Transparency and participation of Small and Medium Enterprises in Public Procurement in Iringa Municipality

James Patrick Mpogole
Moshi Co-operative University, Kilimanjaro Tanzania
jimmyptrck029@gmail.com

Neema P. Kumburu
Department of Human Capital Management and Administration,
Moshi Co-operative University, Kilimanjaro Tanzania
nkumburu1@gmail.com;nkumburu@yahoo.co.uk

Sarah Mmari
Tengeru Institute of Community Development, Arusha, Tanzania
saraemmanuel89@gmail.com

Abstract

Small and medium enterprises (SMEs) play a crucial role in the global economy, yet in Tanzania, they face significant challenges in accessing public procurement opportunities despite a preferential public procurement framework. Among the challenges, transparency has been given scant attention. There is a gap in knowledge on the influence of transparency on SMEs' participation in public procurement. This study aims to assess the influence of transparency in the procurement process on promoting SME participation. A cross-sectional research design with 136 respondents was employed. Data collection included questionnaires, key informant interviews, and documentary reviews. Both descriptive and inferential statistics, including Binary Logistic Regression, were used for data analysis. The study revealed that transparency in procurement practices significantly influences SME participation. Simplified communication, clear evaluation criteria, adequate tender advertisement, timely tender evaluation, and tender competitiveness and fairness enhance transparency and increase SME participation (p < 0.05). Based on these findings, it is recommended that authorities enhance communication channels, establish clear evaluation criteria, and ensure timely and adequate tender advertisements. Timely tender evaluations and a fair, competitive tendering environment should be promoted. Emphasizing compliance with the public procurement legal framework, encouraging SME creativity and innovation, and providing capacity-building initiatives are crucial. Regular monitoring and evaluation of procurement practices are also recommended to improve transparency and SME participation

Keywords*:* Public Procurement, Small and Medium Enterprises, Legal and Regulatory framework, Transparency

1.0 Introduction

Public procurement is a key variable in determining development outcomes and when carried out efficiently and transparently can play a strategic role in delivering more effective public services (World Bank Group, 2016). Purchases in public sectors have to observe rules governing the acquisition of goods, works and services to ensure the attainment of the public satisfaction as per the intended objective (Macharia et al., 2023). Effective Public Procurement relies on the legal framework which mentions the regulations which regulate procurement activities (Cholopray, 2020). The framework contains laws, regulations, and policies which govern the procedures and processes necessary to purchase goods, works and services for the public sector (Matto, 2017). Therefore, the public procurement legal framework clearly covers the whole scope of public procurement, all stages of the procurement process, methods of procurement, ethics and transparency (Thai, 2015).

Authorities in different nations, have actively pursued a number of public procurement framework reforms with the intention to promote Small and Medium Enterprises access to public procurement (Panya et al., 2023). An OECD review carried out in 2012 indicates that member countries such as Canada, the UK, the USA and South Africa have adopted specific legislative provisions or policies to encourage the participation of Small and Medium Enterprises in public procurement (OECD, 2013). Countries like India, Ecuador, and Brazil have implemented policies that involve setting aside specific quotas for exclusive purchases from SMEs (Aguilar, 2016). The main objective of these strategies is to ensure that at least 20% of overall procurement opportunities is dedicated to the SMEs (Mahuwi & Israel, 2023).

In Africa context, Egyptian procurement framework promotes SMEs involvement in public procurement through The SMEs Development Act (2004) capped the amount of government contract awarded to SMEs at 10% and the government offers a 15% price waiver to domestic bidders to encourage local products (The Business Anti-Corruption Portal, 2012). Likewise, efforts were made in African countries such as Algeria, Côte d'Ivoire, Angola and Morocco in which, each government set aside around 20% of its total value of the public expenditure contracts to SMEs but that percentage increases to 25% in Angola (World Bank Group, 2016). The trend is almost the same in South Africa, where the governments prioritize and account for about 30% of procurement opportunities for women, youth, and disabled SMEs (Wadhwaa *et al.,* 2016)

In Kenya, the government has combined its SME preferential agenda with a women-specific agenda, using a set aside goal of 30% of spending to be allocated to micro and small enterprises owned by youth, women or persons of disability (International Trade Centre [ITC]. 2014). In 2012, about 12% of GDP in Rwanda was spent on public procurement nevertheless the local SMEs had very low access to public procurement despite an enabling legal framework, therefore, in 2017 The Public Procurement Law in Rwanda was revised and the revised law includes provisions granting exclusive preference to goods produced or manufactured in Rwanda or bidders registered in Rwanda as a means to enhance SMEs participation in public procurement (African Development Fund, 2017).

In realising the importance of SMEs involvement in public procurement, the Tanzanian public procurement framework through section 34 of the Public Procurement Regulation – The PPR, of 2013 requires public entity to grant a margin of preference of up to 10% to local firms or association between local and foreign firms, however the preferential treatment is limited only to competent, experienced and pre–qualified SMEs in terms of resources, equipment, capability, performance, that is procurement timely delivery, quality standards, cost effective of procurement goods, works and services (URT, 2013).

Despite of several initiatives and the reforms executed thus far, the public procurement systems often face substantial challenges particularly in the realms of accountability and transparency (Sama, 2022). Illustrating this issue, the audit report of the development projects for the financial year 2022/2023 revealed that two projects from two different government institutions with the contracts amounting to TZS 1.15 billion and TZS 79.98 billion, respectively, were awarded and signed without the submission of performance security raising concerns about transparency, accountability and compliance with procurement regulations (CAG, 2024a). The audit report of the local government financial statement for the year 2022/2023 revealed that 26 LGAs made procurements of goods and services worth TZS 5.99 billion from suppliers not shortlisted by GPSA (CAG, 2024b). Again, due to the incomplete request for proposal (RFPs) from 47 bids submitted, only eight were shortlisted and just five reached the final evaluation stage hence this lack of clarity in the tender documents compromised competitiveness and transparency in the tendering process (CAG, 2024a).

Therefore, for a number of years, public procurement in Tanzania experienced critical reforms; however, not much is known about the reforms and hence there is a dearth of comprehensive reviews about them (Mchopa et al., 2024). And while most studies presented challenges affecting SMEs' participation in public procurement, transparency as the critical element is ignored. Therefore, guided by the Principal-Agency Theory, The Regulatory Compliance Theory and The CLEAR Participation Model the current study ought to assess the influence of Transparency of the procurement process towards promoting SMEs participation in Public procurement by focusing on relevant information, open bidding process and clear evaluation procedures.

2.0   Theoretical and Empirical Debates

This study was guided by two theories and one model: The Principal-Agency Theory, The Regulatory Compliance Theory and The CLEAR Participation Model. In the 1970s, the Principal-Agency theory emerged, defining the relationship between principals and agents, analogous to shareholders and company executives (Chrisidu-Budnik & Przedańska, 2017). Shareholders, as principals, delegate authority to agents to manage the business on their behalf. For the theory to function optimally, agents must possess expertise and share goals with principals (Kastay, 2019). Assumptions include potential goal conflicts, self-interest-driven actions, information asymmetry, risk aversion by agents, and efficiency as a criterion (Zu & Kaynak, 2012). Procurement compliance, Langevoort (2002) argued, is influenced by principal-agent dynamics, especially in public procurement were government acts as principal and procurement units as agents. Ensuring compliance falls on procurement managers and accounting officers. However, motivating individuals and mitigating conflicts of interest remain challenges (Kastay, 2019).

Non-compliance in public procurement hampers small and medium business participation and affects the overall market. Thus, this study integrates regulatory compliance theory to address this gap. Regulatory compliance theory complements Principal-Agency theory, focusing on adherence to legal frameworks to ensure effective public procurement (Chrisidu-Budnik & Przedańska, 2017).

The Regulatory Compliance Theory, evolving over 40 years, underscores the importance of adhering to rules and regulations across various sectors, with human services being a primary focus (Fiene, 2016). While Sharma (2011) criticizes its oversight of staff competency, the theory emphasizes selecting suitable regulations and procedures. In this study, the Regulatory Compliance Theory guides the examination of how adherence to legal frameworks, including public procurement regulations, enhances small and medium enterprises' access to opportunities. It scrutinizes the role of procurement management units in ensuring compliance, aiming to foster transparency in public acquisitions

(Sharma, 2011; Fiene, 2016). On the other hand, The CLEAR participation Model was developed by Lowndes and Pratchett in 2006, the model is a diagnostic tool that both anticipates obstacles to empowerment and links these to policy responses. The CLEAR participation Model is a diagnostic tool which helps public bodies to identify particular strengths and problems with participation in their localities and, subsequently, to consider more comprehensive strategies for enhancing public participation (Lowndes and Pratchett 2006). The Five (5) Aspects of the CLEAR participation Model is as described below.

Table 1: Aspects of the CLEAR participation Model is as described below

Aspect	Description
Can do	Have the resources and knowledge to participate
Like to	Have a sense of attachment that reinforces participation
Enabled to	Are provided with the opportunity for participation
Asked to	Are mobilized through public agencies and civic channels
Responded to	Have evidence that their views have been considered

The Model is applicable to the current study since it entails the significant effect to the authorities on empowering participation. Therefore, through the Legal framework public procurement authorities carries the obligation to empower the small business to participate into the public procurement market and hence, through adhering to the preferential treatment the SMEs can easily exploit the market opportunities and compete within the public procurement market. These theories should better elucidate the interplay between the variables, thereby providing real-world insights. They can inform governments and SMEs on how transparency can enhance the participation of Small and Medium Enterprises in public procurement.

Empirical studies on transparency and procurement have been conducted. For example, Fourie (2017) examined ethics and integrity in military procurement in South Africa. They found a need for a strong ethical framework to ensure public value in procurement processes. However, their study lacks an in-depth analysis of the specific mechanisms required for implementing such a framework. Similarly, Kaspar and Puddephatt (2012) explored transparency's benefits for SMEs in Egypt's public procurement. They emphasized its potential to mitigate corruption and create a fair market. However, their study lacks sufficient analysis of how transparency initiatives could effectively address SME-specific challenges. Furthermore, Wayono and Tambo (2018) investigated the impact of transparency and accountability practices on procurement performance in Kenya's judiciary. They found a positive correlation between the adoption of these practices and procurement performance. Yet, their study lacks insights into the practical implementation challenges and strategies for sustaining transparency and accountability in procurement processes.

Other scholars, including Sidaeli and Athumani (2020), assessed the effect of ethical practices on procurement regulatory compliance in Tanzania. They identified conflicts of interest and lack of integrity as key challenges. However, their study overlooks the specific mechanisms through which ethical practices can be institutionalized and enforced within procurement systems. Mwandobo (2011) analyzed procurement processes' effectiveness in Tanzania, highlighting various inefficiencies and challenges. They recommended improvements in market survey practices and user cooperation. However, their study has limited discussion on the systemic reforms required to address the root causes of these inefficiencies. Similarly, Mshamu (2013) evaluated the effectiveness of procurement processes in Tanzania's Temeke Municipal Council. They found effectiveness in tendering processes but noted challenges related to knowledge, accountability, and corruption. However, their study lacks exploration

of strategies for capacity-building and anti-corruption measures to enhance procurement effectiveness sustainably.

Additionally, Panga and Kazungu (2015) and Israel and Kazungu (2019) highlighted barriers faced by SMEs in Tanzania's procurement market, including bureaucratic processes and legal requirements. They identified but did not deeply investigate the potential impact of regulatory compliance on SMEs' access to procurement opportunities. Kessy and Salema (2014) assessed the role of public procurement frameworks in stimulating SME innovation in Tanzania. They identified barriers such as complex bidding conditions and delays in payments. However, their study lacks exploration of how regulatory compliance can be leveraged to overcome these barriers and foster SME innovation. While these studies shed light on various aspects of procurement practices and challenges in Tanzania, there's a significant gap in understanding the direct impact of compliance with existing procurement regulations on SMEs' participation. This gap calls for further research to explore how transparency can promote SME inclusion in public procurement, potentially uncovering strategies to enhance SME growth and sustainability.

3.0 Methodology

A cross-sectional design was employed as a blueprint of the study, the design was suitable for the study since a large sample of similar participants (registered SMEs) was expected not to be found easily. Also, it allowed a lot of details to be collected by a researcher that would not normally be easily obtained by other research designs through open ended questions and developed the solution with multiple solutions (Kumburu, 2021).

The study was conducted in Iringa Municipality. Iringa Municipality was considered for study since the municipality is one of the authorities growing so fast in the business sector especially through self-employments (Mwalyego, 2018; Godwin, 2014; Kibassa, 2012). The study applied questioners to owners, management staff and employees, key informant interviews and documentary review to collect data from the targeted respondents. A sample size for the study was determined using Sloven's formula for finite populations, as shown in the equation below for a sample frame of 3700 SMEs as per the Local Government Revenue Collection Information System (LGRCIS).

$n=$ $\underline{N}$
$(1+N(e^2))$ ……………………………………………………………………………………… Equation (i)
Where, N=Population, n=Sample size, e=0.1 (10% level of significance).
Therefore, n=3700/ (1+3700(0.1^2), n=97 respondents.

Oribhabor & Anyanwu (2019) argues that sampling is taking any portion of a population as representative and the larger the sample, the more representative it is. Therefore, the study collected data from 136 respondents to enhance the validity of the findings where simple random sampling was employed to select respondents. From the sample size obtained, it was noted that a total of 133 of respondents responded which accounts to 97.79% of the response rate and 3 respondents did not respond which accounts for 2.21% of non-response rate (Table 2).

At least 50% of the response rate is adequate, as long as the size of the respondents is more than 30 for statistical analysis and reporting (Mugenda and Mugenda, 2008). Based on this idea the response rate of 97.79% was sufficient and excellent for data analysis and reporting.

Table 2: Respondents response rate (n=136)

Response Rate	Frequency	Percent (%)
Responses	133	97.79
Non-responses	3	2.21
Total	**136**	**100**

Qualitative data from key informant interviews were analysed using content analysis approach. Data were recorded using field note books and thereafter transcribed, categorised, coded before grouped into themes. Analysis of quantitative data involved the use of descriptive statistical analysis and binary logistic regression to measure the association and relationship between variables and show establish the percent of prediction. The Binary logistic regression model (BLRM) is constructive and relevant to the current study since the study involved a dependent variable which has two category choice outcomes.

The general form of this model is:

$$In\left[\frac{p_i}{1-p_i}\right] = L_i = \beta_0 + \beta_i{}'\chi_i$$

………………………………………………………………………………………… *Equation (ii)*

Where:

Y = Dependent variable (Dummy: 1= if SMEs participate in public procurement and 0 = if otherwise)

X = A vector of independent variables, β' is a vector of their respective coefficients.

$\chi_i =$ Simplified communication channel (Dummy 1 if simplified, 0 = If not)

$\chi_2 =$ Evaluation criteria (Dummy 1 if they are followed, 0 = if otherwise

$\chi_3 =$ Tender advertised Price (Dummy 1 if they are advertised, 0= if otherwise)

$\chi_4 =$ Time of Tender evaluation (Dummy 1 = if completed on time, 0 = If otherwise)

$\chi_5 =$ Tender competitiveness and fairness (Dummy, 1 = if tendering was competitive, 0 = If otherwise)

$\chi_6 =$ Price fluctuation (Dummy if price fluctuation is provided in the contract, 0 = if not)

3.0   Findings and Discussions
3.1   Transparency and Participation of SMEs in Public Procurement
3.1.1 Descriptive Analysis

The findings from Table 3 revealed that 39.1% of the respondents disagreed with the fact that the communication channels are simplified effectively by procuring entities while 33.1% of respondents agreed. Also 15.8% of respondents strongly disagreed that communication channels are simplified effectively by procuring entities, 9% strongly agreed and 3.0% had a neutral response. From the study findings, it was revealed that mean and standard deviation were 2.8045 and 1.29953 respectively. These results imply that the means of communication do not satisfy the need to provide bidders with effective information. Based on the study findings, communication channels during tendering processes cannot reach the majority of the SMEs and hence enable them to compete in the public procurement market. The same observation from Mahuwi and Israel (2023), revealed that ineffective communication channels affect the effectiveness of the public procurement system in Tanzania claiming that effective information is cumbersome in public procurement activities. Again, the study done by Ismail and Changalima (2022), revealed that it is crucial because many of these SMEs lack sufficient knowledge, hindering the attainment of necessary documentation required in the public procurement process.

Table 3: Descriptive Statistics (n=133)

Transparency	SD%	D%	N%	A%	SA%	Mean	Std. Deviation
Communication channels are simplified effectively by procuring entities	15.8	39.1	3.0	33.1	9.0	2.8045	1.29953
Evaluation reports are based on criteria stipulated in the bidding document	16.5	38.3	2.3	30.8	12	2.8346	1.34941
Tender opportunities are advertised adequately	35.3	21.1	1.5	27.1	15.0	2.6541	1.54746
Tender evaluations are completed on time	21.3	39.1	1.5	14.3	12.8	3.2632	1.66542
Tendering involves competitiveness and fairness	20.5	42.3	3.0	17.8	16.3	4.7293	1.12024
Price fluctuation adjustment provisions are provided in the contract	7.5	36.1	7.5	43.6	5.3	3.0301	1.14772
Overall Mean						3.2193	1.35496

Also, the findings from Table 3 revealed that 38.3% of respondents disagreed with the declaration that evaluation reports are based on criteria stipulated in the bidding document while 30.8% agreed. Also 16.5% of the respondents strongly disagreed and 12% strongly agreed that evaluation reports are based on criteria stipulated in the bidding document and 2.3% had a neutral response. From the study findings, it was revealed that mean and standard deviation were 2.8346 and 1.34941 respectively. These results suggest that the tender evaluations hinder the SMEs participation in accessing public procurement opportunities. Based on the study findings, the Procuring entities do not observe and reflect the requirements demanded by the public procurement legal framework for the aim of maintaining the value for money. The findings reflect the observation from Mgani, (2014) which suggested that tender evaluations lead to selection of suppliers and contractors which does not consider quality of work, past performance, payment terms, and organizational capacity and hence limits the scope for efficiency and value for money in the award of contracts. Again, the results resemble the audit report of the public authorities for the financial year 2022/2023 revealed that the contract of TZS 53.71 billion was awarded by the evaluation committee despite that the bidder did not meet some technical requirements (CAG, 2024c).

The findings of the study from Table 3 indicated that 35.3% of respondents strongly disagreed with the notion that tender opportunities are advertised adequately, while 27.1% of respondents agreed. Also 21.1% disagreed, 15% strongly agreed that tender opportunities are advertised adequately and 1.5% had a neutral response. From the study findings, it was revealed that mean and standard deviation were 2.6541 and 1.54746 respectively. These results propose that tenders are not advertised property and cover the intended scope of bidders and enhance the public procurement market competitiveness. Based on the observation of the study findings, tender opportunities do not reach the SMEs as they are advertised inadequately and hence affect their participation in accessing the public procurement opportunities. The findings resemble the observation from Matto, *et al* (2021) who indicated that tender advertising is a problem and if not handled carefully might lead to increases in procurement administrative costs and affect value for money. Again, the finding of the study are similar to the study revealed that inadequate compliance with regulation in tender invitation and advisement restrict bidders to receive complete information on procurement opportunities available in the procuring entity and the objective of tender notice is jeopardized, hence this failure causes prospective bidders to seek further information from a procuring entity that advertised the tender in order to decide whether to bid or not (Matto, 2019).

Moreover, the findings of the study as portrayed in Table 3 exposed that 39% of the respondents disagreed and 21.3% strongly disagreed that Tender evaluations are completed on time by the procuring entities while 14.3% agreed and 12.8% strongly agreed. Hence 1.5% of the respondents had a Neutral response to the notion that Tender evaluations are completed on time. From the study findings, it was revealed that mean and standard deviation were 3.2632 and 1.66542 respectively. The findings of the study suggest that, tender evaluations are not completed within the intended period of time and it has a negative influence on SMEs participation in public procurement and therefore basing from the observation the findings of this study, the regulations on evaluations period are less or not considered by the procuring and hence affect the confidence of SMEs on the public procurement market. The findings align with the observation done by Dello and Yoshida (2017) that revealed that public procurement in Tanzania is still marred by inflated project costs and delays. Furthermore Kozik (2019), observes that, there is a limited time for evaluation team to meet project execution time hence due to delays result to incompletion the projects.

Furthermore, the findings of the study from Table 3 revealed that 42.3% of the respondents disagreed and 20.5% strongly agreed that tendering involves competitiveness and fairness while 17.8% agreed and 16.3% strongly agreed. Hence 3.0% of the respondents had a Neutral response to the notion that tendering involves competitiveness and fairness. From the study findings, it was revealed that mean and standard deviation were 4.7293 and 1.12024 respectively. The findings of the study propose that there are no effective competition tendering processes which might encourage SMEs participation in public procurement and therefore basing from the observation of the findings small and medium enterprises experience less or no fair challenge to compete within the public procurement market. The findings of the current study do not differ much from the observation done by Sama, (2022), whereby the researcher argued that "The competition in public procurement is affected by lack of fairness, transparency and integrity. Again, Israel and Kazungu, (2019), observed that SMEs are facing challenges in accessing public procurement opportunities and are facing corrupt practices that hinders them to access procurement opportunities.

Additionally, the findings of the study from Table 23 revealed that 43.6% agreed to the notation that price fluctuation adjustment provisions are provided in the contract while 36.1 disagreed. Also, the respondents who strongly disagreed and those who had a neutral response covered 7.5% of respondents respectively (both had 7.5% of the respondents). And finally, 5.3% of the respondents strongly agreed that price fluctuation adjustment provisions are provided in the contract. From the study findings, it was revealed that mean and standard deviation were 3.0301 and 1.14772 respectively. The findings of the study suggest that price fluctuation adjustment provisions are provided in the contract and have a positive influence in promoting SMEs participation in public procurement. Therefore, basing from the findings of the study, prices are well settled and if there is any adjustment in prices, then the adjustment provisions are made and communicated to the suppliers as the regulatory framework requires. The findings of the study align with the observation from Mwalyego (2018), a researcher observed that price fluctuation adjustment provisions are provided in the contract and failure to do so can result in poor contractual performance.

3.2   Binary Logistic Regression Results

The overall significance of the model was assessed using Omnibus Tests of Model Coefficients which produced a Chi-square of 162.797; a p-value of 0.000. Furthermore, the Hosmer and Lemeshow Test with a Chi-square of 2.654; significant at 0.954 were established. Again, -2 Log likelihood = 21.392 (P = 0.00), Pseudo R2 (Cox & Snell R Square = 0.606 and Nagelkerke R Square = 0.830) were established. Therefore, the three measures together indicated that the variable for transparency was suitable for the

data and hence the Tests indicates that transparency has a significant relationship with SMEs participation in public procurement.

3.2.1 Simplified communication towards SMEs' participation in public procurement

The results indicate that the relationship between simplified communication channels and SMEs participation has a coefficient value, likelihood ratio, and P-value of 0.221, 3.183 and 0.010 respectively. The coefficient value (β = 0. 221) indicate that simplified communication channels are statistically significant (P-value =0.010< 0. 05) positive relationship with SMEs participation. Further, Wald statistic of 3.183 and Exp (B) of 0.921 with a P-value of 0.010, which is less than the significance level of 0.05, indicates that simplified communication channels have statistical significance effect on the likelihood of SMEs either to participate in public procurement or otherwise. This observation resembles the study done by Chicot and Matt (2018), the study observed that in this era of computer innovation communication is simplified and several purchasing activities can be conducted within a very short period. That is to say, the problem of information asymmetry hinders transparency, thereby contributing to a lack of participation among SMEs. This aligns with the assumptions of Principal-Agent theory, which emphasizes the challenges posed by inadequate information sharing between principals and agents.

3.2.2 Evaluation criteria towards SMEs' participation in public procurement

The results indicate that the relationship between effective evaluation reports and SMEs participation has a coefficient value, likelihood ratio, and P-value of 3.160, 4.616 and 0.032 respectively. The coefficient value (β = 3.160) indicates that effective evaluation reports are statistically significant (P-value =0.032< 0. 05) positive relationship with SMEs participation. Further, Wald statistic of 4.616, and Exp (B) of 0.042 with P-value of 0.032, which is less than the significance level of 0.05, indicates that effective evaluation reports have statistical significance effect on the likelihood of SMEs either to participate in public procurement or otherwise. Per the assumptions of The Regulatory Compliance Theory, the lack of effective evaluation reports as per regulatory requirements may hinder SMEs' participation in procurement. This observation looks like the results by (Kozik, 2019), where the researcher found that several good practices in connection with the tendering process include; proper tender advertisement, opening of the tender, contract management and accurate evaluation report.

3.2.3 Adequate tender advertisement towards SMEs' participation in public procurement

The results indicate that the relationship between adequate advertisement and SMEs participation has a coefficient value, likelihood ratio, and P-value of 3.247, 8.537 and 0.003 respectively. The coefficient value (β = 3.247) indicates that adequate advertisement is statistically significant (P-value =0.003< 0. 05) positive relationship with SMEs participation. Further, Wald statistic of 8.537 and Exp (B) of 0.039 with P-value of 0.003, which is less than the significance level of 0.05, indicates that adequate advertisement has statistical significance effect on the likelihood of SMEs either to participate in public procurement or otherwise. This observation aligns with the results by Ojo and Gbadebo (2014), the study observed that advertising tender brands the procurement process as competitive, transparent and ensures efficiency and economy.

3.2.4 Time for tender evaluation towards SMEs' participation in public procurement

The results indicate that the relationship between timely tender evaluation and SMEs participation has a coefficient value, likelihood ratio, and P-value of 0.049, 5.011 and 0.000 respectively. The coefficient value (β = 0.049) indicates that timely tender evaluation is in a statistically significant (P-value =0.000< 0. 05) positive relationship with SMEs participation. Further, Wald statistic of 5.011 and Exp (B) of 0.862 with P-value of 0.000, which is less than the significance level of 0.05, indicates that timely tender

evaluation has statistical significance effect on the likelihood of SMEs either to participate in public procurement or otherwise. This observation is into line with the considerations made by Matto, et al (2021), the study observed that timely and adequately tender evaluation is one of the significant factors that enrich value for money in public procurement as well as the assumptions of the Regulatory Compliance Theory, adhering to the time set as per regulatory requirements will enhance trust and thus induce SMEs' participation in procurement.

3.2.5 Tender competitiveness and fairness towards SMEs' participation in public procurement

The results indicate that the relationship between fair competition and SMEs participation has a coefficient value, likelihood ratio, and P-value of 3.372, 5.583 and 0.018 respectively. The coefficient value (β = 3.372) indicates that fair competition is statistically significant (P-value =0.018< 0. 05) positive relationship with SMEs participation. Further, Wald statistic of 5.583 and Exp (B) of 0.136 with a P-value of 0.018, which is less than the significance level of 0.05, indicates that fair competition has a statistical significance effect on the likelihood of SMEs either to participate in public procurement or otherwise. This observation harmonises with the results done by Marcarelli and Nappi (2019), tenders should be examined based on the trust, fairness, and quality aspects. According to the assumptions of The Regulatory Compliance Theory and The CLEAR participation Model, ensuring tender competitiveness and fairness is crucial for enhancing SMEs' participation in public procurement. When tenders are competitive and fair, SMEs are more likely to perceive the procurement process as transparent and equitable. This perception increases their trust in the system and encourages them to participate actively. Additionally, fair and competitive tendering processes reduce the likelihood of favoritism or bias, creating a level playing field for all businesses, including SMEs. As a result, SMEs feel more confident in their ability to compete and are more willing to invest time and resources in pursuing procurement opportunities.

Table 4: The estimated results of the binary logistic regression model (n = 133)

Variable	Coefficient (β)	Std. Error	Wald	Df	Sig.	Exp (β)
Simplified communication	0.221	0.012	3.183	1	0.010	0.921
Evaluation criteria	3.160	1.471	4.616	1	0.032	0.042
Adequate Tender advertisement	3.247	1.111	8.537	1	0.003	0.039
Time of Tender evaluation	0.049	0.022	5.011	1	0.000	0.862
Tender competitiveness and fairness	3.372	1.427	5.583	1	0.018	0.136
Price fluctuation	-.002	0.788	0.000	1	0.998	0.998
Constant	3.675	0.805	6.488	1	0.002	0.797

Note:

Omnibus Tests of Model Coefficients (Chi-square = 162.797; sig. = .000

-2 Log likelihood = 21.392 (P = .000), Pseudo R2 (Cox & Snell R Square = .606; Nagelkerke R Square = .830)

Hosmer and Lemeshow Test (Chi-square= 2.654; sig. = .954)

4.0 Conclusions and Recommendations
4.1 Conclusion

Transparency, facilitated by simplified communication, clear evaluation criteria, adequate tender advertisement, and timely tender evaluation, along with tender competitiveness and fairness, leads to increased SME participation in procurement. The numerous reforms and efforts to enhance public procurement practices in Tanzania demonstrate its potential to stimulate SME economic growth and contribute to development outcomes. By prioritizing transparency, efficiency, and accountability in

government spending, trust in the public domain can be established, ensuring proper allocation of scarce resources and achieving value for money.

4.2 Recommendations

Based on the findings that transparency, facilitated by simplified communication, clear evaluation criteria, adequate tender advertisement, and timely tender evaluation, leads to increased SME participation in public procurement, the following recommendations are proposed:

Government Action: Both central and local governments should take proactive measures to simplify communication channels related to public procurement processes. This includes providing clear and easily accessible information to SMEs regarding procurement opportunities, procedures, and requirements.

Standardized Evaluation Criteria: Governments should establish standardized evaluation criteria for assessing bids and proposals in public procurement. These criteria should be transparent, fair, and clearly communicated to all stakeholders, including SMEs, to ensure equal opportunities for participation.

Enhanced Tender Advertisement: Government agencies should ensure adequate and widespread advertisement of procurement opportunities, particularly targeting SMEs. Utilizing various communication channels such as online platforms, newspapers, and community outreach programs can help reach a broader audience of potential SME suppliers.

Timely Tender Evaluation: Timely evaluation of tenders is crucial to maintain the trust and interest of SMEs in participating in public procurement. Government entities should streamline their evaluation processes to minimize delays and provide prompt feedback to bidders.

Capacity Building: In addition to improving transparency and communication, governments should invest in capacity-building initiatives aimed at enhancing the procurement capabilities of SMEs. This may include providing training programs, workshops, and mentorship opportunities to help SMEs navigate the procurement process effectively.

Monitoring and Feedback Mechanisms: Establishing monitoring mechanisms to track the effectiveness of transparency initiatives and gather feedback from SMEs can help identify areas for improvement in public procurement practices. Regular assessments and consultations with SME stakeholders can inform policy adjustments and ensure ongoing transparency and participation.

Without these measures in place, SMEs may continue to face barriers and challenges in participating effectively in public procurement processes. Therefore, it is imperative for governments and SME owners to collaborate in implementing these recommendations to create a more transparent and inclusive procurement environment that fosters SME growth and economic development.

References

Africa Development Fund. (2017). *Skills and Business Development Programme (SBDP) Appraisal Report.* African Development Fund: Abidjan.

Aguilar, S. (2016). Promoting the participation of Small and Medium Size Enterprises (SMEs) in Green Public Procurement. The United Nations Environment Programme, Nairobi

Akenroye, T., & Aju, O. (2013). Barriers to SMEs participation in public procurement in Nigeria: Some preliminary results. *International Journal of Entrepreneurship and Innovation Management*. 17(4/5/6):315-328. Retrieved from https://www.research gate.net/public ation/262561294. (Accessed on 10-11-2020).

CAG. (2024a). *Annual general report on the audit of the development projects in the financial year ended 30th June 2023*. United Republic of Tanzania, National Audit Office.

CAG. (2024b). *Annual general report on the audit of the financial statements of local government authorities for the financial year ended 30th June 2023*. United Republic of Tanzania, National Audit Office.

CAG. (2024c). *Annual general report on the audit of the public authorities for the financial year ended 30th June 2023*. United Republic of Tanzania, National Audit Office.

Chicot, J. and Matt, M. (2018). Public procurement of innovation: a review of rationales,designs, and contributions to grand challenges. Science and Public Policy, 45(4):480–492

Cholopray, A. K. (2020). Public Procurement Legal and Regulatory Framework. [https://procu rementclassroom.com/public-procurement-legal-and-regulatory-framework]. Site visited on 13/11/2020.

Chrisidu-Budnik, A., & Przedańska, J. (2017). The agency theory approach to the public procurement system. Wroc. *Review Law, Adm. Econ* 7, 154–165. doi: 10.1515/wrlae-2015-0059

Dello, A., & Yoshida, C. (2017, June). Online tendering and evaluation for public procurement in Tanzania. In 2017 18th IEEE/ACIS International Conference on Software Engineering, Artificial Intelligence, Networking and Parallel/Distributed Computing, SNPD 2017, 137–141. https://doi.org/10.1109/SNPD.2017.8022713.

Hosmer, D. W., & Lemeshow, S. (2000). *Applied Logistic Regression-2nd Edition*. John Wiley and Sons Publication. New York, USA.

International Trade Centre. (2014). *Empowering Women through public procurement.* International Trade Centre, Geneva.

Israel, B., & Kazungu, I. (2019). The Role of Public Procurement in Enhancing Growth of Small and Medium Sized- Enterprises: Experience from Mbeya Tanzania. *Journal of Business Management and Economic Research*. 2(8):17-27. doi:10.29226/TR1001.201 8.99.

Kastay, A. E. (2019). Assess the contribution of procurement planning on organisation performance in Local Government Authorities in Arusha region -Tanzania. Dissertation for Award of M.A Degree of Arts in Procurement and Supply Management at Moshi Co-operative University: Tanzania.

Kessy, S., & Salema, G. (2014). The Role of Public Procurement Framework in Stimulating SMEs Innovativeness in Tanzania. *ORSEA Journal*. 4(1):1-39. Retrieved from https://www. ORSEAjournal.co.org// (accessed on 12/11/2021).

Kozik, R. (2019). The Process of the Tender Evaluation in Public Procurement for Implementation of Design Documentation. IOP Conference Series: Earth and Environmental Science. 222. https://doi.org/012019.10.1088/1755-1315/222/1/012019.

Kumburu, N. P. (2021). Willingness to pay for imported versus locally made furniture in Dar Es Salaam and Arusha regions, Tanzania. *The sub-Saharan Journal of Social Sciences and Humanities.* 1(1).

Lowndes, V., & Pratchett, L. (2006). CLEAR: Understanding citizen participation in local government– and how to make it work better. *Local Governance Research Unit*, De Montfort University Leicester, United Kingdom.

Macharia, T. E., Banzi, A. L., & Changalima, I. A. (2023). Effectiveness of the force account approach in Tanzanian local government authorities: Do management support and staff competence matter? *Management & Economics Research Journal*, *5*(1), 66–82. https://doi.org/10.48100/merj.2023.301

Mahuwi, L., & Israel, B. (2023). A review on participation of SMEs in public procurement: opportunities, challenges, and policy implication. *New Applied Studies in Management, Economics & Accounting*. 4(24), 18-33.

Marcarelli, G., & Nappi, A. (2019). Multicriteria approach to select the most economically advantageous tender: The application of AHP in Italian public procurement. Journal of public procurement, 19(3), 201-223.

Matto, M. (2017). Mapping public procurement reforms in Tanzania: Compliance, challenges and prospects. *European Journal of Business and Management*, *9*(12), 175–182.

Matto, M. (2019). Do Tanzanian Procuring Entities comply with Tender Advertisement and Disclosure? A Survey. *Advances in Management*, *12*(2), 16–22.

Matto, M.C., Ame, A.M., & Nsimbila, P.M. (2021). Tender process and value for money in Tanzania public procurement*. Int. J. Logistics Economics and Globalisation*. 9(1):1-23. Retrieved from https://www.researchgate.net/ (accessed on 10-08-2021).

Mchopa, D. A., Changalima, A. I., Sulle, R. G., & Msofe, M., R. (2024) Public procurement trajectories in Tanzania: a review of reforms, practices, and compliance, Cogent Business & Management, 11:1, 2300498, DOI: 10.1080/23311975.2023.2300498

Mwalyego, J. N. (2018). Assessing Challenges Facing Growth of Small and Medium enterprises, a case study of Iringa Municipality. Dissertation for Award of Bachelor Degree of Accounting and Finance with Information Technology at Ruaha Catholic University (RUCU): Tanzania

Mwandobo, I. J. (2011). The role of procurement processes on the effectiveness of the public procurement system in Tanzania. Dissertation submitted for the Award for the M.A Degree of Business Administration (logistic and transport management) at the Open University of Tanzania: Tanzania.

OECD. (2013). *Report of the meeting: OECD Meeting of Leading Practitioners on Public Procurement on*

11-12 February. OECD Publishing: France.

Oribhabor, C. B. & Anyanwu, C. A. (2019). Research sampling and sample size determination: a practical application. *Journal of Educational Research (Fudjer)*, 2(1), 47-57. Retrieved from https://www.researchgate.net/profile/ChineloOribhabor2/publication/336723498_Research_Sampling_and_Sample_Size_Determination_A_practical_Application/links/5daf66e5299bf111d4bfc73d/Research-Sampling-and-Sample-Size-Determination-A-practical-Application

Panya, K. O., & Awuor, E. (2023). Public procurement reforms in Africa: challenges, constraints and improvement opportunities. The Strategic Journal of Business & Change Management, 10 (2), 1435 – 1456.

Peprah, A., Mensah, O., & Akosah, B. (2016). Small and medium sized enterprises accessibility to public procurement: SMEs entity perspective in Ghana. *European Journal of Business and Social Sciences.* 4(11):25–40. Retrieved from https://www.researchgate.net/ (accessed on 20-05-2021)

Sama, H. K. (2022). Transparency in competitive tendering: The dominancy of bounded rationality.*Cogent Business & Management*, *9*(1), 2147048. https://doi.org/10.1080/23311975.2022.2147048

Sidaeli, J., & Athumani, H. (2020). Effects of ethical practices in public procurement regulatory compliance in Tanzania: a case of Ilala municipal council, Dar es Salaam. *International Journal of Economics, Commerce and Management.* 8(12):77-89. Retrieved from http://ijecm.co.uk/ (accessed on 25/05/2020).

smail, I. J., & Changalima, I. A. (2022). Thank you for sharing! Unravelling the perceived usefulness of word of mouth in public procurement for small and medium enterprises. *Management Matters*, *19*(2), 187–208. https://doi.org/10.1108/MANM-01-2022-0005

Thai, K. (2015). *International Public Procurement*. Springer Link: New York. DOI: 10.1007/978-3-319-13434-5_1.

The Public Procurement Regulatory Authority. (2017). Retrieved from [https://www.ppra.go.tz/]. Site visited on 12/04/2020

URT. (2011). *Public procurement Regulations 2013 (Goods, works, non- consultancy service and disposal of public assets by tender)*. Procurement Regulatory Authority: Dar es Salaam, Tanzania

URT. (2013). *Public procurement Regulations 2013 (Goods, works, non- consultancy service and disposal of public assets by tender)*. Procurement Regulatory Authority: Dar es Salaam, Tanzania.

Wadhwaa, A., Phelpsb, C., & Kothac, S. (2016). Corporate venture capital portfolios and firm innovation. Journal of Business Venturing, 31(1), 95–112.

World Bank Group. (2016). *Report on Benchmarking Public Procurement 2016: Assessing Public Procurement Systems in 77 Economies*. World Bank: Washington DC, United States of America