

Determinants of Winning Tender in Parastatal Privatization Process in Tanzania

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Abstract

At the time of this study, 'privatisation' was relatively a new concept in Tanzania. It generally aimed at deregulating the state control over the economy and increasing the role of private enterprise and ownership.

This study reviewed the procedures used in the parastatal privatisation process as managed by the Presidential Parastatal Sector Reform Commission (PSRC). It also collected views through questionnaires on what could be the determinants of selecting a potential investor in a parastatal organisation being privatized.

Being a less developed economy, Tanzania lacked an enabling environment for placing share sale. It also lacked a developed scrap or secondary market which made it difficult to sell parastatals. The selection of a party to acquire a divested parastatal had to be undertaken through a tendering process which' due to the nature of the activity, was done out of the public eyes. Due to this' the selection of winning tenders, and the determinants thereto, had remained

The main objective of this study was to examine how the PSRC processed until a winning tender a winner emerged. The specific ones included:

- i) to highlight the process used by the PSRC in evaluating tenders for acquisition of shares, leasing and outright sale of a parastatal;
- ii) to analyse the importance attached to bidders' experience and reputation in relation to the business of the parastatal being privatised
- iii) to assess the effect of the bidders' knowledge in putting up bid documents which met the criteria set by PSRC;
- iv) to analyse the significance of price in the evaluation of bids; and
- v) to highlight the factors perceived by bidders, the professionals and the general public as important in the bid evaluation.

Four hypotheses were advanced and tested. They were as follows:

- i) The tendered price was the single most important factor in winning a bid.
- ii) The bidder's business plan and experience in the field being tendered affected the ranking of bidders in the evaluation process.
- iii) A winning tender was greatly influenced by the tendered price, bidder's experience, reputation and business plan.
- iv) The perceived determinants (price, experience, business plan, etc.) as ranked by the general public were associated with rankings on the same by the professionals.

In examining the determinants of a winning tender in the privatisation process, the study concentrated on the PSRC process of evaluating bids. This involved a study of processes used before setting up of criteria such as the SWOT analysis of a parastatal to be privatised, strategy formulation, valuation and finally setting up of the bids evaluation criteria.

In this study, the following organisations were visited: the National Development Corporation (NDC), Tanzania Breweries Limited (TBL), Pharmaceutical Investments, Planning Commission, Treasury and Tanzania Industrial Studies and Consulting Organisation (TISCO). Questionnaires were distributed in Arusha, Dar es Salaam, Dodoma, Morogoro and Moshi.

The four hypotheses were tested. Among them, one hypothesis on the prime significance of price in the bid selection was rejected. The bidder's business experience, business plans and the bidder's contribution were revealed to be amongst the most important criteria.

Generally, it was observed that the determinants of a winning tender in the privatisation process could not be separated from each other. The study showed that it was a combination of factors which led to a winning bid with a particular emphasis on the potential bidders' contribution to the future performance of a company. It was particularly revealed that a combination of price, the bidder's business experience, contribution to the future of the company and business plans together commanded a higher chance of winning. Price alone was not considered the most important factor. Further, nationality as a factor was insignificant but that it ought to be reviewed with an intention to increase emphasis on the participation of indigenous entrepreneurs.

On the other hand, the findings indicated that the public was unaware of the criteria used in awarding tenders. Whereas the criteria largely depended on the divestiture strategy, it was apparent that lack of public awareness was greater than the PSRC and Government perceived.