

**FACTORS INFLUENCING SUPPLIERS SELECTION IN  
PROCUREMENT OF GOODS IN PUBLIC ORGANIZATIONS IN  
TANZANIA: A CASE OF KINONDONI MUNICIPALITY**

**BY**

**Nestory Celestine Gatahwa**

A Dissertation Submitted as a Requirements for an Award of Master degree in  
Procurement and Supply Chain Management Msc- PSCM) of  
Mzumbe University.

2014

**CERTIFICATION**

We, the undersigned certify that we have read and here by recommend for acceptance by the Mzumbe University, a dissertation titled; Determinants of Supplier Selection in Procurement of Goods in public Organizations in Tanzania: A Case of Kinondoni Municipality in Partial Fulfillment of the requirement for the award of the Master of Science in Procurement and Supply Chain Management degree of Mzumbe University.

Signature

.....

**MAJOR SUPERVISOR**

Signature

.....

**Internal Examiner**

Signature

.....

**External Examiner**

**Accepted for the Board of School of Business (SOB)**

Signature

.....

**CHAIRPERSON, SCHOOL BOARD**

## DECLARATION AND COPYRIGHT

I, Nestory Celestine Gatahwa, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award

Signature.....

Date.....

©

This dissertation is a copyright material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.

## **ACKNOWLEDGEMENT**

Moving each step forward, I appreciate God to have bestowed such a chance to enjoy the beauty of search for knowledge and exploration of my series. I acknowledge my thanks and appreciation for the steered people who graciously helped in this challenge. I also, want to thank my supervisor DR LEONADA MWAGIKE, Lecturer Mzumbe University for her inspirations, advice, guidelines, support and attitudes through out of this research.

In particular, I wish to acknowledge with thanks the active and open participation of management and staff of Kinondoni Municipality. In addition, I would like to thank all my friends and colleagues who advised me during the research.

Finally, I want to thank my family for their non-stop support in every single minutes of my life, especially my beloved wife Emmy Kabuje, My kids Joshua Nestory and Emmy Nestory. THANKS.

## **DEDICATION**

To my wife Emmy, my children Emmy and Joshua.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

AO:	Accounting officer
APIC	America's Private Investment Companies
BPI:	Business Progress Improvement
CBR:	Case Based Reasoning
CBSMT:	Case Based Supplier Management Tool
CBSMT:	Case Based Supplier Management Tools
DEA;	Data Envelopment Analysis
HOD:	Head of department
ICT:	International Competitive Tender
ISO	International Standard Organization
KCIM:	Kaizen Continuous Improvement Model
KMC:	Kinondoni Municipal Council
LGA:	Local Government Authority
MD:	Municipal Director
NBS:	National bureau of statistics
NCT:	National Competitive Tender
NGO:	Non-Governmental Organization
PE:	Procuring Entity
PMU:	Procurement Management Unit

PPA:	Public Procurement Act.
PPAA:	Public Procurement Appeal Authority
PPRA:	Public Procurement Regulatory Authority
RFQ:	Request for Quotation
S:	Section
SMEs:	Small and Medium Enterprises
SPSS:	Statistical Package for Social Science
SS:	Supplier Selection
TB:	Tender Board
TCO	Total Cost of Ownership
TSH	Tanzania Shilling
UN:	United Nations
USA:	United State of America

## **ABSTRACT**

The objective of this study was to determine factors influencing supplier selection in the procurement of goods in public organizations in Tanzania a case of Kinondoni Municipal. The study used both qualitative and quantitative approaches in collecting data from the study sample. The sample size comprised of 33 respondents. Data were collected using interview, questionnaire and review of documental sources. Data collected were analyzed using descriptive statistics such as percentages, frequencies and tables. The study revealed that Kinondoni Municipal used Request for Quotation as the main method of procurement of goods. Almost 70% of the respondents indicated that Request for Quotation is the common method used at Kinondoni Municipal in the procurement of the different types of goods. Concerning supplier evaluation and selection, the study revealed that 63.4% of the respondents indicated that supplier evaluation and selection base on lowest evaluated price. In relation to the factors that influence the selection of supplier in Kinondoni Municipal, the findings show that price is the main factor in supplier selection in Kinondoni Municipal. The main conclusion drawn from this study is that determinants of supplier selection in Kinondoni Municipal base on lowest evaluated price. In order to realize value for money in supplier evaluation and selection, it is recommended that Kinondoni Municipal should select the procurement method that encourage sufficient competition, tender evaluation process should be handled by professionals, evaluation report review to ensure fairness and adherence to PPA, supply selection should be an open and transparent process and lastly selection should involve all key departments in Kinondoni Municipal.

## TABLE OF CONTENTS

CERTIFICATION .....	i
DECLARATION AND COPYRIGHT.....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
LIST OF ABBREVIATIONS AND ACRONYMS .....	v
ABSTRACT.....	vii
LIST OF TABLES .....	xi
<b>CHAPTER ONE</b> .....	<b>1</b>
1.0 Introduction.....	1
1.1 Background information .....	1
1.2 Statement of the Problem.....	2
1.3.0 Objectives of the study.....	3
1.3.1. General objective .....	3
1.3.2. Specific objectives .....	3
1.4. Research questions.....	4
1.5. Significance of the study.....	4
1.6 Scope of the study.....	4
1.7 Limitations of the study .....	4
<b>CHAPTER TWO</b> .....	<b>6</b>
<b>LITERATURE REVIEW</b> .....	<b>6</b>
2.1 Introduction.....	6
2.2 Concepts and definitions.....	6
2.3 Theoretical Review .....	7
2.3.1 Supplier Selection Methods .....	7
2.3.2. Transaction Cost Approach.....	9

2.3.3. Supplier Selection Criteria .....	13
2.3.4 Factors Affecting the Selection of Optimal Suppliers .....	23
2.4 Empirical Review.....	24
2.5 Summary and Research Gap .....	25
<b>CHAPTER THREE .....</b>	<b>29</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>29</b>
3.1 Introduction.....	29
3.2 Research Design.....	29
3.3 Study area.....	29
3.4 Population of the study .....	30
3.4.1 Sample size and sampling techniques .....	30
3.4.2 Sampling Techniques.....	31
3.4.3. Sources of Data .....	31
3.4.4 Primary data collection .....	31
3.4.4.1 Interview .....	31
3.4.4.2 Questionnaire .....	32
3.4.5 Secondary information collection .....	32
3.6 Data Analysis .....	33
3.8 Ethical consideration.....	33
<b>CHAPTER FOUR.....</b>	<b>34</b>
<b>RESULTS AND DISCUSSION .....</b>	<b>34</b>
4.1 Introduction.....	34
4.2 Methods used in procurement of goods at Kinondoni Municipality .....	34
4.2. 1 Preferences in using quotation method .....	35
4.2.2 Non-Adherence to procurement method prescribed in Annual Procurement Plan.....	36
4.3. Evaluation and selection process .....	37
4.3.1 Preliminary assessment.....	37

4.3.1.2 Disqualification of lower price bid .....	41
4.3.1.2 Detailed evaluation stage .....	42
4.3.1.3 Post qualification .....	54
4.3 Determinants of factors influencing supplier selection at Kinondoni Municipality	56
4.3.1 Price .....	56
4.3.2 Technical capability .....	56
4.3.3 Quality assessment .....	56
4.3.4 Organizational profile .....	57
4.3.5 Delivery .....	57
4.3.6 Suppliers profile .....	57
<b>CHAPTER FIVE</b> .....	59
<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	59
5.1 Conclusions .....	59
5.1.1 Procurement method .....	59
5.1.2 Evaluation process at Kinondoni Municipal .....	60
5.1.3 Factors influencing selection of suppliers at Kinondoni Municipality .....	60
5.2 Recommendations .....	60
5.2.1 Use of other procurement methods .....	60
5.2.2 Evaluation and selection criteria .....	60
5.2.3 Use different criteria in supplier selection .....	61
5.3 Areas for future Research .....	61
<b>REFERENCES</b> .....	62
<b>APPENDICES</b> .....	72

## LIST OF TABLES

Table 3.1 shows the sample size of the respondents.....	31
Table 4.1 Type of procurement methods used at Kinondoni.....	34
Table 4.2: Summarize Procurement Methods.....	36
Table 4.3: Preliminary supplier selection criteria of Kinondoni Municipality for the purchase of goods .....	38
Table 4.4 Preliminary evaluation criteria.....	40
Table 4.5: Preliminary supplier selection criteria at Kinondoni Municipality .....	41
Table 4.6 Reasons for disqualification of bidders for sampled contract.....	42
Table 4.7 Correction of errors and comparison of tenders LGA/017/2012/2013/G/02.	43
Table 4.8 Summarize the correction of errors and comparison of bidders LGA/KMC/CQ/08/G/50/2012/2013 .....	44
Table 4.9 summarize the correction of errors and comparison of bidders LGA/KMC/97/2012/2013.....	45
Table 4.10 Summarize the correction of the errors and comparison of the bidders LGA/KMC/CQ/MW/47/2012/2013.....	46
Table 4.11 summarizes the correction of the errors and comparison of the bidders LGA/KMC/CQ/MW/50/2012/2013.....	47
Table 4.12 summarize the correction of Errors and Comparison the bidders.LGA/KMC/017/2012/2013/Q/36.....	48
Table 4.13 summarize the correction of errors and comparison of the bidders.....	49
Table 4.14 Summarize the correction of Error and comparison of bidders .....	50
Table 4.15; summarize the correction of errors and comparison of bidders.....	51
Table 4.16 summarize the correction of the errors and comparison of bidders.....	52
Table 4.17: Selection criteria at Kinondoni Municipal.....	53
Table 4.18 Engineers estimate for 10 sample contract .....	54

## **CHAPTER ONE**

### **1.0 Introduction**

#### **1.1 Background information**

Supplier evaluation and selection has become the fastest growing areas of interest especially in the last few years. Although study in the area started in 1960s, it is in the 90s that scholars gained much interest in the area of supplier selection. The reason is that with heightened global competition that has reduced the profit margins of most procuring entities, hence, cost cutting has become the option and is being focused in logistics which has become the single largest and most important activity of most procuring entities both for profit and none profit sectors. As such, quite a significant portion of organizations' budgets is spent in these activities. Supplier selection in particular is crucial in procurement management. The decision is one of the most fundamental and important decisions made by buyers and organizations. This is because supplier evaluation and selection can be applied to a variety of suppliers throughout a products' life cycle from initial raw materials acquisition to end-of-life service providers (Bail and Sark's, 2009).

Procurement is a comprehensive process stretching from budget allocation, bids invitation, bids evaluation, contract award, contract management, performance evaluation, auditing and report. Procurement is performed through a logical flow of activities and predetermined time limits (work plan) all of which have got cost implications; it is an activity that must support the delivery of a public body's strategic objectives at the same time up to the expectations of the targeted public and tax payers at large. The performance of each activity is largely influenced by time management and competence of the Procurement Entity (PE).

Many authors agree that the following factors make the supplier selection decision making process complicated (Vera and Pullman, 1998). These factors are (1) multiple criteria: Both qualitative and quantitative, (2) Conflict amongst criteria: Conflicting objectives of the criteria, (3) involvement of many alternatives: Because of high competition, (4) internal and external problems imposed on buying process. However, it takes a lot of work effort and patience to develop this partnership. Since, the right supplier selection process encompasses different functions such as purchasing, quality etc. within the company; it is a multi-objectives problem, encompassing many tangible and intangible factors in a hierarchical manner. It is obvious therefore, that effective supplier selection must deal with a host of quantitative and qualitative factors that may be in conflict with one another (Vera and Pullman, 1998). Hence, the objective of this study is to investigate determinant of supplier selection in procurement of goods.

## **1.2 Statement of the Problem**

Purchasing enhances efficiency and competitiveness among other benefits but to realize these benefits it is imperative to select and maintain competent suppliers. However, many factors affect a firm's ability to choose the right supplier. There is a need to understanding of the supplier selection criteria. Some of the factors firms consider include trust and commitment, adequate finance, quality, reliable delivery times, adequate logistic and technological capabilities (Cox, 1999). Materials delivery, quality, cost/price, financial position, communication and technology is recognized as the commonly used criteria (Li, 2000). However other criteria such as ISO certification, reliability, credibility, good references and product development are also necessary. This shows that focus is shifting from solely relying on quantitative factors to include qualitative criteria (Li, 2000).

Supplier selection is usually a time consuming process that evaluates suppliers on several criteria such as cost of production, raw material cost, quality assessment, organizational goal, quality staff, and delivery system and personal facilities. Selection of suppliers is complicated process by the fact that numerous criteria must be

considered in the decision making process. Therefore, different criteria are usually considered during the supplier selection process. Wisner (2008) surveyed a number of industries and suggested that quality and on-time delivery are the most important attributes of purchasing performance evaluation. Wang and Cher (2007) suggested that apart from optimum cost, joint development, culture, forward engineering, trust, supply chain management, quality and communication were also important. He further suggested that the suppliers' history of supply, production price, technical capability and transportation cost also play important role during suppliers' selection. O'Brian and Ghodsypour (1998) agreed that cost, quality and service that are the most important factors in supplier selection process. Therefore, it is important to note that cost and quality dominated more in the supplier selection process.

Although there are studies on supplier selection determinants in procurement, most of this focuses on private procuring entities. There are hardly any studies focusing on supplier selection determinants in government procuring entities. Hence, need for this study. This study therefore was conducted to investigate the factors influencing the supplier selection in procurement of goods in Kinondoni Municipality in Tanzania.

### **1.3.0 Objectives of the study**

#### **1.3.1. General objective**

The general objective of this study is to determine factors influencing selection of suppliers in the procurement of goods in public organizations in Tanzania.

#### **1.3.2. Specific objectives**

- i. To identify procurement methods of goods used by Kinondoni Municipality
- ii. To investigate on suppliers selection process at Kinondoni Municipality.
- iii. To determine the factors influencing the selection of suppliers in the procurement of goods at Kinondoni at Kinondoni Municipality.

#### **1.4. Research questions**

- i. To what extent do different procurement methods influence supplier selection decisions in Kinondoni Municipality?
- ii. How supplier selection process carried out in Kinondoni Municipal?
- iii. What are the factors that influence the selection of suppliers in Kinondoni Municipality?

#### **1.5. Significance of the study**

This study is significant in the sense that it will put into perspective the exact determinants for supplier selection in Kinondoni Municipality. The study will be of significance to suppliers of goods as it will shed light on what the public procuring entity consider in a supplier before awarding a contract. The study will also be valuable to business consultants and entrepreneurship trainers as they will help businesses develop capacities in the key aspects that the public procuring entities consider before selecting suppliers. The study will enable more firms do business with public procuring entities. The study will also provide direction to researchers in developing a theory of buyer's behavior. Further the study is very significant in the sense that it can serve as avertable source of information for policy makers in Tanzania and across African continent on how to improve the suppliers' selection qualities.

#### **1.6 Scope of the study**

The study confined itself only in Kinondoni Municipality. The focus of the study is on establishing the supplier selection determinants in the procurement process within this public procuring entity.

#### **1.7 Limitations of the study**

Study of this nature is not expected to be without limitations. In this study the major limitations includes; The financial resources, time constraints available for the study as well as findings being done to only one council in Tanzania. The major constraint under

this study was time; time provided for the preparation of the proposal for data collection was also very limited. However, the researcher prepared the Time schedule and work plan to make sure that the resources required are readily available and each task is accomplished within schedule so as to cope with time indicated for submission of the research proposal and Final report, and reduces scope in accordance with the timeframe. In parallel with time limit, financial constraint also was a limit to the study as it was very difficult to get the required fund within this short period of time, however; I thank my employer, president's office for the financial support.

On the other hand, The study relied on Heads of departments, PMU and tender board members in the Municipality of Kinondoni but final users of goods were not involved, consequently, generalization of the findings are not correct.

Another limitation is the secrecy surrounding the Municipal's operations as well as Kinondoni Municipals' staffs during employments are supposed to sign code of secrecy to protect their customers, so, every information was confidential to the outsider. However, the researcher seeks permission from the Municipal Director.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter provides review of literature on supplier selection, Section 2.2 provides concepts and definitions, section 2.3 focuses on the theoretical literature review and section 2.4 focuses on empirical literature review.

#### 2.2 Concepts and definitions

**Procurement:** A process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location ( Megan *et al*, 2008)

**Public Procurement System:** the process in which public sector institutions acquire goods and services. Public procurement systems are highly centralized and State Procurement Boards govern procurement (Bovis, 2007)

**Purchasing:** The specific function associated with the actual buying of goods and services from suppliers (Megan *et al*, 2008)

**Sourcing:** Refers to the processing of identifying and working with appropriate suppliers (Megan *et al*, 2008)

**Lead Time:** This is the time between order and placement of material and the actual delivery, the shorter the lead time, the better the supplier. Every purchasing firm will be comfortable when the lead time is shortest possible. Long lead time has the impression that the specific supplier is less efficient or he just has more customers than he can serve thus delaying deliveries (Beacon, 1999).

## **2.3 Theoretical Review**

### **2.3.1 Supplier Selection Methods**

There are several supplier selection methods available in the literature. Some authors propose linear weighting models in which suppliers are rated on several criteria and in which these ratings are combined into a single score. These models include the categorical, the weighted point (Timmerman, 1986) and the analytical hierarchical process (Nitpick and Hill, 1992). Total cost approaches attempt to quantify all costs related to the selection of a vendor in monetary units, this approach includes cost ratio (Timmerman, 1986) and total cost of ownership (Ell ram, 1995). Mathematical programming models often consider only the more quantitative criteria; this approach includes the principal component analysis (Petron and Braglia, 2000) and neural network.

The categorical method relies heavily on the experience and ability of the individual buyer (Timmerman, 1986). People in charge of purchasing, quality, production, and sales all express their opinions about the supplier's selection on the basis criteria which are important to them. In Tanzania, selection procedure base on technical quality with price consideration, compatibility, least cost consideration and fixed budget on the other hand supplier selection and evaluation shall adhere to section 65,regulations 20 (b) and 15 (14).

Section 45 of the PPA No, 21, 2004 emphasizes on the need to achieve value for money, section 67 of the Act No 21, 2004 makes it very clear that the tenders shall be evaluated on the common basis, according to the provisions of the tender documents. However, lowest submitted price shall not be the only factor to be considered to determine the award, the section 'states that the procuring entity shall evaluate on a common basis, tenders that have not been rejected in order to determine the cost to the procuring entity of each tender in a manner that permits a comparison to be made between the tenders on the basis of the evaluated costs, but the lowest submitted price, may not necessarily be the basis for selection for award of a contract.

Regulations 4 and 5 of both sets of regulations emphasizes are to achieve value for money. Further, the regulations require that a tender be awarded to the contractor or service provider who has submitted the lowest evaluated cost. According to the regulations the lowest evaluated cost is ‘the price offered by the supplier. Service provider or contractor that is found to be the lowest after consideration of all relevant factors and the calculation of any weighting for these factors, provided that such factors have been specific in the tender documents’

Regulations 46, 48 and 49 of GN.97 elaborate further on the need of procurement planning, aggregating procurement requirement and avoidance of splitting of contractors. In addition, regulations 90 (18) (a) to (c) gives the procedure to determining the lowest evaluated tender. Subsection (c) states “in determining the lowest evaluated tender, the procuring entity must consider the following” the tender price, and the cost of operating, maintaining and repairing the goods and time for delivering of the goods

Supplier selection and evaluation have become one of the major topics in production and operations management literature (Motwani *et al*, 1999). It is the process by which firms identify, evaluate and contract with suppliers. The supplier selection is one part of the value chain that is now considered to deploy tremendous amount of an organization’s resources and for this reason, much is expected in terms of high value from suppliers (Biel, 2009). These are part of what is today called supply management in the supply chain management function in an organization. Typical criteria for supplier selection could be price structure, delivery which entails timeliness and cost, product and services quality. It is the ongoing process of searching and evaluating to find a supplier of essential goods and services required in an organization for normal operations.

The main objective of supplier selection process is to reduce purchase risk, maximize overall value to the purchaser, and develop closeness and long-term relationships between buyers and suppliers (Li *et al*, 1997). According to Benyouce *et al* (2003), supplier selection process is continuous in order to upgrade the existing variety and

typology of their product range. It is necessitated by the fact that most products generally have short lifecycle of 3 to 4 years.

Supplier selection is generally considered as five phase process starting from the realization of the need for a new supplier, determination and formulation of decision criteria; pre-qualification; final supplier selection, to the monitoring of the supplier selection (Choy and Lee, 2002). At first, evaluation and assessment task needs the identification of decision characteristics against which the potential suppliers are to be assessed. Next evaluation seals are selected in order to measure the appropriateness of a supplier. The next step is to assign weight to attributes to identify the significance and contribution of each criterion to the supplier evaluation and assessment. Then an attribute may comprise of several sub attributes. The last stage is to evaluate potential suppliers against the characteristics identified at the beginning (Choy and Lee, 2002).

Globally, supplier selection decisions are intricate due to the fact that multiple criteria must be considered in the decision making process. Multi-criteria approach is used in selecting suppliers. According to (Weber & Current, 1991), although there are numerous criteria used in selecting suppliers depending on organizations, literature suggests that the most important are price, delivery and quality. Locally, the procurement procedures pretty much follow the international standards to a large extent. This means that even supplier selection determinants are more or less similar to those considered by purchasers everywhere else.

### **2.3.2. Transaction Cost Approach**

Unlike the frictionless economic system implied by neoclassical theory, Transaction Cost Approach recognizes that transactions do not occur without friction and labels the costs, which arise from the interaction between and within firms, as transaction costs. Transaction costs arise wherever there is any form of economic organization, i.e. within a vertically integrated firm, in a market or in a command economy and are divided into market, managerial and political transaction costs. It would seem, then, that social

morality, confidence, trust and the institutional framework are all interrelated. It is noteworthy that minimizing absolute or relative transaction costs is not an economically reasonable aim. Rather, what matters for the judgment of the economic quality?

Efficiency of an economic entity is its total economic results not its level of transaction costs (Forborne & Richter, 2000). Williamson (1985) outlines the cost-determining attributes of individual transactions (dimensions of transaction) as their frequency (i.e. volume/number of transactions per time period), the environmental political, social or economic risk surrounding them (uncertainty or ambiguity as to transaction definition and performance) and the level to which the inputs required to achieve them are dedicated (asset specificity) to the transactions concerned. Asset specificity can arise in any of three ways: site specificity (resource immobility), physical asset specificity (technology advantages) and human asset specificity (know-how advantages) (Williamson, 1981). In a world where individuals are subject to bounded rationality (limited judgment) and to opportunistic behavior (guile and self-interest) and therefore, small numbers bargaining (many bargaining situations are infrequent or involve small quantities where the cost of obtaining full information is prohibitive, i.e. as in an oligopoly) and information impishness (asymmetrical distribution of information among the exchanging parties that means that one party might have more knowledge than another), these characteristics have a major influence on the efficiency of alternative transaction modes (Williamson 1985). Exchange relations are not always cooperative and therefore the notion of rationalizing and economizing on transaction costs in the comparison of the different modes of organization becomes crucial. For efficient governance, three main structures emerge, with reference in particular to the volume/number of transactions and the characteristics of the investments required for consummating. Market governance implies that alternatives are available, which protect each party against opportunistic self-interest by the opposing party to the contract, trilateral governance implies arbitration in resolving disputes and evaluating performance, bilateral governance implies continuing contractual contact, but with the autonomy of the parties maintained and finally unified governance implies internalization of the contracting process. Transaction Cost Approach emphasizes

that is through transactions rather than technology that determines the efficacy and efficiency of exchange by one mode of organization as compared with other (market or internal organization) and in this

Respect Transaction Cost Approach logic can be envisaged when a firm is faced with the following three possibilities:

- i. The ownership of certain assets (e.g. those that comprise the firm's core competence) sufficiently makes it obvious that a careful, comparative assessment is unnecessary (e.g. site specificity) and the hierarchy is the obvious choice. Hierarchy is based on the centralization of property rights by management and the administrative control mechanisms within a company facilitate the orientation on one target.
- ii. In the case where self-supply is clearly uneconomical, the market supply is the obvious choice (e.g. raw materials). Market steers transactions by the price mechanism and there are direct incentives for all transaction partners. If a supplier cannot meet customers' requirements, that supplier will not be able to participate in the economic exchanges any longer.
- iii. For certain assets, a make or buy decision can only be made after assessing the transformation and transaction cost consequences of alternative modes. The crucial issue is how the choice between firm and market governance structures is made for decisions related to the third point above.

The conceptual basis and basic design alternatives for the outsourcing decision are based theoretically on Williamson's Institutional Economics. In this respect, hierarchy is directly linked with in sourcing and all governance structures with market elements are relevant for the outsourcing design. Williamson (1985) pays greater attention to relational contracts between firms, but construes them as features of 'hybrid' forms of organization, lying on a continuum between markets and hierarchies. In between the two extremes of spot market transactions and vertically integrated firms lie a myriad alternative ways of coordinating economic activity, which are neither clear market nor clear hierarchy, from

Strategic Alliances and formal written contracts to Quasi-vertical integration (Joint Ventures, Franchises and Licenses), Tapered and Full vertical integration. According to Transaction Cost Approach, one of the determinants of vertical coordination is the nature and level of transaction costs, wherein a change in the transaction costs arising from the exchange may lead to a change in the management of that supply chain. As uncertainty and asset specificity increase and frequency of transaction decreases, we move along the spectrum of vertical coordination from spot market towards the extreme of vertical integration (David & Han, 2004). Williamson (1993) argues that Transaction Cost Approach deals predominantly with dyadic contractual relations.

Viewing the firm as a nexus of contracts, the objective is to prescribe the best transaction/governance structure between the firm and its intermediate product market suppliers. Transaction cost economists argue that nonstandard forms of contracting have the purpose and effect of economizing on transaction costs (Williamson, 1985). Considering the hazards of the spot market and contractual incompleteness, transaction costs economists predict the parties will adopt appropriate contractual (governance) structures to prevent ex post opportunism and thus promote an efficient level of investment. While providing a number of important insights regarding the most efficient means to govern a particular transaction, Transaction Cost Approach has been developed and tested under a set of restrictive assumptions that ignore the potential influence that an extant governance form, a firm's existing portfolio of transactions or other firm-specific asset and capability stocks may have on a focal transaction. The resulting implication is an untenable proposition that, in equilibrium, all firms facing a given set of transactional attributes will reach similar conclusions regarding which activities to execute internally and which activities to outsource (Heinlein & Miller, 2003).

### **2.3.3. Supplier Selection Criteria**

With the emergence of global competitive challenges and resulting shifts in business paradigms, academics and practitioners alike have identified the growing importance of purchasing as a strategic issue in corporate profitability (Goff in *et al*, 1997). Improvement of profitability, margin and earnings per share growth has been the number one organizational priority for purchasing. By locking on to this business driver, purchasing can demonstrate real, tangible, measurable contribution and build credibility (MAI, 2002).

Purchase decision process of organizational buyers has become increasingly a complex, multidimensional and multifunctional activity as the traditional, adversarial role of the purchasing has significantly changed over the past few years as organizations increasingly globalize their sourcing activities (Humphreys *et al*, 2005). Purchasing is not a purely tactical exercise anymore; instead it is now recognized as a strategic function because external suppliers now exert a major influence on a company's success or failure and competitive position (Goff in *et al*, 1997). With the increasing importance of the purchasing function, supplier management decisions have become more strategic. In this connection, supplier relationship management appears to be a statistical barometer for purchasing professionalism, effectiveness and contribution (MAI, 2002).

The management of supplier relationship is also a vital task for the firms as it can contribute to both competitiveness and profitability of a company (Goff in *et al*, 1997). Therefore, a key and strategic issue that purchasing must address is effective management of the supplier network for achieving competitive advantage including identification of supplier selection criteria, supplier selection decisions and monitoring of supplier performance (Kalpak *et al*, 1999). In this respect, the effective selection of suppliers is very important to the success of a firm in achieving high quality products and customer satisfaction (Humphreys *et al*, 2005). The purpose of supplier selection is to determine the optimal supplier who offers the best all-around package of products and services for the customer (Swift & Gruber, 2000) and greater use of advanced supplier selection and

monitoring practices tends to increase profitability and product quality (Dittmer *et al*, 1999). The overall objective of supplier selection is to identify suppliers with the highest potential for meeting a firm's needs consistently and at an acceptable cost. However, under partnership sourcing, it becomes not a task of supplier selection but rather a question of identifying the best partner for a long-term relationship. With partnership sourcing, the buyer recognizes the supplier as an integral member of the organization, thus requiring the implementation of a supplier selection strategy that provides a measure of overall supplier performance along with supplier accountability.

Selection is a broad comparison of suppliers using a common set of criteria and measures. It involves the determination of quantitative and qualitative factors so as to select the best possible suppliers. However, the level of detail used for examining potential suppliers may vary depending on a firm's needs. According to (Boer *et al*, 2001), a supplier selection problem typically consists of four phases, namely problem definition, formulation of criteria, qualification of suitable suppliers and final selection of the ultimate supplier(s). The involvement of a large number of closely interrelated decisions regarding financing, negotiations, distribution, procurement and product quality assurance at the source implies the significance and long-lasting impact of supplier selection on sourcing (Min, 1994). There are a number of reasons why the selection of suppliers is more important today than it was in the recent past:

(1) The increasing adoption of Just-In-Time manufacturing practices has placed a new emphasis on supply base reduction (streamlining sometimes to single source) (Pearson & Ell ram, 1995) that, due to resource scarcity, brings greater interaction and long-term relationships between buyer and supplier, which may lead to a sharing of resources (Kalpak *et al*, 1999) to improve quality, reduce costs and emphasize on continuous improvement in all areas of interaction and, as Bagel and Shaun (2001) state, eliminate the mistrust between buyer and supplier. A small number of supply sources have resulted in some important advantages such as long-term relationships, consistent quality, resources savings, lower costs, special attention and savings on tooling to the firms

(An sari & Moderns, 1988).

(2) The strategy of involving suppliers early in the product design process (referred to as concurrent engineering) is recognized as a significant contributor to reducing costs and improving quality in the production cycle (Trent & Monczka, 1998).

(3) The development of advanced communication in information systems through Electronic Data Interchange (EDI) is also facilitating the closer coordination and interaction between buyers and suppliers.

(4) A growing importance of team involvement in the selection and evaluation of suppliers from various functional areas plays a significant role in overall performance of the buying firm (Pearson & Ell ram, 1995). It is very noticeable that considerable numbers of stakeholders make significant purchasing and supplier selection decisions. Therefore, the ability to manage the supplier selection process effectively should have a major impact on organizational competitiveness and profitability. Companies in order to attain the goals of low cost, consistent high quality, flexibility and quick response have increasingly considered better supplier selection approaches. These approaches require cooperation in sharing costs, benefits, expertise and in attempting to understand one another's strengths and weaknesses, which in turn leads to single sourcing and long-term partnerships (Bhutan & Hug, 2002).

Supplier selection is sometimes very complicated, owing to a variety of uncontrollable and unpredictable factors, which affect the decision. Several factors have been identified by (Delver *et al*, 2001), which impact on supplier selection decisions of organizational buyers. These factors (which are both of a firm-specific nature as well as environmentally determined) include: (1) the composition and functional specialization of members of the decision making unit (2) the patterns of buyer-seller interaction and relationship (3) the role of intermediaries in the decision process and (4) the impact of environmental factors such as market structure, technology, economic and culture on these decisions. Moreover, purchase decisions are also influenced by three dimensions of

buyer behavior identified as technical, commercial and social (Delver *et al*, 2001).

It is thus by having a correct understanding of these factors that one can fully appreciate the decision process of organizational buyers in a wider perspective.

The source selection decision is highly complex and purchase's most difficult responsibility. First, such a decision involves more than one selection criterion when choosing among the available suppliers. It is well established that supplier selection decisions are often driven by multiple criteria and there is also a very large number of options (Weber *et al*, 2000). Additionally, members of purchasing teams bring diverse views of reality and criteria to the purchasing decisions driven by their departmental interests such as cost, quality and delivery reliability. Hence, in practice, purchasing teams' decisions may be influenced by multiple decision criteria that are context specific (Goff in *et al*, 1997). The relative importance places on evaluative criteria varies largely in accordance with the nature of the selection situation and is complicated further by the fact that some criteria are quantitative (price, quality, etc.), while others are qualitative (service, flexibility, etc.). Also, establishment of proper weights for each evaluation criterion increases the level of uncertainty inherent in the selection process and decision making becomes difficult when the available information is incomplete or imprecise (Weber & Current, 1993).

In the other words, there may not be a generalized consensus on how to weight the relative relevance of the different criteria since these are highly firm and situation-specific. In a similar vein, (Weber *et al*, 2000) stated that strategic decision making influences the relative importance of different criteria. Nevertheless, a critical part of the overall supplier selection process consists in the determination of the relative importance of each of the criteria (Ell ram, 1990).

Second, criteria included in the supplier selection process may frequently contradict each other. Therefore, the purchasing team must take into consideration and manage the trade-offs among the criteria.

It requires substantial judgment to assess the wide range of trade-offs present, to recognize all the alternatives available and to make a decision, which balances both the short- and long-term needs of an organization. In multi-criterion supplier selection problems, there is generally no supplier, or combination of suppliers, that has the best performance on all the criteria. For example, a high quality supplier might not be the one with lowest cost components. It is also possible that the components delivered by a particular supplier excel in a few quality dimensions (reliability or features) while some other supplier might be superior in other quality dimensions (durability or aesthetics). Another complicating factor results from the fact that suppliers may be able to alter their performance on the relevant criteria (Weber *et al*, 2000)

Furthermore, as organizational requirements and market conditions change, the importance of the analysis of tradeoffs among the selection criteria may be increased. This analysis may necessitate the addition of new criteria and a reordering of existing ones. The set of relevant supplier selection criteria is believed to change over time, reflecting business and competitive environments (Goff in *et al*, 2000). Ell ram (1990) suggested that buyers involved in strategic partnership supplement traditional selection criteria with a new set of selection criteria and termed those criteria 'soft' factors. Soft factors cover issues including management compatibility, goal congruence, design capabilities, company culture and the strategic direction of supplier firm (Ell ram, 1990)

A third complication surrounding the supplier selection decision arises from internal policy constraints and externally imposed system constraints placed on the buying process. Internal policy constraints exist either implicitly or explicitly in the buying process for such matters as the number of suppliers to employ, minimum and maximum order quantities and so on. Similarly, suppliers may impose constraints on the buying process such as their own minimum order quantities or a maximum order quantity based on their production capacity or their willingness to do business with a particular firm (Weber *et al*, 2000). Moreover, the involvement of organizations external to a buying or supplying company is important for the decision process. These companies may also

require interaction with monitoring or regulatory bodies. Fourth, basically in supplier selection decision, there are two decision rules:

(1) Compensatory decision rules leading to an optimal solution and

(2) Non-compensatory rules in which a bad score of an alternative on a particular criterion can be compensated by high scores on other criteria. In purchasing both compensatory as well as non-compensatory rules are used. Factors that influence the type of rules are, for example, time pressure, the extent to which the situation is perceived as new, the number of criteria and the number of suppliers to choose from (Boer *et al*, 1998). Applying these rules may also complicate the selection process. From the foregoing we can conclude that supplier selection may involve several and

Different types of criteria, interrelated decision structures, combinations of different decision rules, group decision making and various forms of uncertainty. Put together, this would plead for serious attention for the way these decisions are reached and justified and therefore suggests (among other things) the use of decision models in support of purchasing decision making. In order to counter the procedural aspects, numerous formal techniques have been developed in the literature based on particular conceptual approaches. These techniques differ in their ease of use, level of decision subjectivity, required resources to use the technique and implementation costs. Each of these techniques has its own advantages and drawbacks. While some are more effective at providing an answer to the multi-criterion nature of the supplier selection problem, others are more satisfying when dealing with the heterogeneity of evaluation criteria (quantitative versus qualitative attributes) and some are specifically suggested for handling trade-offs between criteria. Some are best suited for the problem definition and criteria formulation phases, while others are expressly designed for pre-qualification (sorting methods) and the others are used for the final choice (ranking methods). Regardless of their strengths, none of these approaches can systematically measure both qualitative and quantitative criteria and structure complex problems with a large number of criteria, attributes and alternatives. Furthermore, none of these methods can measure

the degree to which a purchasing manager's judgments are consistent in evaluating suppliers (Min, 1994).

Other criticisms of these methods include complexity, situation-specific application, over-reliance on some criteria and insufficient consideration of others (Bhutan & Hug, 2002), suffering primarily from a lack of potential objectivity or excessive data requirements (Weber *et al*, 2000). Additionally, most of the methods proposed in the literature deal with the imprecision of the rating mechanism itself, that is, the difficulty of determining the score of a supplier on different criteria or the relative importance of criteria with a high degree of precision. Often it is assumed, explicitly or implicitly, that the methods are applicable in all purchasing contexts. At most, a reference is made to a particular industry in which a method has been empirically tested or the need to change the criteria considered when applying the method to another type of product. However, neither the specific industry nor the particular criteria at hand determine the usefulness of certain method (Boer *et al*, 2001).

It leads to suggest that using decision models in supplier the key competitive factors in their industry and translating these dimensions into supplier evaluation criteria. An evaluation of best-in-class performance in product and process technology, quality, delivery and design flexibility is a key determinant in this decision (Hadfield, 1994). To compete in their respective markets, buying firms must ensure that their suppliers' performance, capabilities and responsiveness equal or surpass that experienced by the buying firm's competitors. A strategic approach towards purchasing may further emphasize the need to consider multiple criteria. Therefore, a buyer should analyze and evaluate the potential threats when selecting suitable supplier resulting from a systematic selection process and its corresponding attributes. In the selection process, criteria and measures are developed to be applicable to all the suppliers being considered and to reflect the firm's needs and its supply and technology strategy. The firm can set measures while it is developing selection criteria to ensure that the criteria will be practical to use. Often, developing criteria and measures selection, provided that they are carefully

selected and given certain conditions, may prove useful in various ways throughout the whole supplier selection process in fundamentally different purchasing situations (Boer & Wegen, 2003). Any one approach is thus unlikely to be applicable in general term or equally to all possible purchasing situations (Ell rams, 1990). Since the supplier selection process encompasses different functions (such as purchasing, quality, production, etc.) within the company, it is inherently a multi objective problem in nature, entailing typically many tangible and intangible criteria and factors (e.g. price, quality, delivery performance) in a hierarchical manner (Kalpak *et al*, 1999); Weber *et al*, 2000); Butta & Hug, 2002); (Telluric & Shark's, 2002). When evaluating sources, the single most important task for buyers is assessing

Overlaps with the next step, gathering information. Gathering information may offer insight into the number and type of criteria that will be required for the evaluation and the type of data that is available. However, gathering information without specific criteria and measures in place can lead to extraneous effort. There should be consensus within the team or organization on the measures, standards and methods used to rate or compare suppliers. A firm needs to develop effective measures for each of its selection criteria. A firm can evaluate the effectiveness of a measure by determining the degree to which it is related to customer requirements, developed with inputs from and consensus with work groups, easy to understand, practical to implement and able to drive desired behavior. Although choice factors used in supplier evaluation and selection vary across products (and services) and purchase situations, previous researchers have identified similarities in purchase decisions. Preferences are generally considered to be a function of case-specific evaluations of quality, price, delivery and service. The relative importance of these selection factors has been examined over various purchasing situations (Bevilacqua & Petron, 2002).

The literature review reveals that multiple dimensions and criteria must be used in the evaluation of supplier performance during supplier selection. The most common measurements including cost, delivery and product quality, focus on the output of the

supplier. When companies have long-term relationships with suppliers though, output criteria need to be complemented with processing criteria and structural criteria (Ell ram, 1990). Evaluation with regard to processing criteria addresses what the supplier does, rather than achieves and typically includes whether employees adhere to standard operating procedures or not. Structural criteria relate to the potential performance and reflect what could be done by the supplier in consideration of the resource body available, thereby including criteria such as equipment capability. The supplier selection strategy in terms of technology, quality, cost and delivery performance is an important strategy in overcoming the upstream uncertainties, such as supplier defaults on delivery and performance, high cost production and quality rejects as well as downstream uncertainties due to demand volatility and changes in product mix, price and competition action, which requires flexibility in the production processes. With the view of enhancing supplier selection. The proposed supplier attributes, integrated with literature studies and recent research by Mohammad (2004) are grouped into five main categories: (1) Quality (2) Service (3) Organization (4) Relationship and (5) Cycle Time to form a backbone of a generic supplier selection mechanism. . In Tanzania, for example selection procedure ,are based on technical, quality with price consideration, compatibility, least cost consideration and fixed budget, on the other hand supplier selection and evaluation shall adhere to section 65,regulations 20 (b) and 15 (14) of the PPA 21,2004

It is important to note that these criteria are interrelated and some of factors are traditional dimensions used in previous studies, but others are longer term and more subjective or judgmental in nature. Each factor contains a specific set of criteria that are important for supplier evaluation at different phases of the decision process

Mohammady (2004) because of the significant advantages that buying firms realize through outsourcing non-core processes, potential suppliers of the outsourced processes should know what factors potential buyers think are important in supplier selection. This will give supplying firms insight into how to tailor their strategies to gain customers (Kotare & Murray, 2001). Delver *et al* (2001) confirmed the need for suppliers to

understand in greater details factors that buyers regard as decisive in their choice of a supplier as well as those that are pivotal in the development of long-term relationships. If suppliers understand either selection or evaluation criteria, they will be in a better position to focus their efforts appropriately. In addition, supplier performance is driven by the amount buyers outsource as well as their selection criteria (Paella & Shaun, 2001).

An effective sourcing strategy improves the quality of the supplier's service in terms of product, delivery, response times and customer service as well as price (Thompson, 1996). Enhanced interaction between buyer and supplier concerning what corrective actions to take on the basis of the evaluation would reduce the problems related to complementary, overlapping and contradictory procedures and outcomes (Frederickson & Gadded, 2002). Involving various departments from both sides would make it possible to better understand the multiple consequences of different improvement proposals. In the same vein, Marajo, Dittmer (1999) recommend buying firms to stimulate the development of interactive interfaces with suppliers. This type of customer-supplier interface enables firms to consider productivity and innovation consequences for both parties as well as the benefits that can be jointly developed with specific third parties, such as the buyer's customer and the supplier's supplier. Thus, through supplier development many buying firms based on supplier evaluation actively facilitate supplier performance and capability improvements. Pressure to achieve process improvement, the development of global sourcing processes, approaches and strategies may well offer the next generation of performance breakthroughs (Trent & Monczka, 2003).

In this regard, successful firm pay close attention to the key issues, as the outsourcing program evolves through four stages of crafting the deal, managing the transition, transforming critical processes and leveraging new capabilities. In a business transformation outsourcing relationship, both parties forsake the comfort and security of clearly specified work, defined outputs and structured roles and responsibilities in pursuit of dramatic performance improvements across the entire enterprise (Linder *et al*, 2002).The essence of the research framework for this study is that successful supplier

selection implementation through determinant criteria requires supplier management.

#### **2.3.4 Factors Affecting the Selection of Optimal Suppliers**

Li (2006) developed three factors in supplier selection measure based on extensive literature review and practitioner interviews. He illustrated that underlying the documented suppliers' selection criteria is the need to assess a supplier's quality and service capabilities as well as his strategies and managerial alignment with the buyer. (Tan *et al*, 1998) proposed an integrated model by combining the analytical hierarchy process and grey relation analysis in a single evaluation model. They proposed that through this model, it is possible to effectively integrate the specialized knowledge and experience of each disposed evaluation and the quantitative data to select the best supplier for cooperation.

Supplier selection is usually a time consuming process that evaluates suppliers on several criteria such as cost of production, raw material cost, quality assessment, organizational goal, quality staff, delivery system, personal facilities etc. Selection of suppliers is complicated process by the fact that numerous criteria must be considered in the decision making process. Therefore, different criteria are usually considered during the supplier selection process. Stanley and Wisner (2001) surveyed a number of industries and suggested that quality and on-time delivery are the most important attributes of supplier selection and evaluation. Wang and Samuel (2004) suggested that apart from optimum cost, joint development, culture, forward engineering, trust, supply chain management, quality and communication were also important. He further suggested that the suppliers' history of supply, production price, technical capability and transportation cost also play important role during suppliers' selection. O'Brian and Ghodsypour (1998) agreed that cost, quality and service that are the most important factors in supplier selection process.

Therefore, it is important to note that cost and quality dominated more in the supplier selection process.

In the supplier selection process, a data bank containing an authorized list of suppliers with their profiles is crucial. Important information should include technical capability, quality assessment and organizational profile. Suppliers' data regarding these criteria should be stored in a case structure consisting of a number of fields representing the criteria in each with the relevant numerical performance values of the corresponding criteria of suppliers. Choy and Lee (2002), suggest a Case Based Supplier Management Tool (CBSMT) using the Case Based Reasoning (CBR) in the area of intelligent supplier's selection and management. This will make better performance compare to using the traditional approach.

Choy and Lee (2002), illustrated a stochastic integer programming approach for synchronous selection of tolerances and supplier based on the quality loss function and process capability indices. Tan *et al* (1998), indicated Data Envelopment Analysis (DEA), proposed an approach which compares suppliers for supplier selection and performance improvement. This model first recognizes the measure assessing a supplier's environmental performance and lastly suggests effective techniques for building the selection procedure, relating to an environmental view point

## **2.4 Empirical Review**

Literature review shows that from empirical front, comprehensive efforts have been made to develop decision methods and techniques for supplier selection. Weber et al (1991) reviewed and classified 74 articles that appeared since 1966 with regard to particular criteria used in supplier selection (Mendoza, 2007). In these papers what comes out as the major supplier selection determinants include price, delivery, quality, and production capacity and location. Holt (2000) presented a review of contractor evaluation and supplier section methodologies such as multi-attribute analysis, multi-attribute utility theory, and cluster analysis where he discussed applications of each of these techniques. Degraeve *et al* (2000) uses the Total Cost of Ownership (TCO) as the framework for comparing supplier selection models.

But is it Boer *et al* (2004) study that is comprehensive enough as it looks at supplier selection literature by even classifying the existing literature in a framework. The framework enumerates steps preceding supplier selection decision. These steps are, problem definition, formulation of selection criteria, pre-qualification, and final selection. The other unique thing about their analysis is the classification of supplier selection literature according to different purchasing situations namely first time buys, modified re-buys, and straight re-buys (Mendoza,2007). Yet, this analysis though comprehensive leaves crucial gaps as it does not clearly state the supplier selection determinants, but instead dwells on the selection procedures.

Dickinson (1996) in his pioneering work on supplier selection identified and ranked 23 supplier selection criteria as collected from a questionnaire given to purchasing agents.

Quality, delivery, and performance history rank top with net price ranking a distant sixth. This seems to concur with previous studies, but one notable discrepancy is that price curiously ranks lower than quality. Again, net price is deceptive as other related costs such as packaging and freight cost could raise the total cost. Total cost covers everything hence should be the one listed and not net cost.

Ell ram (1990) proposed tree criteria for supplier selection. These are: the financial statement of the supplier, organizational culture and strategy of supplier, and the technological state of supplier.

Omar & Sims (2010) is a study on supplier selection criteria conducted on Malaysian Manufacturing firms found that cost followed by quality ranked higher than any other determinants. Delivery ranks third based on their analysis

## **2.5 Summary and Research Gap**

Reviewing the diverse literature discussed earlier, there is a surprising agreement on the basic content domains of supplier selection. The study theorizes that supplier selection factors are directly associated with criteria stated. For instance, Quality, price, cost, technical and financial are related or The main reason that base on the key premise that

determine supplier selection is a fact-based management technique in which the supplier evaluation and selection considerably impacts on the efficiency and effectiveness of the buying firm and is of vital importance. Therefore, it is plausible that effectual evaluation and selection of suppliers and promoting their involvement in critical supply chain activities will result in improved firm performance via developed business processes and enhanced customer satisfaction.

The other point of contention is the relative benefits to be gained through the involvement of suppliers on the product development and continuous improvement teams, which significantly enhances firm evaluation and selection (Tracey & Tan, 2001). In this reason, incorporating suppliers on project teams enhances the information and expertise regarding new ideas and technology (Smith & Reinertsen, 1991). In addition, it allows early identification of potential problems, thus improving the quality of the final product, eliminating rework and reducing costs. It also leads to improved communication and information exchanges that reduce delays and ensure that the activity is completed on time. Moreover, it can reduce development costs, provide early availability of prototypes, allow for standardization of components, reduce engineering changes and lead to higher quality with fewer defects (Bonaccorsi & Lipparini, 1994).

One of the highly ranked supplier selection determinants from the available literature is the quality of supplies. Pioneering works of Dickinson (1996) which surveyed 300 commercial organizations ranked quality as the highest determinant for supplier selection. Quality refers to conformance to requirements or fit to use. Conformance quality is also viewed as absence of defects (APICs, 1999). Since the early studies of 60s on supplier selection all through to 90s, quality has consistently ranked top among the various supplier selection determinants. Purchasers would like to buy only those goods that are of high quality.

The other critical factor for supplier selection beside quality is delivery. Meeting delivery deadlines is critical so as to avoid operations disruptions for lack of supplies. Hoi (1996) as cited in Choragic *et al* (2006), delivery together with quality constitute what might be considered the threshold criteria for supplier selection.

Performance history of a supplier is also a critical determinant in supplier selection as literature adduces. In particular, for those goods and services that are of great value or involving huge cost outlay, then the purchaser tends to go for that supplier whom they are sure about their past performance. This is basically to reduce risks associated with failure of unknown suppliers to deliver goods or execute their part of contract.

According to Weber *et al* (1991) cost is one of the key determinants for supplier selection. Cost of supplies like delivery and quality constitutes the traditional determinants of supplier selection, also known as order qualifiers. Most organizations both in business and government institutions world consider the lowest cost offer since the purchaser aims to minimize on cost of procurement while trying to maximize on the quality and quantity of purchases. Generally require that cost of goods or services be the primary determinant of supplier selection.

Service factors such as after sales service, repairs capacities, change and supply of parts, easy assessable, customer service, technical capacity, and warranty of the product (Omar & Sims, 2010).For this reason, most purchasers tend to consider these service factors capacity in a potential supplier. Any supplier with the capacities to provide these services ultimately gets selected as a supplier to most organizations.

The researcher believes that, due to dynamism of the environment, there is a need to continuously improve procurement in the public sector. Accordingly, this study applies the Kaizen Continuous Improvement model that was popularized by Maurer (2004). Maurer (2004) argues that there is one important question to ask when dealing with procurement. The question is; “How is the organization seeking continuous

improvement in its approach to procurement for new development, planned and responsive maintenance?” To ensure improvement in procurement, Maurer (2004) prescribes that organizations should use ‘best value’ techniques, which embody aspects such as challenging what organizations do and how they do it, making comparisons with others, consulting people affected by the organization’s services, and establishing that value for money is obtained during procurement. It’s the government institutions to consider which factor is more important in supplier selections

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter, the procedure of the research and the methods that have been used in this dissertation are described. The chapter comprises the study area, research design, sampling method, methods of data collection and data analysis methods.

#### **3.2 Research Design**

A case study design was adopted for the study of the factors influencing of suppliers' selection in the procurement of goods. The reason as to why the researcher chose the case study design is that, it is convenient compared to others, the aim was to obtain in depth information on a single case. Basically, there are different types of research design, and the application of each one is determined by type and size of the problem being investigated. For the purpose of this study both qualitative and quantitative were adopted although qualitative one dominated. This approaches were adopted because of the nature of the study whereby qualitative was needed for descriptive data and quantitative was compulsory for numerical data and they both offered in depth analysis of variables that were studied. So, the researcher was flexible in data collection techniques as well as analysis.

#### **3.3 Study area**

The research was conducted at Kinondoni Municipality. The area was selected through a non-probability purposive sampling method. The choice is made based on the researcher's experience and access to information. The place provides a huge possibility for obtaining the required data because of the presence of key people that the researcher is familiar with; familiarity of the place to the researcher facilitated the data collection process in terms of relatively easy access to key source. Another selection criterion was

the Kinondoni Municipality has many procurement projects worth 40 billion per year PPRA (2014) as compared to other Municipals in Tanzania. Kinondoni Municipal Council is located in the northern part of Dar es Salaam City. It has an area of 531 square kilometers, with a population of 2,497,940. The population growth rate is estimated to be 4.3% per annum and the population density is 1,179 people per square km NBS (2012).

### **3.4 Population of the study**

The target population for this study was all employees working at Kinondoni Municipality, Dar-ES-Salaam City. The study targets the chief procurement and logistics officers in this procurement entity as the unit of analysis. These were selected because they are the ones tasked with the responsibility of sourcing for suppliers of goods and services to their organizations.

#### **3.4.1 Sample size and sampling techniques**

The sample size of this study comprised 33 respondents it was not able for a researcher to study the entire population, in that case study the researcher had to select the number of items from the targeted population so as to constitute a sample. Saunders *et al* (2000) suggests a minimum of 30 to 50 items to be selected to form a sample. For the case of this research the sample size was 33 employees, this included 1 accounting officer, 13 head of departments, 13 procurement management units' staffs and 7 tender board members from Kinondoni municipal. These respondents were included in the sample because there were targeted group involving in procurement process in Kinondoni Municipal.

**Table 3.1 shows the sample size of the respondents**

respondents	Population	Sample size	% of total sample size
Accounting Officer	1	1	100
Head of Department	13	13	100
PMU staffs	13	13	100
Tender Board	7	6	85.7
Total	34	33	96.4

**3.4.2 Sampling Techniques**

The technique was select because of the nature of the sample size required for study.

The purposive sampling techniques was use to choose procurement management unit officers, accounting officer, Tender Board members and Head of Departments .These were the key informants in the study. Furthermore the study required respondents who have knowledge of procurement. Their knowledge and skills enable them to understand, analyze and discuss the factors influencing the procurement of goods in Kinondoni Municipal.

**3.4.3. Sources of Data**

The study collected both primary and secondary data/information

**3.4.4 Primary data collection**

The researcher used the following tools on collecting primary data:

**3.4.4.1 Interview**

This was used as a tool of data collection in this study. Semi-structured an unstructured interviews were used to enlist respondents opinions, so, interview guide and semi structured interview which is open ended allows individuals response to give details

were used. This method was selected because enabled the researcher to understand the inner feelings of respondents about a concept during the face to face conversation and allowed the interviewee to expose more information during the conversation, therefore valid and reliable information was collected. Interview was done to Accounting Officer, Head of Procurement Management Units and Chairman of the Tender Board. Through interview the research managed obtain information on tendering procedures, annual prequalification of suppliers and evaluation procedures

#### **3.4.4.2 Questionnaire**

Questionnaire was the main instrument used to collect data from respondents. The questionnaire comprised both closed and open ended questions. This research has used the questionnaire tool to collect the opinions of procurement experts in Kinondoni Municipality. The designed questionnaires were distributed to sampled population including procurement management unit staffs, accounting officer, head of departments and tender board members, the data collected related to; procurement methods, evaluation and selection procedure and factors for supplier selection,

#### **3.4.5 Secondary information collection**

In this study a number of resources were reviewed. These included: Circulars, Electronic documents, Minutes, Tender Board documents, Documentary resources used because they enabled investigators to access the data without the assistant of the respondents.

The type of information gathered included information on factors influencing selection of suppliers at Kinondoni Municipality. Documentary sources are central in research; it can be used by itself or in combination with other methods. Documentary sources has advantages of providing vast amount of information, it is cost effective and provide data that are permanent and available in form that can be seen by others. The researcher made sure that the data collected from the documents are those that are relevant with the study

objectives. The researcher used documentary sources since they were thought to be important providing insights on the problem investigated.

This was done in order to overcome the difficulties, which could arise from the physical access of some respondents and area of study especially when studying the past events. This data collection technique helped to get mid-year and annual report procurements involving with procurements report which availed the researcher with a quantitative information on a procured goods from 2012-2014, the aim of this technique was to access the information on what criteria did Kinondoni municipal use in selecting suppliers of goods.

### **3.6 Data Analysis**

In this study the researcher applied both qualitative and quantitative techniques which are best fit for social sciences in analyzing the data available through primary and secondary sources. Data analyzed and processed by using the Statistical Package for Social Science (SPSS) and thereafter the researcher edited them accurately. Then the data were coded and analyzed in the form of tables, percentages, graphs and charts to represent the facts.

### **3.8 Ethical consideration**

Official letters were issued from Mzumbe University to get permission to conduct research on the topic concerned on determinant of supplier selection evaluation. Also informed verbal consent of the participants were required before asking them questions, there after they were given explanations of the nature and possible consequences.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter is presenting the findings and discussion. The results are presented according to the research objectives.

#### 4.2 Methods used in procurement of goods at Kinondoni Municipality

The first objective of this study was to identify methods of procurement of goods used by Kinondoni Municipal. The intention was to examine the methods being used by Kinondoni Municipal to acquire goods. The study revealed that Kinondoni Municipal uses five (5) types of methods of procurement, these methods are; open tendering (national & international), restricted tendering, request for proposals, request for quotations and single-source procurement.

The above mentioned procurement methods, tendering and request for proposals are considered competitive procurement methods because the solicitation documents are advertised and opened to any qualified firms interested for the assignment. In contrast, the request for quotations restricted tendering and single source procurement methods are considered non-competitive procurement methods because the invitations to submit offers are not advertised.

**Table 4.1 Type of procurement methods used at Kinondoni**

Method of procurement	Number of respondents	Percentage
Open tendering	3	9.1
Restricted tendering	1	3.0
Request for proposal	4	12.1
Request for quotations	23	69.7
Single-source	2	6.1
Total	33	100.06

Source; research field 2014

From the results in Table 4.1 69.7% of the respondents indicated that request for a quotation is the major procurement methods used by Kinondoni Municipal Council. Section (64) of PPA 2004, gives mandate to a procuring entity to prequalify suppliers through regulation 15. But section (65) give mandate to use the competitive tendering. On the other hand section (66) gives mandate for national competitive tendering. In addition this research re visited all these procurement methods discovered that its section (67) which is being used by Kinondoni Municipality. A procuring entity may restrict the issue of tender documents to a limited number of specified suppliers when those suppliers are pre-qualified further to regulations 15 and 64 of PPA 21, 2004

These methods can be competitive and non-competitive, there is a preference for using competitive methods of procurement given that they tend to promote transparency, economy and efficiency, and limit favoritism. The findings suggest that the decision to use a particular procurement method depends on a number of factors including the types of goods being procured, the value of the goods and the cost of the procurement itself. Based primarily on the stipulations of the procurement guidelines, manuals and procedures which address the issue of advertising, bid and proposal submission, evaluation, pricing, currency, and terms of payments. The overall objective of the guidelines is to allow Procuring Entity to buy high quality goods as economically as possible. The decision to use a particular method is supported from the procurement framework section 59 (1) to (3), 60 and 61 of PPA 21, 2004

#### **4.2. 1 Preferences in using quotation method**

For all the goods where respective procurement method was not shown in the Annual Procurement Plan (APPs) the study revealed that Kinondoni Municipal preferred to use non competitive quotation method. This method undermines competition due to limited participation of bidders. In addition, the study revealed that Kinondoni Municipal did not conduct prequalification of the firms which were invited to participate in the

competitive quotation in financial year 2012/2013 as required by the law refers Section 47 of PPA, 2004

On the other hand, PPA No 21 of 2004 section 59 (1&2), requires PEs to use competitive methods during the procurement process as the first choice. According to the document review, Kinondoni Municipal, use competitive methods for all sampled goods. The table below summarizes procurement methods used by Kinondoni Municipal for ten sampled goods. The study revealed that 90% of the procured goods were done by request for quotation, about 10% of the procurement undertaking used by opening tendering and 0% for other methods.

**Table 4.2: Summarize Procurement Methods**

Method used	Contract no	percentage
Open tendering	LGA/KMC/017/2012/2013/Q/37	10
Restricted tendering		0
Request for proposal		0
Request for quotations	LGA/017/2012/2013/G/02,LGA/KMC/CQ/08/0/2012/2013,LGA/KMC/97/2012/2013 ,LGA/KMC/CQ/MW/47/2012/2013,LGA/KMC/CQ/MW/50/2012/2013,LGA/KMC/017/2012/2013/Q/36,LGA/KMC/018/2012/2013/G/01,	90
Single-sourcing		0

**Source: Research field 2014**

#### **4.2.2 Non-Adherence to procurement method prescribed in Annual Procurement Plan**

PEs is expected to compile procurement plans and establish appropriate methods of procurement. It was noted that, Kinondoni Municipal used procurement methods prescribed in the Annual Procurement Plan with exception to tender no LGA/KMC/017/2012/2013/Q/37 where national competitive tendering method which was shown on APP but not followed, the study revealed that in two out of ten sampled tender document, however, during the implementation the method indicated changed to

competitive quotation, This change of plan may have presented the participation of other potential bidders

### **4.3. Evaluation and selection process**

The second objective of this study was to explore the supplier evaluation and selection process at Kinondoni. There are three stages of evaluation and selection process at Kinondoni Municipality.

#### **4.3.1 Preliminary assessment**

In this stage Kinondoni Municipal is determines the substantially responsible bid. Under this stage consideration is on, if the firm is registered as an eligible source country as in the procurement guidelines also registered as company laws of the united republic of Tanzania on the other hand to confirm if the bidder is not affiliated with any consulting service related to the project and to check whether this bidder is not a public owned enterprises in Tanzania.

**Table 4.3: Preliminary supplier selection criteria of Kinondoni Municipality for the purchase of goods**

Bidder No	Bidders Name	Tender property signer	Verification and information	Anti bribery policy	Conflict of interest	Eligibility (Legal and Financial)	Bid security declaration (Validity of the bid)	Scope of the tender	Completeness of tender (Missing page)	Technical specification	Standard responsive (Commercial requirement)	Acceptance for detailed examination
1.	KINGSTAR TRAIING CO	y	y	y	y	y	y	y	y	y	y	y
2.	QUALITY FURNITURE	y	y	y	y	y	y	y	y	y	y	y
3.	MZINGA CORPORATION	y	y	y	y	×	×	y	×	y	y	×
4.	EUROWOO CARFT	y	y	y	y	×	y	y	×	y	y	×
5.	HALIFA INVESTMENT	y	y	y	y	×	y	×	×	×	y	×
6.	FURNITURE CENTRE	y	y	y	y	y	y	y	y	y	y	y
7.	FUANGZE TRADER	y	y	y	y	y	y	y	y	y	y	y
8.	AFRICAN METAL and WOOD	y	y	y	y	y	y	y	y	y	y	y

Source: Kinondoni Municipal, 2014

Table 4.3 shows,, the summary of Preliminary Examination and Evaluations of the bidder who found to be substantial responsive and accepted for the detailed evaluation are King star Trading co LTD, Quality furniture Tanzania LTD, furniture Centre, Fuangze Traders and African Metal and woods. All these firms qualify for the preliminary qualification criteria which are verifications, eligibility Bid security declaration, completeness of the tender and substantial responsiveness.

**Table 4.4 Preliminary evaluation criteria**

Bidders No	Bidders name	Verification			Eligibility		Bi security	Completeness of tender document		Substantive responsiveness		Acceptance for detailer
		Tender property signed	Qualification of information & documentation	Anti-bribery policy	Conflict of interest	Legal and financial	Validity of the bid	Scope of the Tender	Missing page	Technical specification	Commercial requirement	
1	CFAO MOTORS	yes	yes	yes	Yes	×	yes	×	×	yes	Yes	×
2	DIAMOND MOTORS	yes	yes	yes	Yes	×	yes	×	×	yes	Yes	×
3	TOYOTA TANZANIA LTD	yes	yes	yes	Yes	yes	yes	yes	yes	yes	Yes	yes
4	FARM EQUIPMENT TANZANIA LT	yes	yes	yes	Yes	yes	yes	yes	yes	yes	Yes	yes

Source: Kinondoni Municipal 2014

Table 4.4 shows the summary of examination and evaluations both CFAO Motors and Diamond Motors did not qualify for the detailed evaluation because of missing some criteria these criteria include eligibility and completeness of the tender documents, hence, were eliminated for detailed evaluation. In summary form, supplier select criteria in Kinondoni Municipality depend on Verification, eligibility, bid security, completeness of tender documents and substantial responsiveness;

**Table 4.5: Preliminary supplier selection criteria at Kinondoni Municipality**

Verification			Eligibility		Bid– securing declaration	Completeness of tender document		Substantial responsiveness.	
Tender properly signed	Qualification information an documents	Anti – bribery policy.	Conflict of interest	Legal and Financial autonomous	Validity of the bi securing declaration	Scope of the tender	Missing pages	Technical specifications	Commercial requirement

Source: Kinondoni Municipal 2014

#### **4.3.1.2 Disqualification of lower price bid**

Public Procurement Regulation GN 90 (18)(a) requires the procuring entities to evaluate tender in order to ascertain the most economical tender in accordance with the procedures and criteria set forth in the solicitation document. The review of the tender evaluation reports revealed that some bidders who were relatively low priced were disqualified from further consideration at various stages of the tender evaluation due to failure to comply with some evaluation criteria. In particular, four out of ten sampled contracts with lowest priced bidder were disqualified.

Further review of the evaluation reports in respective tender documents revealed that the disqualification of about 40 % ( 4/10 sampled contract) of the lowest priced bidder were

based on issues that were not significant which could be rectified during the negotiations as shown on table 4.6. Kinononi Municipal could have sought clarifications from 40% of the disqualified bidders who did not provide adequate information instead of disqualifying them and hence, denying the institutions opportunities of getting the lowest priced bidders. In case available the evaluation team disqualified CFAO MOTORS and DIAMOND MOTORS with their respective bidding prices of 76,231,186 and 457,206,048 on the ground that they did not sign the BOQ.

**Table 4.6 Reasons for disqualification of bidders for sampled contract**

s/n	Reason indicated	Bidders name
1	Evidence for financial capacity	
2	Completeness of the tender documents	CFAO motors, diamond motors
3	Not attaching litigation records	Mzinga corporation
4	Not indicating the cost of goods	HALFA investment
5	Usage of general power of attorney	Mzinga corporation, Euro wood craft, Alfa investment
6	Dully filled and signing BOQ	
7	Lack of experience in similar goods	

**Source: Analysis of evaluation 2012-2013**

#### **4.3.1.2 Detailed evaluation stage**

After the preliminary evaluation, the second stage was to evaluate suppliers. Tender evaluation process was described under section 37 of the Public Procurement Act 2004, where by the detailed evaluation of substantial responsive bid, resulting into the determination evaluated bid prices and their ranking starting with the lowest evaluated bid price. Section 90 (3) of PPA (2004) ‘states the tender evaluation committee shall be evaluated on a common basis opened tenders in order to determine the price to the procuring entity of each tender in a manner that permits a comparison to be made between tenders on the basis of the evaluated prices. Section 90 (5) tenders shall be

comparable among themselves in order to determine the lowest evaluated costs. Under this section price, is the main criterion for supplier selection. Based on the summary of the evaluation process in the evaluation reports of tender No LGA/017/2012/2013/G02, procurement of desks for school students in Kinondoni Municipality, the following was the result.

**Table 4.7 Correction of errors and comparison of tenders LGA/017/2012/2013/G/02**

Bidders No	Bidder's name	Declared Tender total	Corrected tender total	Budget estimate	% deviation of corrected tender sum eng estimate	Ranking
1	AFRICAN METAL & WOOD PRODUCT	192,000,000	192,000,000	200,000,000	-0.96	1 <sup>st</sup>
2	KINGSTAR TRADING CO.LTD	224,000,000	224,000,000	200,000,000	+ 1.12	2 <sup>nd</sup>
3	QUALITY CENTRE	1,016,000,000	1,016,000,000	200,000,000	+ 5.08	4 <sup>th</sup>
4	FURNITURE CENTRE	1,999,999,936	1,999,999,936	200,000,000	+10	5 <sup>th</sup>
5	FUANGAZE TRADERS	288,000,000	288,000,000	200,000,000	+1.44	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

Upon completion of the detailed examination the bid from African metal and woods product was by the evaluation team seems to be the lowest among the substantial responsive bids. The bidder was ranked as the winner because his price were cheaper than the estimated amount by 8,000,000/= there after the corrected bids were compared with the Municipal estimated in order to know how much the bids are deviated. The winner was 0.96, deviation as compared with others.

In tender No LGA/KMC/CQ/08/G/50/2012/2013 school uniforms based on the summary of the evaluation process in the evaluation report of the tender No LGA/KMC/CQ/08/G/50/2012/2013 bidder BOHE TRADING GENERAL SERVICE CO

LTD declared to be the winner, was found by the evaluation to be lowest price among the substantial responsive bids.

**Table 4.8 Summarize the correction of errors and comparison of bidders  
LGA/KMC/CQ/08/G/50/2012/2013**

Bidders No	Bidders name	Declared Tender total	Corrected tender total	Budget estimate	%deviation of corrected tender sum Eng. estimate	Ranking
1	BOHE TRADING GENERAL SERVICE CO LTD	14,010,570	14,010,570	14,055,180	-0.32	1 <sup>st</sup>
2	SAJO ENTEPRISES	14,810,910	14,810,910	14,055,180	+ 5.38	2 <sup>nd</sup>
3	NYAGAWA ENTEPRISES	15,683,300	15,683,300	14,055,180	+ 11.58	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/97/2012/2013, supply of 30 parking Road signs, based on the summary of the evaluation process, in the evaluation report on the tender No LGA/KMC/97/2012/2013, Bidder, GANDA GENERAL CO LTD, declared to be the winner, was found by the evaluation to be the lowest price among the substantial responsive bids.

**Table 4.9 summarize the correction of errors and comparison of bidders  
LGA/KMC/97/2012/2013**

Bidders No	Bidders name	Declared Tender total	Corrected tender total	Budget estimate	%deviation of corrected tender sum Eng. estimate	Ranking
1	GANDA GENERAL LTD	9,000,000	9,000,000	9,060,000	-0.66	1 <sup>st</sup>
2	SAJO ENTEPRISES	12,900,000	12,900,000	9,060,000	+ 42.38	2 <sup>nd</sup>
3	NYAGAWA ENTEPRISES	15,000,000	15,000,000	9,060,000	+ 65.56	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/CQ/MW/47/2012/2013, supply pharmaceutical health equipment based on the summary of the evaluation process in the evaluation report of the tender No LGA /KMC/CQ/MW/47/2012/2013 Bidder PHARMA HEALTH, PHARMACY declared to be the winner was found by the evaluation to be the lowest evaluated price among the substantial responsive bids

**Table 4.10 Summarize the correction of the errors and comparison of the bidders  
LGA/KMC/CQ/MW/47/2012/2013**

Bidders No	Bidders name	Declared Tender total	Corrected tender total	Budget estimate	%deviation of corrected tender sum Eng. estimate	Ranking
1	PHARMA HEALTH PHARMACY	8,600,000	8,600,000	9,000,000	- 0.4	1 <sup>st</sup>
2	DERIC 2000 LTD	9,500,000	9,500,000	9,000,000	+ 5.5	2 <sup>nd</sup>
3	JIM EQUIPMENT	10,000,000	10,000,000	9,000,000	+ 11.1	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/CQ/MW/50/2012/2013 supply of Medical supplies equipment based on the summary of the evaluation process in the evaluation report of the tender No LGA/CQ/MW/50/2012/2013, Bidder PHARMA HEALTH PHARMACY declared to be winner was found by the evaluation to be the lowest evaluated price among the substantial responsive bids.

**Table 4.11 summarizes the correction of the errors and comparison of the bidders LGA/KMC/CQ/MW/50/2012/2013.**

Bidders No	Bidders name	Declared Tender total	Corrected tender total	Budget estimate	%deviation of corrected tender sum engineers estimate	Ranking
1	PHARMA HEALTH PHARMACY	22,400,00	22,400,000	22,400,000	0	1 <sup>st</sup>
2	DERIC 2000 LTD	24,800,000	24,800,000	22,400,00	+ 10.7	2 <sup>nd</sup>
3	JIM EQUIPMENT	25,550,00	25,550,00	22,400,00	+ 14.1	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/ 017/2012/2013/Q/36 for the supply of medical drugs at Magomeni health center in Kinondoni Municipality Constitute under section 37 of the Public procurement Act 2004, Based on the summary of the Evaluation process in the Evaluation Report of that tender Bidder PHARMA HEALTH PHARMACY was found to be the lowest evaluated price among the substantial responsive bid.

**Table 4.12 summarize the correction of Errors and Comparison the bidders.LGA/KMC/017/2012/2013/Q/36**

Bidders No	Bidders Name	Declared tender Total	Corrected tender Total	Budgeted amount	% of deviation of corrected tender sum from engineers Est.	Raking
1.	PHARMA HEALTH PHARMACY	6,500,000	6,500,000	7,000,000	-7.14	1 <sup>st</sup>
2.	DERIC 2000 CO LTD	7,120,000	7,120,000	7,000,000	+1.71	3 <sup>rd</sup>
3.	JIM EQUIPMENT LTD	6,670,000	6,670,000	7,000,000	-4.7	2 <sup>nd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/018/2012/2013/G/01 for the supply of mapping Equipment in Kinondoni Municipality constituted under section 37 of the Public Procurement Act 2004, Based on the summary of the Evaluation process in the Evaluation report of that tender, Bidder, Geo maps LTD was found to be the lowest evaluated price among the substantial responsive bid.

**Table 4.13 summarize the correction of errors and comparison of the bidders.**

LGA/KMC/018/2012/2013/G/01

Bidders no	Bidders name	Declared tender Total	Corrected tender Total	Budget Amount	% of deviation of corrected under sum from Eng.	Ranking
1.	Geo maps LTD	76,700,000	76,700,000	82,000,000	-6.46	1 <sup>st</sup>
2.	High Tech	118,955,800	118,955,800	82,000,000	+45	2 <sup>nd</sup>

Source: Kinondoni Municipal, 2014

In tender No LGA/KMC/017/2013/2014/G/02 of the purchases of Eight Double cabin and Two hard tops, Based on the summary of the Evaluation process in the Evaluation report that tender, The substantial responsive bid were compared to the stipulated budget/S TOYOTA TANZANIA LTD the firm offered the Evaluated bird price of Tshs 779,372,066.00 VAT Inclusive which is below from the Budget buy Tsh 20,622,934.Equivalent to 3%.The offer depicted to have varied from the budged to the extent that they are competitive. Therefore compared from budget and found that the bidder submitted the lowest Evaluation bidder price than budgeted. Section 90(3) to (8) Evaluation and qualification criteria PPA, 21.2004

**Table 4.14 Summarize the correction of Error and comparison of bidders**

Bidder no	Bidder name	Declared tender total	Corrected tender total	Budget Amount	% deviation of corrected tender sum	Ranking
1.	CFAO MOTORS	76,231,186	76,231,186	800,000,000	-0.05	4 <sup>th</sup>
2.	DIAMOND MOTORS LTD	457,206,048	457,206,048	800,000,000	-0.43	3 <sup>rd</sup>
3.	TOYOTA TANZANIA LTD	779,372,066	779,372,066	800,000,000	-0.26	1 <sup>st</sup>
4.	FARM EQUIPMENT TANZANIA CO.LTD	357,711,779	357,711,779	800,000,000	-0.55	2 <sup>nd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/017/2012/2013/Q/37 of the purchase of cards, Based on the summary of the Evaluation process in the Evaluation report of that tender. The substantial responsive bids were compared to the stipulated budget. The tenders were ranked as shown in the table below in the detailed examination; the bid from PETECHA INVESTMENT COMPANY was found to be the lowest evaluated price among the substation responsive birds.

**Table 4.15; summarize the correction of errors and comparison of bidders**

Bidders no	Bidder name	Declared tender Total	Corrected tender Total	Budget Estimate	%Deviation from corrected tender sum from Eng. Est.	Ranking
1.	PETecha INVESTMENT COMPANY	10,200,000	10,200,000	12,000,000	-0.15	1st
2.	BARONA(T)INVESTMENT CO LTD	10,235,000	10,235,000	12,000,000	-0.147	2nd
3	GS PROVISIONAL STORES & GENERAL SUPPLIES	10,784,000	10,784,000	12,000,000	-0.101	3 <sup>rd</sup>

Source: Kinondoni Municipal 2014

In tender No LGA/KMC/MW/H/58/2012/2013 of the purchase of medical drug (goals)  
Based on the summary of the Evaluation Process in the Evaluation report of that tender,  
The substantial responsive bids were ranked as shown in the table below in the detailed examination, the bid from DAR SCIENCE COPE was found to be the lowest evaluated price among the substantial responsible bids

**Table 4.16 summarize the correction of the errors and comparison of bidders**

Bidders no	Bidder name	Declared tender Total	Corrected tender Total	Budget Estimate	%Deviation from corrected tender sum from Eng. Est.	Ranking
1.	DAR SCIENCE COPE	14,890,000	14,890,000	15,000,000	-0.01	1 <sup>st</sup>
2.	JIM EQUIPMENT	15,350,000	15,350,000	15,000,000	+0.02	2 <sup>nd</sup>
3.	DERIC 2000 LTD	18,075,000	18,075,000	15,000,000	+0.20	3 <sup>rd</sup>

Source: Kinondoni Municipal, 2014

Section 37 (1) to (7) enumerate the procedures for the evaluation procedures for goods. Kinondoni Municipality quotation evaluation is carried in three stages; in order to select a responsive bidder for supplying goods. These stages are preliminary evaluation to determine substantial responsiveness of the bidder. The quotation is issued in pursuant to regulations 70, 71 and 72 of the public procurement regulations 2005 GN No 97. The second stage of evaluation is on the detailed evaluation thereafter the post qualification examination stages. .All these stages are done under section 90(1) to (8)

**Table 4.17: Selection criteria at Kinondoni Municipal**

SERIAL NUMBER	BIDDERS NAME	CONTRACT NUMBER	SUPPLIER SELECTION CRITERIA	% DEVIATION FROM THE COLLECTED SUM ENG ERSTIMATE
1	PETecha INVESTMENT COMPANY	LGA/KMC017/2012/2013/Q/37	Lowest evaluated price	-
2	DAR SCIENCE COPE	LGA/KMC/MW/H/8/2012/2013	Lowest evaluated price	-0.01
3	AFRICAN METAL AND WOOD PRODUCT	LGA/KMC/017/2012/2013/G/02	Lowest evaluated price	-0.96
4	BOHE TRADING AND GENERAL SERVICE CO LTD	LGA/KMC/CQ/08/G/50/2012/2013	Lowest evaluated price	+0.32
5	GANDA CLASIC TZ LTD	LGA/KMC/97/2012/2013	Lowest evaluated price	-0.66
6	PHARMA HEALTH PHARMACY	LGA/KMC/CQMw/47/2012/2013	Lowest evaluated price	-0.4
7	PHARMA HEALTH PHARMACY	LGA/KMC/017/2012/2013/Q/36	Lowest evaluated price	-7.14
8	GEO MAPS LTD	LGA/KMC/018/2012/2013/G/01	Lowest evaluated price	-6.42
9	TOYOTA TANZANIA CO LTD	LGA/KMC/017/2013/14	Lowest evaluated price	-0.26
10	PHARMA HEALTH PHARMACY	LGA/KMC/CQ/MW/50/2012/13	Lowest evaluated price	0

Source: research field 2014

From the table 4.17 the findings indicated that supplier selection criterion was the lowest evaluated price, so this step was essential to precede the research. Finally, this study has identified criterion that determine supplier evaluation and selection it was also found that 60% of awards were below Engineers estimate and 40% of the awards were the same or

almost the same as the Engineers estimates this indicated that evaluation and selection criterion base on price as it is shown in Table 4.18

**Table 4.18 Engineers estimate for 10 sample contract**

Contract no	Above Eng estimate	Below Eng estimate	Same or almost the same Eng estimate	Awarded lowest quoted price bidders
LGA/KMC/CQ/MW/50/2012/13			✓	14,010,570
LGA/KMC/017/2012/2013/Q/37		✓		779,372,066
LGA/KMC/MW/H/58/2012/2013			✓	10,200,000
LGA/KMC/017/2012/2013/G/02		✓		200,000,000
LGA/KMC/CQ/08/G/50/2012/2013			✓	22,400,000
LGA/KMC/97/2012/2013			✓	9,000,000
LGA/KMC/CQMW/47/2012/2013		✓		8,600,000
LGA/KMC/017/2012/2013/Q/36		✓		6,500,000
LGA/KMC/018/2012/2013/G/01		✓		76,700,000
LGA/KMC/017/2013/14		✓		14,890,000
<b>percentage</b>		<b>60</b>	<b>40</b>	

#### 4.3.1.3 Post qualification

Section 38, 39 and section 40 of the public procurement act of 21, 2004 gives mandate to Kinondoni Municipal tender board to award a selected supplier. After document review for 2012-2013 the following suppliers were selected based on technical quality, and price consideration.

The findings revealed that Kinondoni Municipal used three (3) stages in the evaluation and selection process. 51.1% of the respondents indicated that detailed evaluation were the most important and useful stage in the evaluation and selection criterion. About 35.6% of the respondents indicated that post qualification is also important. About 13.3% indicated that preliminary stage is important. The implication of data is that,

under detailed evaluation, Kinondoni Municipal should use experts and technical personnel to evaluate suppliers. After the detailed evaluation a selection procedure were based on technical quality with price consideration, the technical proposal considered satisfactory and classified by the order of merit shall have the correspondent financial proposal, after the necessary correction of arithmetic errors have been made the supplier who scored the lowest evaluated price and technical or financial proposals were selected as the winner.

From the findings it is clear that Kinondoni Municipal evaluates and select suppliers based on lowest evaluated price. Moreover the study revealed that the evaluation and selection of suppliers based on Engineers estimates. The study also revealed that tender awarding process base on prices as it was shown in appendix v of the minutes Tender Board dated on 12 June 2013 referring to agenda no 5/13 of 2013. On agenda no 5.1 PETECHA INVESTMENT CO was selected based on the lowest evaluated price, agenda no 5.2 PHRMAHEALTH PHARMACY was selected based on the lowest evaluated price, on agenda no 5.8 AFRICAN METAL &WOOD PRODUCTS was selected.

The findings shows that the buyer begins the supplier evaluation process by identifying the dimensions it wishes to use when evaluating suppliers, according to Worapon Thanaraksakal and Busaba Phruksaphanrat (2009) who surveyed 76 papers on supplier selection in the purchasing literature and found that price, quality and delivery where the most commonly listed supplier dimensions. Additional dimensions are also used provides an extensive list of such dimensions, categorized by prevalence in the purchasing literature. Frequency appearing dimensions include, supplier capability and flexibility, technical capacity and support, information and communication, financial status and innovation.

### **4.3 Determinants of factors influencing supplier selection at Kinondoni Municipality**

The third objective of this study was to determine the factors influencing the selection of suppliers at Kinondoni Municipality. The findings of the study shows that there are different factors influencing selection of suppliers at Kinondoni Municipality as described below:

#### **4.3.1 Price**

Kinondoni Municipality requires the minimum price of the purchased good. Therefore must find a low-cost supply based where it can minimize costs. Appendices II and III shows the lowest evaluated price where selection among the suppliers.

#### **4.3.2 Technical capability**

Suppliers need competent technical ability to provide high quality product. These technical criteria insist shifting into the global market place. This factor has been measured on the basic of the importance of the following dimensions; compliance with quantity, compliances with due date with packaging standard. In Kinondoni Municipal Technical capability of supplier id very important, HALIFA investment was rejected due to insufficient technical capability

#### **4.3.3 Quality assessment**

Quality assessment is a key of suppliers in Kinondoni Municipal by which they can improve and maintain quality and delivery performance. Quality and availability of goods depends on this criterion. This factor has been measured on the basic of the importance of the following quality dimensions. Management commitment quality assurance and quality assessment. The research revealed that in order comply with this factor, Kinondoni Municipal, Prepare tender document with special instruction to suppliers in order to maintain quality of supplied goods. Regulation 81(a) of PPA, 21, 2014

#### **4.3.4 Organizational profile**

Kinondoni Municipal has been measured this factor on the basis of the importance of the following organizational dimensions, financial performance, Table 4.7 pg 44 revealed that CFAO motors and Diamond motors, their bidders were rejected due to lack of legal and finance organizational profile.

#### **4.3.5 Delivery**

The ability of the supplier to follow the predefined delivery schedule is always the prime criteria for selection. This means those suppliers who keep their promises are easier and profitable to with Kinondoni Municipal. Table 4.19; summarize the selection criteria of ten selected bidders, but each bid, delivery were considered to important factor

#### **4.3.6 Suppliers profile**

The performance and past history of the suppliers help in taking decisions for its selection, the component of suppliers profile include financial status, Response to customers. Performance History and Risk factor. Kinondoni Municipal considered that this very important factor, The research revealed that in tender No LGA/KMC/017/2013/2014/G/02 of the purchases of eight Double cabin and Two hard tops, the evaluation selection were based on suppliers profile where TOYOTA TANZANIA LTD was selected based on the suppliers profile however lowest price was considered to be the only factor. CFAO tender for 76,231,186, Diamond motors LTD tendered for 457, 206, 048, Farm equipment Tanzania Company LTD tendered for 357,711,779 and TOYOTA TANZANIA LTD tendered for 779,372,066

The findings revealed that the criteria for the selection of a supplier in a long term relationship may differ from the competitive criteria. It is concerned with achieving the lowest cost in the supply process by identifying and balancing the relationship between links in the supply chain and ensuring the chain operates at the lowest total costs. According to Weber (1991) the focus was on six main categories of supplier selection, these are price, delivery, quality, service, supplier relationship and management and

organization status sourcing a supplier is a crucial part of procurement, and the methods and criteria used have changed greatly in few years past. Choosing the right supplier is frequently the key to obtain quality, performance and price. Good supplier relationship has always been important in the maintenance of supplies, particularly during period of shortage. But supplier relationships have changed from an adversarial to a partnership approach. The partnership clearly influences the nature of relationship between buyer and sellers. However; it also influences the selection criteria for new suppliers

Supplier selection has traditionally been described as being based on five Rs- the right quality, righty quantity, righty price and righty place. However, greater emphasis is now on placed on the management of the buyer-supplier relationship. This may mean that the five Rs are no longer sufficient when compared with the qualitative aspects of relationship. Carter (2000) advocated a more comprehensive approach to supplier selection in his article the seven Cs of effective supply evaluation This approach has subsequently been developed and extended by Carter (2000) and now consists of the 10Cs.

Acceptance of this approach does not actually make the five Rs any less important. There are still there, but the supplier approach is broader. Carters original seven Cs were: competency, capacity: the supplier needs to have sufficient capacity to enable it to operate flexibly, the more flexible the more it can meet fluctuations in demand, commitment, cash, control, cost, and consistency. The other three selection criteria are developed by Carter (2000) are culture, clean, and communications.

These findings supports earlier studies by Goff in (1997) who found that service, supplier relationship and management and organizational status are the most important factors in supplier selection in public organization.

## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the conclusions of this study regarding the findings, and it also provides the researchers recommendations, and the way forward

#### **5.1 Conclusions**

After reviewing various literatures, analyzing and discussing the findings, this study has come up with the following conclusions:

##### **5.1.1 Procurement method**

The findings of the study revealed that Kinondoni Municipal use five different types of procurement methods, almost 70% of respondents indicated that request for quotation is the major useful procurement method. on the other hand the documentary review for the year 2012-2013 indicated that, Contract awarded through request for quotations according to contract number

LGA/KMC/017/2012/2013/Q/37,LGA/KMC/MW/H/8/2012/2013,LGA/KMC/017/2012/2013/G/02,LGA/KMC/Q/08/G/50/2012/2013,LGA/KMC/17/2012/2013,LGA/KMC/CQ/MW/47/2012/2013,LGA/KMC/017/2012/2013/Q/36,LGA/KMC/018/2012/2013/G/01 ,LGA/KMC/017/2013/2014 and LGA/KMC/CQ/MW/50/2012/2013. The study concluded that the quotation is the most common method of procurement at Kinondoni Municipality.

### **5.1.2 Evaluation process at Kinondoni Municipal**

The findings of the study revealed that there are three stages used by Kinondoni Municipality in the evaluation process which include preliminary evaluation, detailed evaluation and post qualification evaluation.

### **5.1.3 Factors influencing selection of suppliers at Kinondoni Municipality**

The finding of this study concludes that lowest evaluated price is the most important factors influencing suppliers' selection at Kinondoni Municipality. However, there are other factors which influence suppliers selection at Kinondoni Municipality, they include technical capability, quality assessment, organizational profile, service levels and risk factors in that order of relative importance are key factors affecting supplier selection in Kinondoni Municipality, price criterion is the most important factor that Kinondoni Municipal consider before engaging suppliers

## **5.2 Recommendations**

Recommendations for this study are based on the major findings. The research makes the following recommendations in a bid to improve the determinants of supplier selections.

### **5.2.1 Use of other procurement methods**

The findings indicated that Kinondoni Municipality uses request for quotations as the main procurement methods, the researcher recommend that other procurement methods like competitive tendering should be applied so as to involve many suppliers as a result value for money, Furthermore, Kinondoni Municipal should select methods of procurement that encourage sufficient competitions in order to get bidders who can supply right material at the right time and price

### **5.2.2 Evaluation and selection criteria**

Supplier selection should be an open and transparent process that can involve experts who are knowledgeable and have expertise to conduct the exercise professionally.

Furthermore the study shows that evaluation and selection relied on the Engineers estimates therefore this study recommended estimate should not relies on Engineers only because they are human being they also make errors. This study recommends that, evaluation an selection of suppliers should not relies on one factor i.e. lowest evaluated price rather other factors should be considered which include, technical capacity, financial capacity, supplier performance, suppliers profiles.

### **5.2.3 Use different criteria in supplier selection**

There are several supplier selection methods available in which suppliers are rated on several criteria and in which these ratings are combined into single score. The method of selection relies heavily on the experience and ability of the individual buyer. The research recommends using other selections criteria which include; production cost, service level, technical capability and supplier performance. The research recommend that focusing on selection only the best supplier possible will make a major contribution to the competitiveness of the entire firm. This main task requires careful evaluation, selection and continuous measurement of the suppliers that provide the goods that help to satisfy the needs of the firm's final customers. In other words, once a supplier is selected the focus must shift from supplier evaluation to the continuous measurement of supplier's performance. Kinondoni Municipal must have the tools to measure, manage and develop the performance of its suppliers.

### **5.3 Areas for future Research**

One of the future research candidates is evaluating Determinant of supplier selection of goods in relation with the value for money in Kinondoni Municipally. There are lots of attempts in Municipality of Kinondoni to improve supplier selection process. In this regards designing integrated e-procurement systems for supplier selection for this organization with integrating databases between different departments. So study should be on the application of E- procurement in supplier Evaluation.

Another idea for further research is to develop scope of the research, performing the same study with a large sample size in order to apply e-procurement technique in supplier selection process. Another area for future research is to examine what additional criteria are considered by procuring entity.

## REFERENCES

- An sari, A.(1988), JIT purchasing as a quality and productivity centre, *International Journal of production research* 26(1):19-26
- Bagel. L. & Shaun. F. (2001) Involving suppliers in new product development, *California Management Review* 42(1): 59-82
- Bail, C. and Sarkis, J. (2009).*Selection and sustainability: A Grey Rough Set evaluation* (Working paper 2009-05).Clark University, George Perkins Marsh Institute.
- Beamon, B. (1999). Measuring supply chain performance. *International Journal of Operations and Production Management* 19 (3): 275–292
- Benyoucef K. (2003) Supplier selection problem a comparison of the total cost of ownership and analytic hierarchy process approaches, *Supply Chain Management. An international Journal* 7(3):126-135
- Bevilacqua, M. & Petroni, A. (2002), From Traditional Purchasing to Supplier Management. A Fuzzy Logic-based Approach to Supplier Selection, *International Journal of Logistics, Research and Application*, 5(3): 235-255
- Bhutta, K.S. & Huq, F.(2002), *Supplier selection problem, a comparison of the total cost of ownership and analytic hierarchy process approaches*, *Supply Chain Management. An International Journal* 7 (3):126-135
- Biel, D. (2009). Supplier selection (unpublished research paper).Stephen M. Ross School of University of Michigan, USA .Available at [www-personal.umich.edu/.../Supplier Selection](http://www-personal.umich.edu/.../Supplier Selection).

- Boer, L.D & Wegener, L.V.D (2003), Practice and promise of formal supplier selection, a study of four empirical cases, *Journal of Purchasing and Supply Management*, 9(3): 109-118
- Boer, L.D Wegener, L.V.D & Tilden, J. (1998), *Outranking methods in support of supplier selection*, *European Journal of purchasing & Supply Management* 23 (4):109-118
- Boer, L.D, Lebo, E.and Malachi, P. (2001) A review of methods supporting supplier selection, *European Journal of purchasing & Supply Management* 7(2):75-89
- Bonaccorsi, A. & Lipparini, A, (1994), Strategic partnerships in new product development, an Italian case study, *Journal of Product and Innovation Management* 11( 2): 134-145
- Bovis, H. (2007), investigating the decision criteria used in electronic components procurement, *Industrial Marketing Management* 33 (4): 317-323
- Braglia and Petroni,(2000); Vendor Selection using Principal Component Analysis, *The Journal of Supply Chain Management: A Global Review of Purchasing and Supply* 63-68.
- Carter, J.R (2000)” Deveopment of supply strategies in J. L. Cavinato and R.G Kauffman (eds), and the purchasing Hand book: A Gaide for the purchasing and supply professional (New York: MC Graw Hill). Jonks ping
- Chen, I.J.& Popovich, K.(2003) *understanding customer relationship management (CRM):people process and technology .business process management journal*.9(5):672-688
- Choragic, S.H.et al. (nod).*Critical success factors for supplier selection. Journal of Applied Business Research* 2 (2)

- Choy K and Lee W. (2002). *On the development of a case based supplier management tool for multinational manufacturers. Measuring Business Excellence* 2002; 6(1):15–22, 2002
- Cox, L. (1999), Vendor selection, methods and evaluation criteria. The global review of purchasing and supply management 4<sup>th</sup> edition Michigan USA
- Creswell, J.W. (2003). *Research design: Qualitative, quantitative and mixed Method approaches*. California: Sage Publishers.
- David, R.J & Han, S. (2004), A systematic assessment of the empirical support for transaction cost economics, *Strategic Management Journal* 25 (1): 39-58
- Degreaser R.J, M.C Nearly R and MC Igor, The implications of the trend towards partnership sourcing on buyer-super relationship, *Journal of General Management*
- Dempsey J, (1978) *Vendor Selection and the Buying Process*, Industrial Marketing Management, 257-267.
- Dickson, A. (1996), *An Analysis of vendor selection systems and decisions*, *Journal of Purchasing*, 5-17.
- Dittmer L. (1999) *Managing suppliers when fewer can mean more*, *International Journal of physical Distribution & Logistics Management*, 27(7): 422-435
- Dlever, S. Merdji, M. & Sieves, A (2001), Purchase decision making and buyer, seller relationship development in the French food processing industry, *Supply Chain Management. An International Journal*, 6 (4):216-229.
- Ell rams (1990).*The supplier selection decisions in strategic partnerships. Journal of Purchasing and Materials Management*.8-14
- Ell rams (1995), Total Cost of Ownership: *An Analysis Approach for Purchasing*, *International Journal of Physical Distribution and Logistics*, 163-184.

- Frederickson P. & Gaddes, L. (2002) Evaluation of supplier performance, the case of Volvo car corporations and its module suppliers Chalmers University of Technology, Sweden
- Furubotn E.G. & R. (2000), *Institutions and Economic Theory*, the contribution of the new institutional economics, The University of Michigan Press, Michigan, USA
- Goffin (1997) *Service Management for Competitive Advantage*, McGraw Hill, New York, USA
- Hadfield R.B (1994), US Global Sourcing, Patterns of Development, *International Journal of Operations and Production Management* 14 (6): 40-51
- Holt C.D (2000), Supplier selection monitoring practices and firm performance, *Journal of Accounting and Public Policy*, 253-281
- Humphreys, P. & Huang (2005) A web-based supplier evaluation tool for the product development process, *Industrial Management & Data Systems*, 105(2) :147-163
- Kannan V.R & Tan K.C 2003, Attitudes of us and European managers to supplier selection and assessments and implications of business performance Benchmarking, *An international Journal* 472-489
- Karpak, B Kasuganti, R.R & Kumcu, E. (1999), *Multi-Objective Decision-Making in supplier selection. An application of Visual Interactive Goal Programming* *Journal of applied Business Research*, 15 (2): 57-71
- Kotare, M, & Murray J.Y. (2001), Outsourcing service Activities, *Journal Marketing management* 40-45
- Kothari, C.R (2004), *Research methodology methods and technique* 4th edition, New age international (p) Limited Publisher, 4835/24 Anserine Road New Delhi India

- Lee, W.B (2002) *A generic tool for the selection and management of supplier relationships in an outsourced manufacturing environment*; the application of case based reasoning, *Logistics information Management*, 15,4,235-253
- Li J, (2000), *vendor selection using principal component Analysis*. The global review of purchasing and supply .63-69
- Li, N (2006), *Supplier selection in developing countries a model development*, *Emerald* 10(13): 154-162
- Linder, J.C, Cole, M.I & Jacobson, A, L. (2002), *Business transformation through outsourcing, strategy and leadership*, 30(4):23-28
- MAI, (2002) *Strategies for purchasing Transformation*, Institute for International Purchasing
- Maurer, T.J. (2004), *Predictors of relationships among buying and supplying firms*, *international Journal of Physical Distribution and Logistics management*.
- Megan, I. (3008) *Integrating business process for global alignment and supply chain management*, *Business Process Management Journal* 7(2):113-130
- Mendoza, A. (2007). *Effective methodologies for supplier selection and order Quantity allocation* (PHD thesis, The University of Michigan, Michigan. Available from
- Min, H. (1994), *International Supplier Selection, A Multi-attribute Utility Approach*, *International Journal of Physical Distribution & Logistics Management*, 24(5):24-33
- Mohammady, G. R. (2004), *Supplier selection and business process improvement*. An exploratory multiple-case study, Autonomous University of Barcelona, Spain.

- Monczka, Trent and Handfield,(2002.)*Purchasing and Supply Chain Management*. 2 (Ed)
- Motwani, J. and Youssef, M. (1999).*Supplier selection in developing countries: a model development. Emerald*, 10(13):154-162.
- Mugenda, O.M &Mugenda, A.G. (1999).Research methods: *Quantitative and qualitative Approaches*:
- Ndubis, N.O Jantain, M & Hing L.C (2005), Supplier selection and management strategies and manufacturing flexibility, *The Journal of Enterprises information management*.
- Obrien C. and Ghodsypour S. (1998).*A decision support system for supplier selection using an integrated analytic hierarchy process and linear programming. International Journal of Production Economics* 56(4):199–212.
- Omar, M.K and Sims, H.K (2010), A survey of supplier selection criteria in manufacturing industry in Malaysia, The 11<sup>th</sup> Asia Pacific Industry and management systems conference Melaka Malaysia
- Peal, M. (1995).*Social science research methods handbook for Africa*. Nairobi: East African Educational Publishers.
- Pearson, J.N. & Ell ram, L.M. (1995), Supplier selection and evaluation in small versus large electronics firms, *Journal of small Business Management*, 3 (4): 53-65
- Petroni and Braglia, (2000) *Vendor Selection Using Principal Component Analysis*, *The A Global Review of Purchasing and Supply*, 63-69.
- Simpson, Saginaw, and White, (2001) *Measuring the Performance of Suppliers: An Analysis of, the -Supplier Selection Best Practices* by Arc Strategies.

- Smith, D & Reinertsen, F (1991), Supplier choice criteria of executing agencies in developing countries; *international Journal of operations and production management*.
- Sunders Lewis & Thorn Hill (2000) *researches methods for business student* Edinburgh hall
- Swift, C.O (1005) Preferences for single sourcing and supplier selection criteria, *Journal of Business Research*, 32(2): 105-111
- Tan, K.C Kannan VIR & Hadfield, R.B (1998), Supply chain management, Supplier performance and firm performance *international Journal of Purchasing and material management*.
- Tanzania government Public Procurement Act No, 21 of 2004 and its Regulation of 2005: Dar-es-salaam Government Printer.
- Thompson, M. (1996) Empirical analysis of supplier selection and involvement, customer satisfaction and form performance, *Supply Chain Management. An International Journal*, 6 (4):174-188
- Timmerman,(1986) *an Approach to Vendor Performance Evaluation, the Journal of Supply Chain Management*, 2-8.
- Tracey, M & Tam, C.L (2001), Empirical analysis of supplier selection and involvement, Customer satisfaction and firm performance supply chain management, *an international Journal* 174-188
- Trent, R.J & Monczka, R.M (2003), Understanding integrated global sourcing, *International Journal of physical Distribution & Logistics Management*, 33 (7): 607-629
- Trent, R.J & Monczka, R.M 1998, Purchasing and supply management, trends and changes throughout the (1990s), *The Journal of Supply Chain Management* 34(2): 2-11

- Vein D, Shahadat, K, (1999), Supplier choice criteria of executing agencies in development 16 (4): 261-285
- Verma, R & Pullman, M.E (1998), an analysis of supplier selection process, *The journal of supply chain management* 15 (3): 25-30
- Vonderembse and Tracey, (1999) *the Impact of Supplier Selection Criteria and Supplier*, *the Journal of Supply Chain Management*, 33-39.
- Vonderembse, M.A & Tracey M, (1996), The impact of supplier selection criteria and supply involvement on Manufacturing performance, *Journal of supply chain management* 16(2): 300-350
- Wagner, J. and Ethenson, R. (2007), vendor selection among Retail Buyers; An Analysis by merchandise Division, *Journal of Retailers* 58-79.
- Wang G, Samuel, H, Dismukes J, (2004). *Product-driven supply chain selection using integrated multi-criteria decision-making methodology. International Journal of production Economics* 91(5): 1-15.
- Weber, et al.(1991). *Vendor selection criteria and methods*. *European Journal of Operational Research* 50: 2-18.
- Williamson O.E 1993, *Transaction cost economic cost economics and organization on theory, industrial and corporate change* 2(2): 107-156
- Williamson, O.E 1981, *the economics of organization*. Transaction cost approach, *American Journal of Society* 87: 548-577
- Williamson, O.E 1985, *the economics institutions of capitalism*. Firms, Markets and relational Contracting. The free press, New York, USA
- Wisner, J.et al. (2008).*Principles of supply chain management* (2<sup>nd</sup> Ed.).Mason, OH: Cengage Learning South-West.

Wo rapon Thancraksakal and Busaba Phruleaphanrat Supplier Evaluation framework based on balance score card with intergrated corporate social responsibility perspective. Proceedings of the international multiconference of engineers and computer science (2009) Vol II. March 18-20, 2008,Hong Kong

## APPENDICES

### Appendix I: Questionnaire for Public Procurement Officials

This questionnaire is designed to capture information that will be used to analyze the “Determinants of Supplier Selection in Procurement Process in Tanzania”. The information will be treated with highest confidentiality and shall be used solely for academic purposes only.

#### Section A: General Questions

Please tick  the most correct answer(s) to your case or fill the empty space(s) as appropriate.

1. Age: \_\_\_\_\_ Years      Sex: [F]/ [M] \_\_\_\_\_ Nationality \_\_\_\_\_

2.      Marital      status:      Married      [      ]  
    Divorced [ ] Unmarried [ ] Widowed [ ]

3. Please indicate your level of education

Doctorate [ ] Master’s Degree [ ] Postgraduate Diploma [ ] Bachelors’ degree [ ]

Diploma [ ] Certificate [ ] A-Level [ ] O-Level [ ] Primary (Std VII) [ ]

Others (*Please specify*)

#### Section B: Specific Questions

##### Objective one

##### Type of procurement methods

Have been participating in public procurement? .....

What are methods used Procurement entities in getting the best supplier? (tick 1,2,3,4,5 ie 1 for most used and 5 for least used) Single Sourcing (SS)  Request for Quotation (RFQ)  National Competitive Tendering (NCT)  International Competitive Tendering (ICT)  Request for quotation   
 Others Explain.....

What are criteria used in awarding the tenders?

.....

1. How long does it take from evaluation to the award announcement? .....

.....

2. How do you communicate with the winner of the tender?

.....

3. After getting the winner do you inform other bidders of the qualifications of the winner over the others? .....

4. Are the losers get satisfied with the results? .....

5. What company ownership categories are mostly awarded the tenders?

Local ( ) Foreign ( )

Give reasons for your answer in Qn8 above

.....

Are you satisfied with current overall public procurement procedure?

.....

Are you satisfied with current overall procedure from tender evaluation to tender award?

.....

Have you received any complaints from the bidders/suppliers for unfair tender award?

Yes..... No.....

If the answer is yes in Q6 above what measure did you take? .....  
Were they complained officials satisfied with your response? .....  
Most of the governments projects in Tanzania have been performed below the required standards, what do you think are the causes of this situation?

.....  
.....

In the cause of tender evaluation period, have you been approached by any bidder/supplier seeking any favor from you in awarding the tender?

.....

If yes what action did you take?

.....  
.....

What challenges do you face in the whole process of determining the right suppliers of products or services?

In your opinions what do you think could be done to improve the status, fairness and quality of services in procurement entities in Tanzania?

.....  
.....

THANK YOU

APPENDIX II

**KINONDONI MUNICIPAL COUNCIL**



**QUOTATION EVALUATION REPORT AND  
RECOMMENDATIONS FOR AWARD OF SUPPLY MEDICAL  
DRUGS AT MAGOMENI HEALTH CENTRE IN KINONDONI  
MUNICIPALITY**

**Quotation. No: LGA/KMC/017/2012/2013/Q/-30**

**APRIL, 2013**

### **Executive summary**

The Kinondoni Municipal Council has received funds from **COST SHARING**. It is intended that part of the proceeds of the fund will be used to cover eligible payment under the contract for **Supply Medical drugs at Magomeni Health Centre in Kinondoni Municipality**.

The invitation for quotation document was issued to **PHARMAHEALTH PHARMACY, DERIC 2000 CO LTD and JAFFERY IND SAINI LIMITED** on **10<sup>th</sup> APRIL, 2013** who are eligible supplier of Nets and allied product. The deadline for submission was Seven (7) days from the date of invitation of this quotation.

The quotation was opened in the Kinondoni Municipal Council Tender Board Secretary's Office on **17<sup>th</sup> April, 2013** in presence of bidder's representative.

Quotation evaluation was carried out in stages, namely, Preliminary Evaluation to determine substantial responsiveness of the bidder, Detailed Evaluation to examine for correction of error to get the actual contract price.

After Preliminary Evaluation, the bidder was found to be substantial responsive and accepted for the Detailed Evaluation. On the Detailed and post qualification examination stages, **M/S PHARMAHEALTH PHARMACY** was found to qualify to execute the project.

Basing on the summary of evaluation process, the evaluation team recommend **M/S PHARMAHEALTH PHARMACY** to be considered in the award of **supply of Medical drugs at Magomeni Health Centre in Kinondoni Municipal Council** at a contract price of **Tshs. 6,500,000.00 (Six million five hundred thousand only) VAT inclusive** for **(14) Days** of contract period.

### 1.0 Introduction

The Kinondoni Municipal Council has set aside fund for its operation and It is intended that part of the proceeds of the fund will be used to cover eligible payment under the contract for Supply medical drugs for Kinondoni Municipal Council.

Table I: A list of items to be procured

S/N	MAJOR WORKS	unity	QUANTITY
1.	Contrimoxazole Tables	T/1000	20
2.	Metformin 500mg Tab	p/100	20
3.	Glibenclamide 5mg Table	p/100	20
4.	Cenizine tables 10mg	p/100	100
5.	Fluconazole	p/100	20
6.	Clotrimazole vag pas	p/6	200
7.	Providone Iodine Bottles	250ml	40
8.	Silk Braided 0.75cm,3/8 circle, reverse-cutting 45mm	p/12	20
9.	Syringe Disposable with needle 2cc	p/100	120

### 1.2 Invitation for Quotation

The invitation for quotation document was issued to **PHARMAHEALTH PHARMACY, DERIC 2000 CO LTD and JIM EQUIPMED CO LTD** on **10<sup>th</sup> April, 2013** who are eligible supplier/printer of Files and allied product. The deadline for submission was Seven (7) days from the date of invitation of this quotation. The quotation was issued in pursuant to Regulation 70 of the Public Procurement Regulations, 2005 GN No. 97.

### 1.3 Quotation Opening

The quotation was opened in the Kinondoni Municipal Council Tender Board Secretary's Office on **17<sup>nd</sup> April, 2013** in presence of bidder's representative. Quotation opening is indicated in **Table II** below.

Table II: Quotation Price as read out

Bidder's name	Country	Address	Read out Prices (Tshs)
PHARMAHEALTH PHARMACY	Tanzania	Box 65526 DSM	6,500,000
DERIC 2000 CO LTD	Tanzania	Box 11857 DSM	7,120,000.00
JIM EQUIPMED LTD	Tanzania	Box 33102 DSM	6,670,000.00

#### 1.4 Evaluation Team

The Evaluation Team was appointed by the Municipal Director for evaluation of the quotation and team was composed of the following members:

1. Sunzy Mwita - Drug coordinator (Chair Person)
2. Sophia Mwilongo - Drug coordinator (Secretary)
3. Samwel Lema - Program coordinator (Member)

#### 2.0 Preliminary Evaluation of Quotation:

The information requested in quotation document includes the following:-

- Duly priced and signed Bid Bills of Quantities (BoQ).
- A valid Business License.
- A valid VAT and TIN certificate.
- Certificate of Incorporation.
- A valid CRB registration certificate for civil works
- Litigation
- Place of Business
- Anti-bribery policy
- Power of Attorney

Table II: Quotation Price as read out

Bidder's Name	Quotation properly signed	Valid Business	VAT/TIN	Certificate of Incorporation	CRB Registration	Litigation	Place of Business	Anti-bribery policy	Power of Attorney	Remarks
PHARMAHEALTH PHARMACY	√	√	√	√	√	√	√	√	√	√
DERIC 2000 CO LTD	√	√	√	√	√	√	√	√	√	√
JIM EQUIPMED LTD	√	√	√	√	√	√	√	√	√	√

#### Results of Preliminary Examination.

The submitted information was sufficient as per requirements on all criteria and thereafter the evaluation team considered the bidder was **substantially responsive** and hence accepted for detailed evaluation.

### 3.0 Detailed Evaluation

Detailed evaluation was carried out to check for correction of errors as follows;

#### 3.1 Correction errors

Correction of errors was carried out to the bidder as well as checking deviations from the Budgeted Amount;

Table III: Correction of errors

Bidder's name	Declared Tender Total (Tshs)	Budgeted Amount	Corrected Tender Total (Tshs)
PHARMAHEALTH PHARMACY	6,500,000.00	7,000,000.00	6,500,000.00
DERIC 2000 CO LTD	7,120,000.00		7,120,000.00
JIM EQUIPMED LTD	6,670,000.00		6,670,000.00

Conclusion of Detailed Evaluation lowest among the substantial responsive bids. The tenders were ranked as shown in table five below in the detailed examination the bid from **PHARMAHEALTH PHARMACY** was found to be the lowest among the substantial responsive bids. The tender was ranked as shown in table V below.

KINONDONI MUNICIPAL COUNCIL

THE PUBLIC PROCURMENT ACT No. 21 OF 2004

PERSONAL COVENANT 2

I.....(name) .....  
(designation) of ..... (name of institution)) being a Member of the  
Evaluation Committee for of Quotation NO.LGA/KMC/017/2012/2013/Q/36 for the Supply of  
medical drugs at Magomeni Health Centre in Kinondoni Municipality. constituted under Section  
37 of the Public Procurement Act. 2004 DO HEREBY state as follows:-

- a) That, I do not have any interest, pecuniary or otherwise, directly or indirectly in any of the tenderers, associations or joint ventures that have submitted pre-qualification applications / tenders for the above mentioned tender; that is to say:-
  - 1. PHARMAHEALTH PHARMACY
  - 2. DERIC 2000 CO LTD
  - 3. JIM EQUIPMED LTD
- b) That, all knowledge, reports or any other materials not within the public domain which I may acquire from the evaluation process, by virtue of the performance of my duties as a Member of the said Tender Evaluation Committee, shall for all time and for all purposes be regarded by me as strictly confidential and I shall not divulge them to persons not officially concerned with this evaluation process.
- c) That, as a Member of the Tender Evaluation Committee shall at all times adhere fully with the terms and conditions contained in the Public Procurement Act 2004 and the Public Procurement of (Goods, Works, Non-Consultant Services and Disposal of Public Assets by Tender) Regulations, 2005- Government Notice No. 97 of 15<sup>th</sup> April, 2005.
- d) That, the breach of this Covenant or any provisions of the Public Procurement Act, 2004 shall not preclude the institution of criminal proceedings pursuant to the Penal Code, the Prevention of Corruption Act, 1971 or any other written Law against me.

Signed ..... (Signature) by the said..... (Name)  
this..... day of ..... 20.....

96

APPENDIX III

**KINONDONI MUNICIPAL COUNCIL**



**QUOTATION EVALUATION REPORT AND  
RECOMMENDATIONS FOR AWARD FOR SUPPLY OF  
MEDICINES WHICH ARE NOT AVAILABLE IN MSD  
FOR SINZA HOSPITAL**

**QUOTATION No. KMC/CQ/SNZ/04/2012/2013**

**MAY, 2013**

### Executive summary

The Kinondoni Municipal Council has received funds from Basket Fund. It is intended that part of the proceeds of the fund will be used to cover eligible payment under the contract for **Supply of Medicines which are not available in MSD for Sinza Hospital.**

The invitation for quotation document was issued to **DAR SCIENCE COPE, DERIC 2000 CO. LTD and JIM EQUIPMENT LTD** on **25<sup>th</sup> April, 2013** who are eligible supplier of Medicine. The deadline for submission was Seven (7) days from the date of invitation of this quotation.

The quotation was opened in the Kinondoni Municipal Council Tender Board Secretary's Office on **03<sup>th</sup> May, 2013** in presence of bidder's representative.

Quotation evaluation was carried out in stages, namely, Preliminary Evaluation to determine substantial responsiveness of the bidder, Detailed Evaluation to examine for correction of error to get the actual contract price.

After Preliminary Evaluation, the bidder was found to be substantial responsive and accepted for the Detailed Evaluation. On the Detailed and post qualification examination stages, **DAR SCIENCE COPE** was found to qualify to execute the project.

Basing on the summary of evaluation process, the evaluation team recommend **DAR SCIENCE COPE** to be considered in the award for **Supply of Medicines which are not available in MSD for Sinza Hospital at a contract price of Tshs. 9,515,000.00 (Nine Million Five Hundred and Fifteen Thousand Tanzanian Shillings only) VAT exclusive for (14) Days** of contract period.

### 1.0 Introduction

The Kinondoni Municipal Council has set aside fund for its operation and It is intended that part of the proceeds of the fund will be used to cover eligible payment under the contract for Supply of Medicines which are not available in MSD for Sinza Hospital

Table I: A list of items to be procured

S/N	MAJOR WORKS	UNIT	QUANTITY
1.	Ephedrine Inj. 30mg/ml	P100	7
2.	Hydralazine Inj. 20mg/ml	5amps	30
3.	Lignocaine Spinalin 75% Dextrose Inj. 5%	P100	5
4.	Tramadol Caps 50mg	T100	100
5.	Fruzemide Inj. 20mg/ml	P100	10
6.	Syringe disposable with nedle 2cc	P100	80.

### 1.2 Invitation for Quotation

The invitation for quotation document was issued to **DAR SCIENCE COPE, DERIC 2000 CO. LTD and JIM EQUIPMENT LTD** on **25<sup>th</sup> April, 2013** who are eligible supply of Medicines which are not available in MSD for Sinza Hospital. The deadline for submission was Seven (7) days from the date of invitation of this quotation. The quotation was issued in pursuant to Regulation 70 of the Public Procurement Regulations, 2005 GN No. 97.

### 1.3 Quotation Opening

The quotation was opened in the Kinondoni Municipal Council Tender Board Secretary's Office on **3<sup>rd</sup> May, 2013** in presence of bidder's representative. Quotation opening is indicated in **Table II** below.

**Table II: Quotation Price as read out**

Bidder's name	Country	Address	Read out Prices (Tshs)
DAR SCIENCE COPE	Tanzania	P.O.Box 6979 DSM	9,515,000/-
DERIC 2000 CO. LTD	Tanzania	P.O.Box 11357 DSM	18,970,000/-
JIM EQUIPMENT LTD	Tanzania	P.O.Box 33102	19,925,000/-

#### **1.4 Evaluation Team**

The Evaluation Team was appointed by the Municipal Director for evaluation of the quotation and team was composed of the following members:

1. DR. BENEDICT LUOGA - Doctor (Chair Person)
2. ANNA KAJIRU - Pharmacist (Secretary)
3. RADEGUNDA MASSAWE - SUPP. OFFICER (Member)

#### **2.0 Preliminary Evaluation of Quotation:**

The information requested in quotation document includes the following:-

- Duly priced and signed Bid Bills of Quotations
- A valid Business License.
- A valid VAT and TIN certificate.
- Certificate of incorporation.
- Litigation
- Place of Business
- Anti-bribery policy
- Power of Attorney

Table II: Quotation Price as read out

Bidder's Name	Quotation properly signed	Valid Business	VAT/TIN	Certificate of Incorporation	Litigation	Place of Business	Anti-bribery policy	Power of Attorney	Remarks
DAR SCIENCE COPE	√	√	√	√	√	√	√	√	√
DERIC 2000 CO. LTD	√	√	√	√	√	√	√	√	√
JIM EQUIPMENT LTD	√	√	√	√	√	√	√	√	√

**Results of Preliminary Examination.**

The submitted information was sufficient as per requirements on all criteria and thereafter the evaluation team considered the bidder was **substantially responsive** and hence accepted for detailed evaluation.

**3.0 Detailed Evaluation**

Detailed evaluation was carried out to check for correction of errors as follows;

**3.1 Correction errors**

Correction of errors was carried out to the bidder as well as checking deviations from the Budgeted estimate as indicated in table III below;

Table III: Correction of errors

Bidder's name	Declared Tender Total (Tshs)	Corrected Tender Total (Tshs)
DAR SCIENCE COPE	9,515,000/-	9,515,000/-
DERIC 2000 CO. LTD	18,970,000/-	18,970,000/-
JIM EQUIPMENT LTD	19,925,000/-	19,925,000/-

Conclusion of Detailed Evaluation lowest among the substantial responsive bids. The Quotations were ranked as shown in table five below in the detailed examination the bid from **DAR SCIENCE COPE** was found to be the lowest among the substantial responsive bids. The Quotations was ranked as shown in table V below.

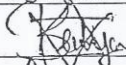


**Table V: Summary of detailed Evaluation**

Bidder's name	Declared Tender Total (Tshs)	Corrected Tender Total (Tshs)	Rank
DAR SCIENCE COPE	9,515,000/-	9,515,000/-	1
DERIC 2000 CO. LTD	18,970,000/-	18,970,000/-	2
JIM EQUIPMENT LTD	19,925,000/-	19,925,000/-	3

#### 4.2 Recommendations

Basing on the summary of evaluation process, the evaluation team recommend **DAR SCIENCE COPE** to be considered in the award of **Supply of Medicines which are not available in MSD for Sinza Hospital at a contract price of Tshs. 9,515,000.00 (Nine Million Five Hundred and Fifteen Thousand Tanzanian Shillings only) VAT exclusive for (14) Days of contract period.**

5.0 Evaluation Team submission

Sn	Name	Profession	Designation	Signature
1	DR. BENEDICT LUOGA	Doctor	Chair Person	
2	ANNA KAJIRU	Pharmacist	Secretary	
3	RADEGUNDA MASSAWE	SUPP. OFFICER	Member	

APPENDIX V

KINONDONI MUNICIPAL COUNCIL



THE PUBLIC PROCUREMENT ACT No. 21 OF 2004

PERSONAL COVENANT 1

1. I, ANNA KAJIMU (name) PHARMACEUT (designation) of SINCA HOSPITAL (name of institution) being a Member of the Evaluation Committee for of Quotation NO. KMC/CQ/SNZ/04/2012/2013 for proposed Supply Of Medicines Which Are Not Available In Msd in Kinondoni Municipality. constituted under Section 37 of the Public Procurement Act, 2004 DO HEREBY state as follows:-

- a) That, I do not have any interest, pecuniary or otherwise, directly or indirectly in any of the tenderers, associations or joint ventures that have submitted pre-qualification applications / tenders for the above mentioned tender; that is to say:-
  - 1. MADO'S GENERAL TRADERS CO
  - 2. MED EQUIP PROFESSIONAL SUPPLIES
  - 3. PHARMAHELTH PHARMACY
- b) That, all knowledge, reports or any other materials not within the public domain which I may acquire from the evaluation process, by virtue of the performance of my duties as a Member of the said Tender Evaluation Committee, shall for all time and for all purposes be regarded by me as strictly confidential and I shall not divulge them to persons not officially concerned with this evaluation process.
- c) That, as a Member of the Tender Evaluation Committee shall at all times adhere fully with the terms and conditions contained in the Public Procurement Act 2004 and the Public Procurement of (Goods, Works, Non-Consultant Services and Disposal of Public Assets by Tender) Regulations, 2005- Government Notice No. 97 of 15<sup>th</sup> April, 2005.
- d) That, the breach of this Covenant or any provisions of the Public Procurement Act, 2004 shall not preclude the institution of criminal proceedings pursuant to the Penal Code, the Prevention of Corruption Act, 1971 or any other written Law against me.

Signed Ann (signature) by the said A. KAJIMU (name) this 10 day of 05 2013

KINONDONI MUNICIPAL COUNCIL



THE PUBLIC PROCURMENT ACT No. 21 OF 2004

PERSONAL COVENANT 1

1. I, W. MBSAWA (name) SUPP. OFFICER  
(designation) of KMC (name of institution) being a Member of the  
Evaluation Committee for of Quotation NO. KMC/CQ/SNZ/04/2012/2013 for proposed Supply  
Of Medicines Which Are Not Available In Msd in Kinondoni Municipality. constituted under  
Section 37 of the Public Procurement Act, 2004 DO HEREBY state as follows:-

a) That, I do not have any interest, pecuniary or otherwise, directly or indirectly in any  
of the tenderers, associations or joint ventures that have submitted pre-qualification  
applications / tenders for the above mentioned tender; that is to say:-

1. DAR SCIENCE COPE
2. DERIC 2000 CO. LTD
3. JIM EQUIPMENT LTD

b) That, all knowledge, reports or any other materials not within the public domain which I  
may acquire from the evaluation process, by virtue of the performance of my duties as a  
Member of the said Tender Evaluation Committee, shall for all time and for all purposes  
be regarded by me as strictly confidential and I shall not divulge them to persons not  
officially concerned with this evaluation process.

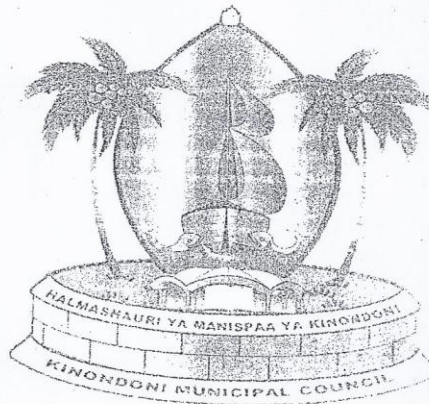
c) That, as a Member of the Tender Evaluation Committee shall at all times adhere fully  
with the terms and conditions contained in the Public Procurement Act 2004 and the  
Public Procurement of (Goods, Works, Non-Consultant Services and Disposal of Public  
Assets by Tender) Regulations, 2005- Government Notice No. 97 of 15<sup>th</sup> April, 2005.

d) That, the breach of this Covenant or any provisions of the Public Procurement Act, 2004  
shall not preclude the institution of criminal proceedings pursuant to the Penal Code, the  
Prevention of Corruption Act, 1971 or any other written Law against me.

Signed W. MBSAWA (signature) by the said W. MBSAWA (name) this  
10<sup>th</sup> day of 05 2013

## APPENDIX V

KUMBUKUMBU ZA SHUGHULI ZA HALMASHAURI YA MANISPAA YA KINONDONI.



MUHTASARI WA KIKAO CHA BODI YA ZABUNI KWA MWAKA 2012/2013  
KILICHOFANYIKA TAREHE 12 JUNI 2013 KATIKA UKUMBI  
WA MIKUTANO WA MANISPAA

4/13

Maombi ya kazi ya nyongeza katika ujenzi wa vyumba vinne (4) vya madarasa katika Shule ya Sekondari Kisauke.

Ilielezwa kuwa Manispaa iliingia mkataba na mkandarasi Regmass construction Co.Ltd wa ujenzi wa vyumba vinne vya madarasa katika Shule ya Sekondari Kisauke. Katika utekelezaji wa mradi huu kulijitokeza kazi za nyongeza ambazo hazikuwemo kwenye mkataba wa awali. Kazi hizo ziliandaliwa BOQ na kuwa na gharama ya sh. 3,824,000.00. Hivyo inaombwa idhini ya kupitisha maombi haya ili mzabuni aweze kulipwa.

Azimio:

Wajumbe waliidhinisha maombi haya.

5/13.

Taarifa ya uchambuzi wa zabuni na "quotations" mbalimbali kama ifuatavyo:-

5.1 Taarifa ya uchambuzi wa "quotations" za ununuzi wa OPD Kadi kwa ajili ya Kituo cha Afya Magomeni.

Iliwasilishwa taarifa ya uchambuzi wa "quotations" za ununuzi wa vifaa vya tiba kwa ajili ya Kituo cha Afya Magomeni. Ilielezwa kuwa kazi hii iliitishwa kwa njia ya "quotations" tarehe 24/5/2013 kwa wazabuni watatu ambao ni PETECHA INVESTMENT CO.LTD, BARONA (T) INVESTMENT CO.LTD na G.S. PROVISION STORES AND GENERAL SUPPLIES. "Quotations" hizo zilifunguliwa tarehe 31/5/2013 na kuchambuliwa na Timu ya uchambuzi wa zabuni iliyoteuliwa na Mkurugenzi wa Manispaa.

Mapendekezo.

Timu ya Uchambuzi wa Zabuni inampendekeza mzabuni PETECHA INVESTMENT CO.LTD apewe kazi ya kuiuzia Manispaa OPD Kadi kwa ajili ya Kituo cha Afya Magomeni

kwa gharama ya sh.10,200,000.00 pamoja na VAT kwa muda wa siku 14.

**Azimio:**

Baada ya Wajumbe kupitia maoni ya Timu ya Uchambuzi wa Zabuni, waliidhinisha mzabuni PETECHA INVESTMENT CO.LTD apewe kazi ya kuiuzia Manispaa OPD Kadi kwa ajili ya Kituo cha Afya Magomeni kwa gharama ya sh.10,200,000.00 pamoja na VAT kwa muda wa siku 14.

**5.2 Taarifa ya uchambuzi wa "quotations" za ununuzi wa dawa za wagonjwa zilizokosekana bohari kuu ya madawa - MSD kwa ajili ya Kituo cha Afya Magomeni.**

Iliwasilishwa taarifa ya uchambuzi wa "quotations" za ununuzi wa za wagonjwa zilizokosekana bohari kuu ya madawa - MSD kwa ajili ya Kituo cha Afya Magomeni.

Ilielewa kuwa kazi hii iliitishwa kwa njia ya "quotations" tarehe 20/5/2013 kwa wazabuni watatu ambao ni DERIC 2000 CO.LTD, JIM EQUIPMENT PROFESSIONAL SUPPLIES na PHARMAHEALTH PHARMACY. "Quotations" hizo zilifunguliwa tarehe 27/5/2013 na kuchambuliwa na Timu ya uchambuzi wa zabuni iliyoteuliwa na Mkurugenzi wa Manispaa.

**Mapendekezo.**

Timu ya Uchambuzi wa Zabuni inampendekeza mzabuni PHARMAHEALTH PHARMACY apewe kazi ya kuiuzia Manispaa dawa za wagonjwa zilizokosekana bohari kuu ya madawa - MSD kwa ajili ya Kituo cha Afya Magomeni kwa gharama ya sh.11,938,000.00 pamoja na VAT kwa muda wa siku 14.

Mapendekezo.

Timu ya Uchambuzi wa Zabuni inampendekeza mzabuni WAZAMANI GENERAL SUPPLIES apewe kazi ya kuiuzia Manispaa dawa za wagonjwa zilizokosekana bohari kuu ya madawa - MSD kwa ajili ya Hospitali ya Sinza kwa gharama ya sh.11,855,000.00 bila VAT kwa muda wa siku 14.

Azimio:

Wajumbe kupitisha mzabuni WAZAMANI GENERAL SUPPLIES apewe kazi ya kuiuzia Manispaa dawa za wagonjwa zilizokosekana bohari kuu ya madawa - MSD kwa ajili ya Hospitali ya Sinza kwa gharama ya sh.11,855,000.00 bila VAT kwa muda wa siku 14.

- 5.8 Taarifa ya uchambuzi wa zabuni ya kuiuzia Manispaa seti ya madawati 1,600 kwa ajili ya Shule za Msingi za Manispaa. Iliwasilishwa taarifa ya uchambuzi wa zabuni ya kuiuzia Manispaa seti ya madawati 1,600 kwa ajili ya Shule za Msingi za Manispaa.

Ilielezwa kuwa zabuni ya kazi hii iliitangazwa katika magazeti ya Mwananchi na Daily Newspaper ya tarehe 19/4/2013 ambapo kwa wazabuni 8 walijitokeza kuomba kazi hii. Wazabuni hao ni KING STAR TRADING CO.LTD, QUALITY FURNITURE LTD, HALIFA INVESTMENT, MZINGA CORPORATION, EURO WOOD CARFT (T) LTD, FURNITURE CENTRE, FUANGZE TRADERS na AFRICAN METAL & WOOD PRODUCTS.

Zabuni hizo zilifunguliwa tarehe 20/5/2013 na kuchambuliwa na Timu ya uchambuzi wa zabuni iliyoteuliwa na Mkurugenzi wa Manispaa.

7/13

Kufunga Kikao:

Mwenyekiti alifunga Kikao saa 40.30 jioni.

Mtara

MWENYEKITI

UMETHIBITISHWA

Dausit

KATIBU

TAREHE

31-7-2013

Wazabuni waliofuzu kuingia kwenye uchambuzi wa kina ni wafuatao:-

- KING STAR TRADING CO.LTD,
- QUALITY FURNITURE LTD,
- AFRICAN METAL & WOOD PRODUCTS.

**Mapendekezo.**

Timu ya Uchambuzi wa Zabuni inampendekeza mzabuni AFRICAN METAL & WOOD PRODUCTS apewe kazi ya kuiuzia Manispaa seti 1,600 za madawati kwa ajili ya Shule za Msingi kwa gharama ya sh. 192, 000,000.00 bila VAT kwa muda wa miezi 2.

**Azimio:**

Wajumbe walimpitisha mzabuni AFRICAN METAL & WOOD PRODUCTS apewe kazi ya kuiuzia Manispaa seti 1,600 za madawati kwa ajili ya Shule za Msingi kwa gharama ya sh. 192, 000,000.00 bila VAT kwa muda wa miezi 2.

- 5.9 **Taarifa ya uchambuzi wa "quotations" za ununuzi wa vifaa vya tiba kwa ajili ya Vituo vya Tiba vya Manispaa.**  
Iliwasilishwa taarifa ya uchambuzi wa "quotations" za ununuzi wa vifaa vya tiba kwa ajili ya Vituo vya Tiba vya Manispaa. Ilikezwa kuwa kazi hii iliitishwa kwa njia ya "quotations" tarehe 21/5/2013 kwa wazabuni watatu ambao ni M/S MED EQUIP, PROFESSIONAL SUPPLIES CO, DAR SCIENCE COPE na DERIC 2000 CO.LTD. "Quotations" hizo zilifunguliwa tarehe 28/5/2013 na kuchambuliwa na Timu ya uchambuzi wa zabuni iliyoteuliwa na Mkurugenzi wa Manispaa.

Agenda zilizowasilishwa tarehe 12/6/2013:-

- i. Kufungua Kikao.
- ii. Kupitia na kuidhinisha agenda.
- iii. Maombi mbalimbali ya kufanya manunuzi kwa njia ya "Quotations".
- iv. Maombi ya kazi ya nyongeza ya ujenzi wa vyumba vya madarasa manne katika Shule ya Sekondari Kjsauke.
- v. Taaarifa ya uchambuzi wa zabuni na 'quotations' mbalimbali.
- vi. Maombi ya kununua vifaa vya usafi kwa njia ya Min - Competition.
- vii. Maombi ya kutangaza zabuni mbalimbali.
- viii. Maombi ya manunuzi kwa njia ya "Force Account".
- ix. Kufunga Kikao.

## **Appendix VI**

### **Interview Guided Questions**

1. Who are implementing day to day Procurement Activities in your organization
2. What are the most used procurement methods do you organization use in procurement of goods
3. What are the problems with this procurement methods referring to Q2
4. What factors do you consider in evaluation and selection of suppliers
5. Is there any complain on the evaluation and selection criteria from the suppliers
6. How did you deal with these problems in your organization
7. Lastly give your comments on the methods of procurement which do you think which is competitive to your organization for achieving value for money

**THANKS FOR YOUR COOPERATION**