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THE ROLE OF SMALL AND MEDIUM-SIZED INTERPRISES (SMEs) PARTICIPATION IN PUBLIC PROCUREMENT IMPLEMENTATION: A CASE OF BANADIR REGION

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ABSTRACT
This Study aims to analyze the role of SMEs participation in public procurement implementation: a case of Banadir region. The general objective of this study was to highlight the role of SMEs through the efficiency and effective participation on success in public procurement. Specifically this study investigated the factors that identify how contract information accessibility influence public procurement implementation, transparency existence in public procurement implementation and addressed barriers that prevents SMEs Participation in public procurement implementation in Banadir Region, Mogadishu-Somalia.

The study used cross sectional study design, quantitative, primary data, cross sectional study design is present oriented used to investigate population by selecting samples to analysis and discover occurrence the data collected by the questionnaire whereby data was gathered by the use of closed ended questionnaires which were self-administered. Factor analysis was used to assess the validity and Cronbach alpha to assess reliability of the questionnaire. Multiple regression analysis was performed to assess the relationship between the dependent variable (Public procurement Implementation) and the independent variables (Factors influencing Small and Medium-sized enterprises (SMEs)); Information Accessibility, Transparency, Corruption, Lack of Accountability and Lack of skills and to test the research hypotheses on the role of SMEs participation in public procurement implementation: a case of Banadir region, Mogadishu-Somalia.

The study is particularly significant because there is few studies in this kind in Somalia aimed at analyzing the role of SMEs participation in public procurement implementation: a case of Banadir region, Mogadishu-Somalia. The findings revealed that Information contract management, accessibility, transparency, corruption, lack of accountability and lack of skills have significant and positive influence towards procurement implementation in Somalia: a case of Banadir region.

This study recommends that brochures and booklets on access to government procurement opportunities should be provided by procurement directorates to the SMEs to enhance provision of information on the programs, also procurement directorates should enhance its monitoring of the programs and that transparency and accountabilities are kept a side.

KEYWORDS: Information Accessibility, Transparency, Corruption, Contract Managers, Accountability and skills
1.1 INTRODUCTION

Small and medium-size enterprise (SME) involvement in public contracting constitutes an important and growing line of research inquiry. Recent years have witnessed various lines of inquiry opening up at the intersection of SMEs and public procurement. Among these has been debate over what challenges and barriers have been involved and what policy actions governments should take to facilitate SME access to public procurement (Flynn and Davis 2016).

Public procurement is a significant marketplace for private sector firms, accounting for per cent of GDP and percent of government expenditure, on average, across developed economies (OECD, 2013). On the other hand, owing to their numerical dominance, dispersal across almost all industry sectors and local market focus, SMEs have a central role to play in meeting the supply needs of public sector organizations. Among the traits that make SMEs particularly attractive as public sector suppliers are a strong entrepreneurial orientation, flexibility and customer responsiveness (Woldesenbet et al., 2012).

Furthermore, in these activities local Governments are major consumers of goods and services and present an important market opportunity for all businesses (Business Link, 2003). For instance, when comes contracting with small businesses the government gains increased innovativeness, encourages entrepreneurship and contributes to job creation and economic development, also Small businesses tend to have higher growth rates than large firm. (Karjalainen & Kemppainen, 2008). Public sector contracts offer SMEs stable and predictable sources of demand, payment certainty and reputational enhancement (Cabras, 2011; Fee et al., 2002; Loader, 2005);

No empirical study has clearly explained and theorized the role of SMEs participation in public procurement market in this field (Patil, 2017). So far there is no enough research has been done understanding the important of SMEs participation in public procurement market in Banadir region.

2.0 LITERATURE REVIEW
2.1 Factors that affecting SMEs participation in public procurement
2.1.1 INFORMATION ACCESSIBILITY

Lack of sufficient market information causes a great challenge to the growth SMEs participation in public procurement. Moyi et al. (2006) observe that SMEs have limited means in obtaining effective and relevant information on market availability to enable them market or sell their products. Even though such information should be presented by centers that include Chambers of Commerce, MSEs development agencies, and public procurement agencies, industry, many of these are not within easy reach of most SMEs. According to them, the Government can intervene by: removing information and other market failures associated with the provision of technical and marketing support to MSEs; allow the growth of SMEs to provide a seedbed for the emergence of dynamic and efficient large-scale national firms and consequently a more flexible and competitive domestic economy; provide a micro environment (whether private, government or NGO markets and institutional) support that is external to the firm; and ensuring well-functioning support systems that minimize the transaction costs and competitiveness of the SMEs. Direct government involvement in marketing services is usually justified on the basis of the market failure argument. The role of the state is to provide an enabling business environment that allows access to markets.

SMEs need to have access to adequate information to enhance productivity and to facilitate market access (Matovu & Obura, 2011). Effective utilization of quality business information - has been identified as crucial in attaining long-term and sustainable economic growth for developed and developing countries, (Corps, 2005), poor information quality can create confusion in any establishment or business. In most developing countries, information such as market signals on business opportunities, customer trends, methods of organization, latest technology, are not communicated, effectively, to the small businesses (Ladzani, 2001).

2.1.2 TRANSPARENCY

Transparency, long time has been accepted as a tool for tackling corruption through a number of international agreements, is also an effective tool in addressing challenges SMEs face in public procurement. Without transparency, “open competition cannot prevail, corrupt dealings can proliferate, and other failings in the procurement process may be covered up, so weakening accountability”. Transparency can improve access to public procurement opportunities through disclosure, publication and dissemination of information on available tenders. Furthermore, clarity and increased disclosure of guidelines and documentation can decrease time needed to submit bids particularly prohibitive for SMEs thus saving them valuable time and money. Tangible benefits will include costs and time savings. These, in turn, translate into improved effectiveness and efficiency of the organization, as well as revenue increase resulting from access to new markets or new business opportunities also transparency can be used as a tool aimed directly at reform in public procurement, but it is important to
understand that corruption in public procurement does not exist in a vacuum. When Egyptian small business owners who had experience with paying bribes to public officials were asked about the reasons for these payments, 90 per cent regarded it as something normal, ‘something everybody does’. (Kaspar and Puddephatt 2012)

Transparency requires full disclosure of all relevant information at key stages of the procurement process. This includes widely advertising bidding opportunities through various channels such as the official gazette, major newspapers, trade journals, and the Internet. The advertisement should contain essential details, such as the nature and scope of the goods, services and works to be procured, the mode of procurement, and the type of suppliers who are eligible to participate in the tender. A further requirement is a specification of the medium bid price or the budget ceiling for the procurement. If prequalification is necessary, it is important to convey to interested suppliers the procedures to follow and the information to be submitted, as well as the criteria of assessment. To all eligible and interested suppliers, an invitation to tender should be sent accompanied by the bid documents. These should include instructions to contractor specifying guidelines on the drafting and submission of proposals, a list of the design and specification requirements, the criteria for evaluating tender proposals, and the time frame for tender submission and project implementation. To facilitate transparency, a pretender bid conference of interested suppliers may be called to provide additional information and to answer queries. When the bid selection has been made, it should be publicly announced, disclosing the name of the successful company and the value of the contract, with unsuccessful contractors duly informed of why their bids failed. If limited sourcing and direct contracting have been adopted, this too should be made publicly known with reasons given. So as to ensure proper accountability, access to all information and documents relating to a procurement should be given to official monitoring and watchdog bodies, such as the central procurement authority, government auditor, ombudsman.

2.1.3 LAKE OF SKILLS

A number of previous studies have provided a broad understanding of the challenges facing SMEs in public procurement. Macpherson and Holt (2007) identified lack of skills for preparing good bids, cost of tendering and excessive documentation requirements, as factors which discourage SMEs participation in public procurement. Like ways, Akenroye, Temididayo O.Aju, Olusey (2013) also identified lack of skills to respond to tender; insufficient knowledge of the procurement process; excessive administrative and documentation requirements insufficient time to submit bids; lack of regulation to influence SMEs participation. The challenges identified by the Commonwealth (2010) research include: inadequate knowledge of the formal tendering process, lack of access to public authorities, lack of capacity to challenge tender results and untimely disbursement terms.

2.1.4 LAKE OF ACCOUNTABILITY

The fundamental principles of effective procurement typically include it being accountable (putting in place structures that ensures that procurement functions are carried out cost effectively); according to, Jones (2009 ) The failure of public procurement system in Africa has been attributed to several factors including weak commitment to fighting corruption, ineffective implementation of the reformed procurement system, lack of transparency in the award of government contract, lack of accountability on the part of government (federal, state and local) in the use of public funds, so good governance requires proper procurement practices characterized by accountability, transparency, efficiency, adherence to rule of law particularly in award of government contract.

The government should set up effective accountability procedures. Setting up an accountability process in a three different faces, first on award contract face should be; review the agreed targets, establish who in the contractor’s team is the point of contact, establish frequency of review meetings, broker relationship with relevant gateway agencies and key public sector roles and agree reporting methodology. Second During contract; maintain frequency of review meeting, ensure that regular updates are happening, ensure that progress is being made, support and broker where necessary. Third at the end of contract; maintain a full report of outcomes, track against expectations and for good practice write it up as a case study (Kaye Nijaki and Worrel 2012) like ways, Brinkerhoff (2004) has identified three key components of accountability, including the measurement of goals and results, the justification or explanation of those results to internal or external monitors, and punishment or sanctions for non-performance or corrupt behavior.

2.1.5 CORRUPTION

One of the major constraints limiting competitive access to procurement opportunities for SMEs

Another important concern raised by the participants was corrupt practices, and we discuss here types of corruptions and definitions in public procurement like bribery, favoritism, collusion and so on. Bribery – Bribe paid by companies to procurement and other officials, government leaders and elected politicians. Cronyism – Frequent practice of senior officials, government leaders, and politicians of favoring businesses to which they, their family members, personal and business associates, or political
Corruption can be particularly harmful for SMEs in developing countries, where procurement opportunities are often held hostage by obscure bidding procedures shielded by vested interests. Consequently, corruption can be particularly harmful for SMEs in developing countries, where procurement opportunities are often held hostage by obscure bidding procedures shielded by vested interests. (Kaspar and Puddephatt 2012).

These happen when contracts are being awarded to close associates of political office holders and government staff in place of firms offering the best value for money. One of the most challenges of SMEs having access to public contracts is corruption (OECD, 2012). Corruption has been described as the abuse of public office for private gains by the OECD (2012). Government contracts can be very huge and this unfortunately attracts very high incidence of corrupt practices when not checked (Transparency International, 2006). According to Transparency International (2006), all the various procedures, steps or phases of the public procurement function is laden with opportunities for corruption and unfortunately, these corrupt practices of government procurers slowed down the ability of SMEs to win public contracts. The small size of SMEs and their limited financials might mean that they are unable to compete evenly for government business due to vested interests and the influence of large and established companies (Linarelli, 1998).

3.0 METHODOLOGY

This study used a descriptive research design to identify, analyze and describe a relationship between SME participation and success in public procurement implementation. According to Kothari (2004), descriptive survey design is useful in obtaining information concerning the current status of phenomenon with respect to variables or conditions in a situation.

In this study, questionnaires were used to obtain information about the population because they save time, are economical in terms of money, convenient in that respondents can respond based on the contents, and easier to administer. Questions must also interest the respondents enough that they were provided the information.

Target population is that population which a researcher wants to generalize the results of the study thus, The target population of this study was 488 respondents and it was carried out in Mogadishu, being the Capital of Somalia and most populated city in entire country and also the researcher’s sample size was 220, and 220 questionnaires administered, 205 were filled and returned, researcher was chosen this sampling technique because it gives the opportunity to choose the member target population who provides the accurate information or data. Judgmental sampling is a way to select population members who are good prospects for precise information. Sample size

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measures the number of individual samples measured or observations used in a survey or experiment. After approved the proposal the researcher was requested student affairs office a letter that informing the researcher investigating academic research. After receiving an introductory letter from the office the researcher were requested member of population to fill questionnaire with un-bias and truthfully. Finally the researcher distributes questionnaires to selected SMEs owners, Procurement Directories/officers and others then; researcher was analysis data by using Statistical Package for Social Sciences, (SPSS Version 20). And researcher was considered ethical issues during research project, and this can be accomplished by exercising privacy, confidentiality and anonymity.

4.0 SUMMARY FINDING OF THE STUDY

The research wanted to examine the role of SMEs participation in public procurement implementation. Table 4.8 summarizes respondents' level of agreement on Information Accessibility. The respondents agreed that Information and communications technology (ICT) usage affects participation of SME in public procurement and increases the number of tender’s awareness. As shown by mean of 3.3463. The respondents also agreed that Small and Medium enterprise (SMEs) are not fully aware of procurement activities in performing central government and as reported by a mean of 3.3512. The respondents also agreed that Tendering process SMEs participation in public Procurement increases the number of tenders wins as shown by mean 2.5561. The respondents also agreed Networking with the procurement department participation of SMEs in public procurement may lead to successful delivery of goods, works and services. As shown by mean 3.3463. The respondents also agreed Procurement departments give SMEs enough time to participate public procurement opportunities. As shown by mean 3.3512.

The study is to examine role of SMEs participation in public procurement implementation. a case of Banadir region, table 4.9 summarizes respondents' level of agreement Transparency. The respondents agreed that Last year’s There are enough transparent in procurement processes. As reported by a mean of 2.5561. The respondents also agreed that The award of government procurement tender is done in transparent and fair process. As shown by mean of 2.8000. The respondents also agreed that there is transparent and competition in tendering process by providing equal access of bid opportunities and information. As reported by a mean of 3.3463. The respondents also agreed that Bidding opportunities are widely advertised through various channels such as the official gazette, major newspapers, trade journals, and the Internet as shown mean of 33.3512. The respondents also agreed that Pre-tender bid conference of interested suppliers are called to provide additional information and to answer queries as shown mean of 2.5561.

This study to examine role of SMEs participation in public procurement implementation: a case of Banadir region, table 4.10 summarizes respondents' level of agreement Corruption. The respondents agreed that any corrupt taken by public officers, suppliers, contractors, for Undue advantage is prohibited in public procurement, concessions and disposal act obtaining a mean of 2.8000. The respondents also agreed there is no Fraud and Corruption in procurement process stage, obtaining a mean of 3.3463. The respondents also agreed that there is no Fraud and Corruption in a contract evaluation and award stage, obtaining a mean of 3.3463. The respondents also agreed that there is no Fraud and Corruption exists in a contract implementation stage. Obtaining a mean of 2.5561. The respondents also agreed Anti-Corruption Commission, and Auditor-General, are exactly fight against procurement corruptions, obtaining a mean of 3.3463. A number of questions were asked to examine role of SMEs participation in public procurement implementation: a case of Banadir region. Table 4.11 summarizes respondents' level of Accountability. Respondents agreed that Government Procurement officer ensures that goods and services are promptly delivered, as shown mean of 3.3268. The respondents also agreed that The government procurement Officers ensures that contractors receive their payment on time, as shown mean of 3.3220. The respondents also agreed that The government procurement agency has come up with a special policy to boost the economy of SMEs, as shown mean of 2.5805. The respondents also agreed that The government procurement agency reviews the proposed contracts, and is accountable to those who have been assigned, as shown mean of 2.8244.

A number of questions were asked examine role of SMEs participation in public procurement implementation: a case of Banadir region. Table 4.12 summarizes respondents' level of agreement Skills, as shown mean of 2.47. The respondents also agreed that Lack of enough management skills affect participation of SMEs in public Procurement, as shown mean of 3.3122. The respondents also agreed that Lack of enough procurement skills affect participation of SMEs in public procurement, as shown mean of 3.3122. The respondents also agreed SMEs management is not sufficiently knowledgeable about procurement in the work construction, as shown mean of 2.5805. The respondents also agreed SMEs don’t employ procurement specialists to handle the procurement function, as shown mean of 2.7902. Also A number of questions were asked examine role of SMEs participation in public procurement implementation: a
case of Banadir region. Table 4.13 summarizes respondents’ level of agreement Contract Managers (CM) manage record keeping for all contract, as shown mean of 3.3463. The respondents also agreed that Lack of enough management skills affect participation of SMEs in public Procurement, as shown mean of 3.3512. The respondents also agreed that CM communicate contract-related information to all stakeholders, as shown mean of 3.3512. The respondents also agreed CM Implement the risk management process, review risk register and check risk controls as shown mean of 3.3512.

5.0 RECOMMENDATIONS

Arising from the study conclusions, the research recommends as follows:

5.1 INFORMATION ACCESSIBILITY

1. The public procuring entities should use a medium of communication which is highly accessible to majority of the SMEs to advertise the tender opportunities in their organizations.
2. Procuring entities should consider translating tender documents into the national language of Somalia to assist those who are not familiar with English to understand the contents of tender documents as required by law.

5.2 SKILLS

1. The government should work together with other stakeholders to ensure that SMEs are well trained in procurement/supply chain management to enable them effectively participate in public procurement market.
2. SMEs should also work to get management skills to enable them effectively participate in public procurement.
3. SMEs should provide training courses for all staff involved in procurement and also recruit staff with expertise and experience in handling procurement matters.

5.3 TRANSPARENCY AND ACCOUNTABILITY

1. Transparency and accountability measures in tendering processes should be enhanced to encourage more participation by SMEs.
2. The government should come up with effective policy to ensure that Transparency and accountability have been done in accordance with regulation

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