company
  Registration, Current business license, TIN number, VAT, power of Attorney,
  application fee (which is no – refundable), bid security etc.

In this stage, the evaluation team may conclude the part of preliminary and determine
those bidders succeeded for further analysis, the rest who are not substantially responsive
are rejected. The reasons for rejections are jotted down as footnotes.

Accepted Bid Examined in:

- During this process, the bidders who have successfully done well in the
  preliminary stage are evaluated in two parts.

- The evaluation team goes in deep to see if the applicants have enough technical &
  competent persons (team) to do that particular job as stipulated in the tender
  documents.

- The evaluation team also goes in detail to determine if the applicants have enough
  equipment and machines to implement the procurement as mentioned in the tender
  documents.
• After evaluating the resources of the bidders then at that process it is where the examination and comparison of prices in the schedule of rates are compared. Also this is where the award of contract is determined. It was noted that not necessarily bidder with the lowest price wins the tender, but the one with total lowest evaluated cost.

4.4.2.5 Award recommendation:
The researcher noted that after the evaluation team has complete its job i.e. writing the evaluation report, it submits it to the PMU which also goes through that report and make some recommendations, but the recommendations not to review the evaluation team’s recommendation. After that the MTB has to or not approve the award recommendation made by the evaluation committee. The award of the contract was to the successful bidder whose tender has been determined to be substantially responsive and had been determined to quality to perform the contract satisfactorily.

In case the MTB disagree with the recommendation of evaluation team:-
PPA 2004 – PART III, Section 41 requires that:-

Disagreements between a Tender Board and a Procurement Management Unit, and between a Procurement Management Unit and a User Department concerning any decision pertaining to the recommendation for the award of contract, application or interpretation of any procurement method, process or practice, shall be resolved in accordance with the procedures set out in the Regulations made under this Act.

The researcher verified that all tender wards conform to the PPA 2004

4.4.2.6 Contract Management:
Regulation 121 of Public Procurement Act 2004 requires procuring entities to be responsible for the effective management of any procurement of goods, services or works which is undertaking ie monitor timely delivery of goods or services, quality as specified in the contract.

At the Ministry of Finance there’s a receiving committee deals with inspect delivery of goods so as to ascertain quantity and quality as per contract requirements
Basing on the results above and discussion from respondents it seems MOF performing well in procurement procedures.

According to Dobler (1997), the purchasing department buys many different types of materials and service and the procedures used in completing a total transaction normally vary among the different types of purchases. However the general cycles of activities in purchasing is fairly standardized.

Procedures which followed by Ministry of Finance don’t differ from those stipulated in the public procurement act No.21 2004 GN 97/98

4.5 Challenges Encountered while Undertaking Competitive

Table 4.5 Shows effectiveness of tendering system

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Frequency (N=32)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very effective</td>
<td>12</td>
<td>37.5%</td>
</tr>
<tr>
<td>Effective</td>
<td>10</td>
<td>31.3%</td>
</tr>
<tr>
<td>Not Effective</td>
<td>10</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

Source: The researcher’s Analysis, 2013

All respondents reported a number of factors that affects implementation of tendering in procurement. These challenges have been categorized into three main categories; Finance and Training challenges faced while undertaking competitive can be in the level of MOF, reginal and even in the level of municipal. In general, 31.3% of respondents believe that tendering system is not effective while 37.5% believe that it is very effective.

Training:

According to the interviewed procurement experts there is a need for more training to be given to people who work generally work in procurement due to the fact that most of them lack adequate skills. Among 32 interviewed respondents, 12.5% of them have never attended any training on tendering system. This shows that in public organizations some of people who work in tendering system do not have sufficient skills in tendering process. If training is provided to them then they are more likely to follow procurement guidelines and have effective tendering system. As seen on Table 4.4 when they were asked to what
extend do they agree that people who prepare tendering documents are competent, 43.8% strongly agreed followed by 31.3%. There was 12.5% and 12.5% who disagreed and strongly disagreed respectively that people who work to prepare tendering documents are competent. Competence of those who work on procurement can be increased by attending a number of training on what they are working on. One of the respondent stated that “There is a need to conduct training among staffs who are involved in tendering procedure”.

Table 4.6 Showing a need of training for those who work in procurement system

<table>
<thead>
<tr>
<th>Training on Tendering</th>
<th>Frequency (N=32)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28</td>
<td>87.5%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>12.5%</td>
</tr>
<tr>
<td>Competence of people who prepare tender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>14</td>
<td>43.8</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>31.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Source: The resercher’s Analysis, 2013

Finance:

Another challenge is that of luck of enough funds to run administrative activities in procurement system. Respondents reported that lack of funds for administrative costs is one of the main challenges that affect the effectiveness of procurement system in public organizations. Six of the participants mentioned that there is a need for more funds to be allocated for allowances, for example of them stated that “We usually go and evaluate the whole process of tendering system but at times it is very hard because there are no funds for evaluation allowances”. There is a need for the government to seek more funds in order to have effective procurement system. Another financial challenge which was mentioned by respondents is that advertisements are very expensive and at time the procurement department cannot afford to advertise. This explains why 21% of participants reported that the tender advertisements appear several times in newspapers and majority who were 40.6% reported that it appear at list twice advertisements are advertised in several times. Also, 59.4% argue that cost the ministry a lot to advertise while 37.5% reported that it cost the ministry an average amount (Table 4.1).
4.5.1 Main Challenges Associated With Tendering In Procurement In Public Organizations.

To some the challenges mentioned by respondents are as follows:

- High advertisement cost
- Non responsiveness of renderers
- Inability of renderers to interpret tenders.
- Lack of competition when tenders do not respond fully to the tender advertisement
- Funds not arrived on time
- Late preparation of procurement planning
- Unethical behaviors that enable the procurement to be conducted in the manner that was not allow participants not to compete as equally as required by PPA, 2004.
- Favoritisms for some of supplier to whom they have personal interest and the issue of potential conflict of interest may arise for unethical employees.
- Politicians using their power and authority to interfere tendering process for their personal interest.

The researcher interviewed suppliers, user departments as well as procurement officials on the issue of challenges encountered during the whole procedure of tendering and the challenges mentioned were higher expenses associated with the whole procedure of tendering such as advertisement, board meeting for approval, increased clerical work as well as time involved.
CHAPTER FIVE

5.0 SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The current study has highlighted empirical analysis of tendering system on public sectors procurement. Findings of the study have clearly shown the importance of having tendering system and the perception of staffs that works on tendering in public organizations in Ministry of Finance. Also the findings have shown areas where public organizations and MOF in general can improve in making sure tendering system is effective.

5.2 Summary of the Study Findings

In answering the three specific questions of the current study, findings shows that tendering system is very important and has a number of roles that make sure the guidelines that have put in placed in procurement are followed. There is advantage for both the government and bidders when a transparent tendering process is in place.

The main practice of tendering in procurement in public organization includes annual procurement planning, preparation of tendering documents, tender advertisement, bid documents, opening tender, and evaluation of tender, award of contract and management of contract. These practices have been reported by respondents into detail and the findings of the study suggest improvement in them.

Furthermore, finding of this study has indicated a number of challenges which associate with tendering system in procurement in public organizations. The challenges have been grouped into two main categories. The first group involves challenges that require funds; preparation of tendering documents, advertisements, evaluation of tender and managing contract requires a huge amount of money. Another one includes challenges in which staffs needs training.
In the context of this study it is clearly revealed that tendering system play an important role in achieving value for money in public procurement.

The researcher was about assessing the tendering system in public sector case of Ministry of Finance.

The findings was critically analyzed and discussed in chapter four. It is therefore argued that the Ministry of Finance recognizes the importance of using tendering system during the procurement process. The procurement practice being followed by the Ministry of Finance as the one of public sector reflect on how other Public sectors performing their daily activities and facing various challenges in execution of their duties and the researcher revealed that these procurement practices requires a massive capacity building to insure that they are implemented as smoothly as required.

5.3 Conclusions

Ministry of Finance has put in place procedures which need to be followed they don’t differ from those stipulated in the public procurement act No.21 2004 GN 97/98. Results of the study has shown that these procedures are mostly being followed in public sector, however, there is a need for the system to amend some of these procedures for effective process of tendering. The planning of tendering system should also go hand in hand with the budget of the named public.

The researcher comes up with the following conclusion:

Tendering system are moderate adhered by MOF as prescribed in PPA, 2004 and its regulations 2005 this is because the MOF is fully equipped with personals having adequate knowledge of the respective professional, currently our Government finding it self in deep critical legal problems with the various companies due to the violation of the tendering procedure the live example is that of Tanesco and Dowans therefore these problems and others can be reduced through trainings, ethical behavior, separation of duties and adhereness of Public Procurement Act and its Regulation.
Ministerial Tender Board, Procurement Unit and User departments corporate each other to ensure that each party play its role according to Act. Researcher believes that anything done cooperatively always done the best compared with solely done activities.

You can’t say that the Ministry of Finance is achieving hundred percent of procurement principles but to some extent the Ministry is interesting, researcher revealed this due to the fact that the Ministry is seldom get complains from suppliers or contractors this reflects a big step in the procurement field compared with the past years. These procurement principles are sometimes refer to the good governance of the Ministry of Finance (Heart of the Government) should buy to learn from them.

In the recent years Tanzania and the world at the large has witnessed a number of people especially leaders and procurement dealers sent before the court due to improper procurement process for their own interest, these wrong procurement procedure finally leave the government with the loss of fund due to absence of the value for money procurement and end user get unstandard items and sometimes these items are harmfully for their health of end user.

Heavy penalties are needed for violation of PPA.
Everyone must play his part when performing their duties in order to reduce or remove problems associated with tendering system

5.4 The synthesis of the study.
Through this study researcher learned a lot about tendering system and discover areas which require a close eye control and monitor ring mechanism in the whole process of tendering, these areas are tender document preparation- specification should be clear, tender invitation, tender valuation and contract management, implementations of annual procurement plans. Breach of one above or more of these key areas may either lead to unnecessary cost and complains. Example re evaluation cost, time resource misallocation, penalty cost and re advertisement cost.
5.5 Recommendations

Researcher is in the position to give recommendations to the Ministry of Finance as follows:

5.5.1 Training

Management should train their employees and allow them to participate in seminars which conducted at national and international level, to be aware with the current matter on procurement guidelines, policy and procedure.

- How competitive tendering should be conducted
- Responsibility of each party in ensuring effectiveness of the procedures
- Advantage of competitive tendering to the PEs as well as the public at large.
- Given the results presented in Chapter Four the following is recommended:

Government should put and extra effort in giving training to staffs at procurement. The training should focus on what they will be doing. Each staff engaged in tendering system should know their responsibilities. There is also a need to increase man power and facilities

5.5.2 Recruitment of internal and external stock verifier

There must be internal and external stock verifier whose main function is to check for the procedure from initial point of procurement up to the disposal of goods for adherence to PPA and its Regulations.

5.5.3 Introduction of E-tendering/e auction

E – tendering should be introduced in the public procurement in order to increase transparency and save time. This would help to avoid complain because every bidder can see what is going on during the process of procurement, evaluation until the winner is obtained
5.5.4 Early advertisement

The evaluation team should consider reasonable price and the quality of goods/services to be procured during evaluation process.

5.5.5 Standard tender documents

Ministry of Finance as a public Sector should ensure that law and regulation of PPA and PPRA are followed especially on keeping document safe and clean storage and disposal after the end of their life time in a systematic manner.

5.5.6 Availability of PPA and Regulations copies

The organization should ensure that there is enough copies to each department so that they can be informed on how they interact with procurement department and their obligation and responsibility in procurement.

5.5.7 Conflict of Interest

Employees involved in public procurement should be mindful of potential conflict of interest that might arise and must not use their position to gain or seek to gain a benefit for themselves or any other person.

5.5.8 Ethical behavior and good probity practices

This enhances the procurement entities reputation in the marketable place. This is likely to maximize the number of suitable responses for future tenders, therefore researcher advises the Ministry to have regular training to impart them with good moral behaviors and this moral behavior enabled them to execute their everyday procurement duties fairly also enables procurement to be conducted in a manner that allows all participating suppliers to compete as equally as possible.

5.5.9 Penalties

Heavy penalties should be imposed for those personals involved in violation of procurement Act for their own interest and leaving our government with big financial losses of tax payers.
5.5.10 **Attention to areas performed below standard**

The area where the Ministry performed below includes record keeping, quality assurance and control.

Public organizations MOF as case should provide adequate resources for project supervision made available, standard project supervision manual should be prepared in line with SBDs, provide training on contracts management and implement the recently prepared anti corruption strategy. MOF should deliver projects within the performance, time and cost and the parameters approved when the major investment decision is taken.

Also install a procurement process that acquires ministry capability in a progressive way, at lower risk and with optimization of business between ministry capability, time and cost then reduce the time taken for new technology to reach the frontline where it is needed to secure advantage and suppliers competitiveness through private partnerships.

5.5.11 **Policy implication**

Decision maker should make sure that all tendering procedure is followed as stipulated in the PPA, 2004 and its Regulations. According to the researchers findings and recommendations given the policy makers should be make a critical review on the procurement guidelines, policies and procedures and the recommendation provided, so as to have effective tendering performance in the Ministry of Finance.

5.5.12 **Performance Review**

The government should apply system performance review, so as to see how its’ workers perform their duties. Also there should be a random visits may unveil whether things are done in procedures or not and make appropriate recommendation to the relevant authority for further action.

5.6 **Area of further Study**

Based on the result from this study is not exhaustive and probably the research has not covered each and everything about tendering system on public sector because this method
is wide so researcher recommends to all other researcher to go deep in all challenges affecting tendering system in public sector in order to achieve value for money in public procurement.
REFERENCES

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APPENDICES

Appendix 1: QUESTIONNAIRE

ASSESSMENT OF TENDERING SYSTEM ON PUBLIC SECTOR PROCUREMENT
CASE OF MINISTRY OF FINANCE

Dear Respondent;
Mary P. Moshi candidate for MSc in Procurement and Supply Chain Management (MSc PSCM) at Mzumbe University. I am required to carry out and submit research paper. Your are kindly requested to respond to this questionnaire for the best of your competence.

The objective of this questionnaire is to collect data related to the assessment of tendering system on public sector procurement. The researcher wishes to assure you that all information provided will be treated confidential and used solely for academic purposes and not otherwise.

I will be very gratefully if you could spend part of your time to answer these questions for me so that I can contribute towards improving tendering system in the organization. Please complete every item as frankly as possible and make comments wherever necessary.

Thanks.

Please tick or state where applicable
Age .................... Sex ...................... Male ......................
Female...............  
Grade / Position: ...................................................
Years spent at entity: ..................................................
Highest level of Education: ..................................
Area of specialty: ..................................................
Date: .................................................................
PART 1: MEMBERS OF PMU, HEAD OF DEPARTMENTS, MEMBERS OF TENDER BOARDS AND LEGAL OFFICERS.

What do you understand about the term tender

…………………………………………………………………………………………..
…………………………………………………………………………………………..
…………………………………………………………………………………………..

Are you aware of the importance of using tendering system
a) Yes (   )
b) No (   )

Are they shorter or longer compared to the past method of procurement?
Give your own comment
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
……………………………………………………………………………………………

Have you ever taught about the preparations of bids documents
a) Yes (   )
b) No (   )

If yes in (3) above does it help you in preparing tendering document
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
……………………………………………………………………………………………

If No in (3) above what do you use as guide in preparing tendering document
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
……………………………………………………………………………………………

In your opinion do you think Tendering system is sufficient and relevant to your organization?
 a) Yes (   )
b) No (   )
How do you rate the effectiveness of Tendering system (please tick (v) for appropriate response)

a) Very effective (   )
b) Effective (   )
c) Not effective (   )

Who are involved in preparing Tendering document in Ministry Of Finance please specify

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What is the impact of tendering process in the organization to the efficiency of procurement?

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........................................................................................................................................
........................................................................................................................................

Do you participate in preparation of Tendering document (please tick (v) for appropriate response)

a) Yes (   )
b) No (   )

Do you get Fund for Tendering process on time?

a) Yes (   )
b) No (   )

If no, what is the impact in implementation of Annual Procurement Plan? (Please mention at least three)

i) ........................................................................................................................................

ii) ........................................................................................................................................

iii) ........................................................................................................................................

How frequently does Top Management use supplies section in consulting professional advice with regard to tendering?

More frequently

Less frequently

Seldom

I don’t know
How do you assess the impact of Tendering process in implementing Annual Procurement Plan in the Ministry of Finance? Please explain

…………………………………………………………………………………………
…………………………………………………………………………………………

Do you experience emergence procurement in the Ministry of Finance?

a) Yes                                                             (    )

b) No                                                             (    )

If yes, what is the effect of emergence procurement in implementation the Annual Procurement Plan. (Please mention at least three)

i) ……………………………………………………………………………………………

ii) ……………………………………………………………………………………………

iii) ……………………………………………………………………………………………

In what circumstances do emergence procurement occurs at Ministry of Finance (Please explain)

…………………………………………………………………………………………
…………………………………………………………………………………………

In your opinion explain what should be done to avoid emergence procurement, (Please give three)

i) ……………………………………………………………………………………………

ii) ……………………………………………………………………………………………

iii) ……………………………………………………………………………………………

Have you ever attended any training on Tendering system (please tick (v) for appropriate response)

a) Yes                                                  (     )

b) No                                                   (     )

Do you think those who are involved in preparing Tender documents are having the necessary required knowledge and skills (Competence)?

a) Strongly Agreed                                (       )

b) Agree                                              (      )

c) Disagree                                             (      )
d) Strongly Disagree ( )

What are problem associated with effective implementation of Tendering procedures
…………………………………………………………………………………………………………………………………………………………………………………..
…………………………………………………………………………………………………………………………………………………………………………………..
…………………………………………………………………………………………………………………………………………………………………………………..
…………………………………………………………………………………………………………………………………………………………………………………..

What are the solutions for the above problems in question 23?
…………………………………………………………………………………………………………………………………………………………………………………..
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Do you advertise your tender in news paper of national wide circulation?
(Please tick (v) for appropriate response)
a) Yes ( )
b) No ( )

Do you advertise on International trade journals or magazines for International competitive bidding? (Please tick (v) for appropriate response)
a) Yes ( )
b) No ( )

If not what are other means adverts do you use
…………………………………………………………………………………………………………………………………………………………………………………..

Do use standard bidding documents issued by PPRA? (Please tick (v) for appropriate response)
a) Yes ( )
b) No ( )

If no why?
…………………………………………………………………………………………………………………………………………………………………………………..

Do you know the composition of the Ministerial tender board and the qualifications required?
If no why?
…………………………………………………………………………………………………………………………………………………………………………………..

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Who propose the members of evaluation team?

Do procurement staff involved in evaluation team? Please tick (v) for appropriate response)
   a) Yes (   )
   b) No (   )

How do you manage you contract?

39. What is corrective measure used by your procuring utility to correct or discipline deviations occur in the contract?

Do you have inspection and receiving committee?
   Please tick (v) for appropriate response?)
   a) Yes (   )
   b) No (   )
   If no why

What do you suggest, can be done in order to improve the tendering process in Ministry of Finance?
PART 2. USER DEPARTMENT

What do you know about tendering process?

Do you participate in preparing technical specifications during preparation of bid document?
- Yes (   )
- No (   )

If no what is your standpoint?

Have you ever initiate procurement and disposal by tender requirements and forward them to the PMU?
- Yes (   )
- No (   )

If yes what is the weakness if any encountered?

What are weaknesses in tendering process which need improvements to meet your requirement on time?
APPENDIX II: INTERVIEW GUIDE

1. Are employee aware on the importance of using tendering system
2. Have you ever taught about the preparations of bids documents
3. Is Tendering system is sufficient and relevant to your organization
4. Do ordinary employee involved in preparing Tendering document in Ministry Of Finance please specify
5. What is the impact of tendering process in the organization to the efficiency of procurement?
6. Do you experience emergence procurement in the Ministry of Finance
7. What are the effect of emergence procurement in implementation the Annual Procurement Plan.
8. What should be done to avoid emergence procurement,
9. Do you think those who are involved in preparing Tender documents are having the necessary required knowledge and skills (Competence
10. What are problem associated with effective implementation of Tendering procedures
11. What are the solutions for the above problems in question
12. What is corrective measure used by your procuring utility to correct or discipline deviations occur in the contract?
13. What do you suggest, can be done in order to improve the tendering process in Ministry of Finance?