

## SMALL AND MEDIUM ENTERPRISES (SMEs) AND PUBLIC PROCUREMENT CONTRACTS IN DEVELOPING COUNTRIES

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**ABSTRACT.** SMEs are often excluded from public procurement contracts because of administrative requirements for mandatory bidding processes, their inadequate size or capacity to deliver. This is despite the advantages that accrue from their inclusion. In this paper we analytically delineate strategic and management interventions that can enable youth SMEs in Uganda obtain public procurement contracts to maximize sustainability in the context of inclusive growth. Data collected from a questionnaire survey of Municipalities and Town Councils enabled the testing and analysis of the emergent propositions. Using the institutional and systems thinking approaches, they were substantially supported.

Implementation of the interventions has cost implications in terms of procurement stakeholder training and restructuring of the information systems. However, given the socio-economic context particularly of high youth unemployment in Uganda they ought to be undertaken. Further research in developing concrete interventions in information systems is critical given that process transformation is a very difficult activity.

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## INTRODUCTION

SMEs in Uganda employ more than 2.5 million people, constitute up to 90 percent of the private sector and contribute over 70 percent to total GDP (Ankunda 2010). For developing countries, small-scale enterprises would generally mean enterprises with less than 50 workers and medium-size enterprises would generally mean those that have 50-99 workers. In Uganda, a small scale-enterprise is an enterprise or a firm employing less than 5 but with a maximum of 50, with the value of assets, excluding land, buildings and working capital of less than Ug. Shs 50 million (US\$ 30,000), and an annual income turnover of between Ug shs. 10-50 million (US\$ 6,000-30,000). A medium sized enterprise is considered a firm, which employs between 50-100 employees. Other characteristics have not been fully developed (Kasekende and Opondo 2003).

Integrating SMEs in public procurement provides clear market opportunities for SMEs, who otherwise are likely to be excluded from public procurement because of administrative requirements for mandatory bidding processes and their inadequate size or capacity to deliver. Government of the Republic of Uganda in the budget 2010/2011 allocated 44.5 billion shillings to a fund under the Youth Entrepreneurship Venture Capital Fund to help youths set up income generating activities in a bid to reduce on chronic unemployment. Youths between the age of 18 and 30 constitute 22% of Uganda's population. However, the larger classification of youth from birth up to 30 years of age makes 79% of the population or 26, 070, 000 youths.

In Uganda, up to 34.76% of the GDP (Odhiambo and Kamau 2003) is spent on procurement. The enormous government purchasing power can exert a sustainable positive influence on economic systems (sustainable procurement) to the benefit of the youth and other marginalized sector (women & disabled) owned SMEs. The central focus of this paper is to analyze how the government can exercise its procurement economic power and at the same time use it to advance conceptions of social justice. Specific interventions and concrete frameworks in Uganda are yet to be developed.

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We need effective public procurement policies, systems and personnel to ensure that the opportunities are scaled up rapidly, transparently and fairly so that SMEs can get access to public procurement contracts (A2PPCs). By advocating for SMEs to access public contracts we serve many goals i.e. social, economic and political. We particularly focus on the youth owned SMEs. Marginalized young boys and girls face discrimination with regard to employment in Uganda. Discrimination is not only on the basis of gender but on the basis of youth with disabilities and also from low-income families and weak educational backgrounds.

Our advocacy for youth SMEs access to public procurement contracts are hence driven by status discrimination, equality and sustainable development. Particularly, the use of procurement to advance social justice i.e. affirmative action in employment; and the use of sustainable procurement as a method to help stimulate increased entrepreneurial activity by disadvantaged groups in particular marginalized youth. We examine strategic procurement interventions and management initiatives that can spur deeper thinking and practice on how SMEs can access public contracts for their empowerment and growth. The purpose is to align our procurement strategies and management to social, economic and political goals to make it functional.

Subsequent sections in this paper address the youth employability structure in Uganda; procurements reforms; literature review; strategic interventions to facilitate SMEs to public contracts; findings and concluding remarks.

### **YOUTH EMPLOYABILITY IN UGANDA**

Employment opportunities for marginalized youth are intrinsically linked to the general employment situation. The National Development Plan (2010) has it that, the combined unemployment and underemployment accounted for 14% in 2006. That nearly 75% of the working age group was working in the rural areas. Moreover, 50% of the economically active youth are not engaged in income generating employment (paid employment or self-employment). Most affected is the young female population (14-30) of which 70% is engaged in unpaid family work. Further, there is structural segregation of women into low paying sectors; 50% of employed women are in the three

lowest paying sectors (agriculture, household and mining and quarrying) compared to 33% of the men. In the private sector, women are paid lower wages than the men.

The situation above is compounded by the fact that, subsistence agriculture is not only the major sector of employment but between 2002 and 2005 accounted for an 11.2% increase in self-employed people. There is a failure to get employment in the non-agriculture work as explained by a negative growth rate (-9.4%) per annum. The alternative employment sectors especially the industrial sector is underdeveloped. It is largely informal characterized by production of low quality goods, gross deficiencies in technology, lack of indigenous capacity among others.

The socio-economic conditions are driving the youth to urban areas where they can easily get water, social amenities and employment. The ability to secure better employment opportunities is hence critical as well as the skill to sustainably manage the small and medium scale businesses they establish. Youths can present a significant threat to social cohesion and political stability if they do not secure decent living conditions.

### **INSTITUTIONAL REFORMS AND SMES.**

SMEs in Uganda face the following difficulties identified by the Commonwealth Secretariat (2010): insufficient knowledge of the formal tendering process; no feedback was made available about previous unsuccessful tenders; lack of opportunity to meet the decision makers/buyers; small company size to service large contracts; Lengthy procurement process; Payment terms offered not suitable.

In addition were: discrimination; lack of knowledge on writing a formal tender; have no long established record; no sub-contracting opportunities are available on large contracts; Excessive requirements of financial guarantees (for example insurance, public liability, or professional indemnity requirements); lack of knowledge on what is available.

The challenge SMEs face in accessing public contracts also depends on how they themselves increase their capacity to fulfill government contracts. However, government should play a significant role in eliminating the supply side constraints.

As part of the mitigation measures, the Public Procurement and Disposal of Public Assets Authority (PPDA) was set up under the Public Procurement and Disposal of Public Assets Act (2003) as the principal regulatory body for public procurement and disposal of assets (National Public Procurement Integrity Survey Report 2007). Further, The Local Governments (Public Procurement and Disposal of Assets) Regulations 2006 were enacted scrapping District Tender Boards to be replaced by Contract Committees arguing it was intended to remove politicking and eliminate corruption in the tender process.

The Public procurement and Disposal of Public Assets (Amendment) Bill, 2010 has been proposed. Of Particular importance is the insertion of a new section 59 B in the principal Act as follows:

The principal Act is amended by inserting immediately after section 59 A the following:

“59 B. Reservation schemes

- 1) In accordance with section 50 (2), the Authority shall, in consultation with a competent authority,

specify the public procurement contracts to be subject to a reservation scheme and shall designate the particular sectors, within a specified geographical area, that are eligible to participate in the reservations scheme.

- 2) A public procurement contract shall be subject to a reservation scheme in order to-
  - a) promote the use of local expertise and material;
  - b) promote the participation of local communities or local organizations; or
  - c) apply specific technologies.

The operationalization of this amendment is yet to be undertaken. This requires the articulation of specific strategic intervention and concrete operational frameworks. Under the following undertakings, the Government of Uganda has endeavoured to address the youth employment problem:

It has the Ministry of Gender Labour and Social Development. It has three Directorates whose roles have significant impact on youth empowerment; promoted vocational and technical education/training which is the alternative avenue through which most marginalized youth can be able to attain formal education.

Plans are underway to establish a Directorate of SMEs (Kulabako Faridah 2011). The centre will comprise of representatives from the Uganda Investment Authority, Uganda Revenue Authority, Uganda Bureau of Standards, Central Bank, National Environmental Management Authority and the Uganda Industrial Research Institute. The move seeks to ease and enable the government and business related agencies to easily attend to challenges facing SMEs. It is critical to note that representation from the PPDA is not earmarked.

The efforts undertaken above constitute empowerment of the supply side. However on the demand side, there is a paucity of literature/studies and effort on policy, strategic and management interventions at the national or local levels to enable youth SMEs access to public procurement contracts in Uganda. Our paper is a contribution to fill this gap. We review literature on SMEs and public procurement contracts.

## LITERATURE REVIEW

Governments can use public procurement to achieve policy objectives. Although tenders and contracts share certain similarities, we have brought together public procurement contracts to go beyond simply getting tenders. We extend it to include the definition of the contract, the qualifications of the contractors, and the criteria for the award of the contract (McCrudden 2004). Government can participate in the market as a purchaser and at the same time regulating it through the use of its purchasing power to advance conceptions of social justice.

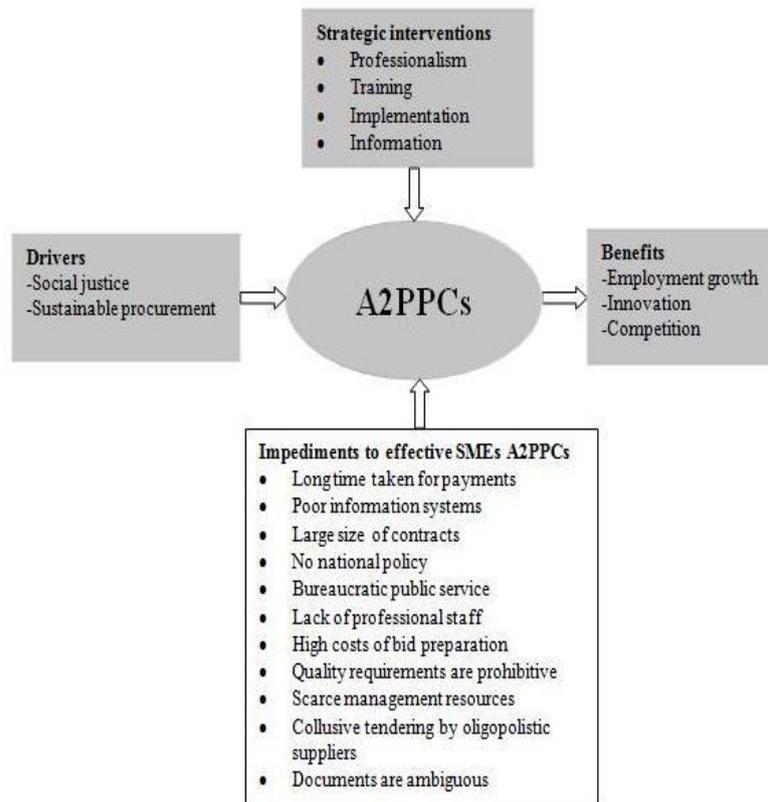
Telgen (2006) in an analysis of literature contends that public procurement can be used for policy delivery. Among others for job creation and employment for example by splitting up purchases in such a way that jobs are created or requiring suppliers to use the unemployed in supplying their goods and services; SME/regional involvement for example by splitting up orders in smaller lots so that smaller companies can participate in competing for these smaller lots; Diversity (social outcomes) i.e. favouring various suppliers (minorities, disabled, women, local firms).

The Office of Government Commerce (2010) opines that markets are more efficient where they have multiple suppliers and optimal competition. That drives suppliers to perform better, with benefits for their customers, the economy and ultimately all citizens. So, buyers have an interest in maintaining and encouraging and encouraging competition and SMEs can play a major role. Identifying such firms (in our case youth SMEs) and ensuring they have full access to public sector contracts will lead to economic benefits to the citizen and the economy.

SMEs need to have access to, and the opportunity to win, government contracts. What must not happen is that the process unintentionally favours large firms in some way and discourages small firms. Caution is that, it is not about giving preferential treatment to SMEs but about facilitating a more level playing field.

In an analysis of literature largely by: McCrudden (2004); Telgen (2006); Procurement Innovation Group (2009); Linthorst and Telgen (2006); Fee et al. (2001); Mont and Leire (2008); Parikh and Joshi; Commonwealth Secretariat (2010), we developed a

theoretical framework to better understand the relationship between SMEs and public procurement contracts in developing countries thus:



**Figure 1: Theoretical framework for Access to Public Procurement Contracts (A2PPCs).**

The drivers provide the justification to engage youth SMEs in public procurement contracts. The SMEs are afflicted with a plethora of impediments both internally and externally. Strategic and management interventions, nationally and locally are fundamental here to ensure the benefits that accrue from their integration are attained. We review the interventions.

#### **STRATEGIC AND MANAGEMENT INTERVENTIONS TO ENABLE YOUTH SMEs A2PPCS.**

The African Youth Charter (of which Uganda is a signatory) Article 15(3) states: Parties shall address and ensure the availability of accurate data on youth employment, unemployment and underemployment so as to facilitate the prioritization of the issue in National development programmes complemented by clear programmes to address unemployment. The National Youth policy in Uganda advocates for the formation and implementation of an appropriate National Employment Policy that addresses and responds to the concerns of the youth such as: promote youth enterprise development through enterprise education and establishment of information services.

Public procurement is a function under Public Sector Management (PSM). The objective of PSM is to enhance coherence in policy frameworks for public sector management in planning, policy formulation and implementation, coordination of implementation, monitoring and evaluation of government policies and programmes, and institutional and human capacity building both and at Central and Local Government. The interface between the political and technical arms of the public sector has been affected by limited mechanisms of transforming political direction into development results (The National Development Plan 2010/11 -2014/15).

Our study is aligned with the strategic objectives cited above and cognizant of the management challenges therein. Murray (2009) buttresses our approach with the argument that without strategic alignment, it will not be possible to effect change in procurement as a strategic function. So the underlying question is: How can public procurement be managed to ensure that youth SMEs attain public procurement contracts within the framework of fair competition which is fundamental to economic and procurement policy? Government should provide strategic and detailed guidance for procuring authorities on assessing suitable contracts for flagging, based on risk, value and market maturity (The Organization of Government Commerce 2010).

Hence we used the institutional approach to delineate strategic and management interventions that can ensure that youth SMEs can access public procurement contracts. The institutional approach views the public procurement intervention strategies in terms of individual policies (Thai 2001; Obanda 2010). The

following interventions derived from an analytical review of literature were deemed critical:

### ***Professionalism***

A major scope for improving SMEs participation in public tenders is through increasing professionalism in procurement. Professionalism can be defined as the status, methods, or standards within a career. Public procurement professionalism should be emphasized to enable SMEs access to public procurement contracts.

Public procurement in Uganda is highly susceptible to corruption. The prevalence of bureaucratic influence which causes a contract to be awarded on the basis of subjective or unannounced criteria to an apparently specially favoured contractor is evident. The New Vision (2005) cites the Executive Director of the PPDA as stating that the Government would save 330 billion Uganda shillings by eliminating losses incurred through corruption in public procurement. That corruption is due to the fact that the law has many loopholes. In addition, the prescribed practices are laxly or impractical to enforce. Nuwagaba (2009) reiterates that one major discounting factor for the failure of all our policies and programmes' including decentralization is corruption. Imagine a country that loses 600 billion shillings in corruption related to procurement in a single financial year. This is half of the budget for the ministry of education.

While being a professional does not eliminate the possibility of an individual being corrupt, it helps control improper behavior by allowing action to be judged against standards accepted by the profession. Hence, the public procurement professionals need the requisite combination of skills and competencies to develop into a coordinated, well equipped and informed profession. This entails keeping selection criteria proportionate, that SMEs who believe that the scope of a framework agreement precludes their involvement and that the bidding procedure is more complex and prolonged, are not deterred.

Keeping selection criteria proportionate is of core importance for SMEs, since contracting authorities that fix too high capacity and ability levels exclude *de facto* a high proportion of SMEs from

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participating in tender procedures. A decision has to be made on which criteria are appropriate for the kind of purchase involved and its value.

All selection criteria should be clear, non-discriminatory and proportionate to the contract in question. Caution should also be taken in wording selection criteria in a way that may not narrow the field of competition by addressing irrelevant matters e.g. a requirement that only experience acquired in dealing with the public sector will be taken into account is, as such, irrelevant and limits competition.

Further, Public Procurement Officers should be able to make use of the possibility to conclude framework agreements with several economic operators and to organize mini competitions for parties to the framework agreement as actual procurement needs arises.

***Proposition 1(a):*** *Enhanced professionalism in public procurement practice and management has a positive significant impact on SMEs accessibility to public procurement contracts.*

***Proposition 1(b):*** *Professionalism in public procurement requires well trained staff.*

### ***Implementation***

A review of literature from the Federation of Small Businesses (2008); Procurement Innovation Group (2009) and Choi Jeong-Wook (2010) reveals that ensuring that payments are made on time is paramount. A provision to alleviate the financial burden of SMEs, by providing for a 30 days' payment deadline as a default, default level of interest for late payments etc. would be beneficial in this regard. Ideally simplify the documents necessary for making payments for example use electronic tools; do not suspend payment without a valid reason; enhance the use of electronic payment; simplify controls; do not postpone payment until the end of the year.

The adoption of the measures above would mitigate the time-consuming paperwork which is among the most complaints voiced by SMEs. As SMEs' normally do not have large and specialized administrative capacities, keeping administrative requirements to a minimum is essential.

Choi Jeong-Wook's (2010) description of the Korean Public Procurement Service (PPS) is instructive here. The Korean PPS introduced MAS (Multiple Award Schedules). The MAS is designed to overcome lack of diversity in procurement products. The MAS is designed to simplify, streamline, and ultimately accelerate the process for vendors to obtain MAS contracts. This has led small and medium businesses in Korea developing new markets and strengthening competitiveness as well.

***Proposition 2:*** *Simplified payment and procurement procedures reduce administrative costs to enable SMEs access public contracts.*

#### ***Training of stakeholders.***

The Procuring and Disposing Entities (PDEs) are government ministries and other statutory public bodies engaged in procurement and disposal activities. Each PDE should include: an Accounting Officer, a Contracts Committee, Procurement and Disposal Unit Officers, User Departments and Evaluation Committees. Besides the Procurement Officers, the other stakeholders are not mandated to be professionals. They however play crucial roles in the procurement process. They hence need to be trained into the formal tools and methods friendly to SMEs participation. The Evaluation Committee and Contracts Committee members particularly need to be conversant with the available formal scoring methods appropriate to offer an added advantage to SMEs as the former conducts the actual scoring while the latter approves the methods to be used. Given the scenario in Uganda, this is a vital prerequisite.

User departments can equally be trained to arrange their work in lots that are content wise and logically friendly to SMEs capacity. Linthorst and Telgen (2006) in an example offer that, content-wise road maintenance may be divided into three sets of tasks: major overhaul, regular maintenance and minor repairs. Meanwhile, a logical division may be into major thoroughways, minor roads and residential areas.

Training of the relevant stakeholders will hence stimulate an increase in the number of SMEs' accessing and winning contracts

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as more tenders will become SME compliant. An increased involvement of SMEs into public procurement will result into higher competition for public contracts, leading to better value for money.

**Proposition 3:** *Training increases the involvement of SMEs into public procurement contracts.*

### **Information**

Ensuring easy access to all relevant information on business opportunities in public procurement is of key importance for SMEs. In Uganda, it is apparent that after newspapers, established relationships are very important in terms of accessing contracts. The Commonwealth (2010) findings show that 38% of the respondents stated that opportunities were communicated through either direct invitation from the buyer or through some form of personal contact. Logically, established relationships represent a barrier for those SMEs who are not currently engaged with the public sector.

The increased use of Information and Communication Technology (ICT) is vital given that the whole country is covered by the mobile telecommunication network and hence has internet accessibility. Particularly develop websites that may be helpful to SMEs by enabling cheap and quick communication, e.g. downloading the contract documents and any supplementary documents without incurring copying or mailing costs. Adopting this would enable publication of public procurement notices online; multi-functional search engines; direct downloading of contract notices and accompanying documentation; electronic tendering facility enabling local governments to receive bids electronically in conformity with the PPDA regulations.

The Procurement and Disposal Units (PDUs) should be the local desks that help SMEs to increase their involvement in public procurement contracts. They should help SMEs familiarize themselves with their respective websites. However, as suggested under professionalism, an independent national public procurement training and information center specific to local governments would provide personalized assistance to SMEs which would be very helpful in tendering for public contracts.

One of the major barriers of Ugandan SMEs access to procurement contracts identified was that, no feedback was made available about previous unsuccessful tenders. Giving feedback to SMEs is essential. In order to prepare for future bids, it is very helpful for a tenderer to see which aspects of the bid were considered strong by the procuring entity. This is provided for in the PPDA Act being a principle of transparency.

***Proposition 4:*** *Provision of all the relevant information on business opportunities positively influences SMEs participation in public procurement contracts.*

The proposed strategic and management interventions are inextricably interlinked. The structural model analytically derived to facilitate SMEs access to public contracts in Uganda is predicted by: professionalism; training; implementation and information

## EMPIRICAL TEST OF THE MODEL

### ***Design***

This is an exploratory case study research design as no substantive study has been undertaken. A case study research was adopted to enable us gain rich insights and capture real life study context (Yin 2003). Using a large scale questionnaire survey we sought the opinions of stakeholders who are directly engaged in the public procurement process in Municipalities and Town Councils. Over 80% of the population is rural based whose mainstay is in agriculture that accounts for 30% of GDP. Municipalities and Town Councils hence provide a potential market to the bulk of our SME sector and were most likely to have professional procurement officers to enrich our findings.

We purposively in the survey sampled the Procurement Officers (3), Head of Departments (9), Mayor (1) and Accounting Officer (1) per Municipality and Town Council in Uganda. 5 municipalities and two Town Councils were sampled. The sampling was advantageous in two folds. One is that the seniority of the respondents was to enable us obtain opinions of respondents with personal experience of procurement procedures in the municipalities to avoid opinions and perceptions based on

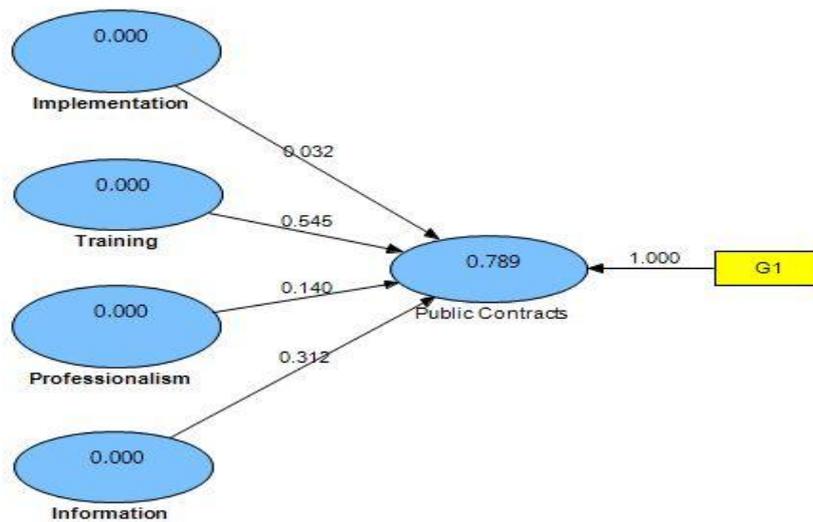
hearsay, rumours or conjecture. According to Neuman (2000) in Saunders et al. (2003), this enables one to use his judgment to select cases that will best enable one to answer one's question(s) and to meet one's objectives. Secondly, we triangulated the selection of our respondents to include the political head. This was the elected mayor. Logically, if elected representatives are democratically accountable for public procurement decisions, research, to be robust, needs to consider politicians' perceptions as opposed to only those of procurement managers who are rarely involved in strategic decision making (Murray, 2009).

The questionnaire was designed with due consideration to content validity. Questions are developed to tap into the propositions that form a corresponding construct. Further, expert opinion from Kyambogo University academic colleagues in the Department of Procurement and Marketing views were sought to assess its ability to obtain the relevant data. Face validity was enabled by categorizing the questionnaire into sections corresponding with the various constructs. A 5 point Likert Scale is used to enable respondents rank their opinions on the attribute each question is trying to measure. Research Assistants were engaged to hand deliver and collect the questionnaires.

### **PRESENTATION AND ANALYSIS OF THE FINDINGS**

We used Partial Least Squares Regression (PLS). Using SmartPLS 2.0M3 software, our propositions were tested with standardized data from the questionnaires. Our choice in using PLS was anchored in the fact that it is primarily intended for causal predictive analysis in situations of high complexity but with low theoretical information. Thereby the method assists researchers who focus on the explanation of endogenous constructs (Henseler et al. 2009; Coltman et al. 2008). Further, the latent construct was operationalized by us in a formal model unlike in a reflective model where the latent construct exists (in absolute sense) independent of the measures used.

Diamantopoulos et al. 2008; Coltman et al. 2008 assert that as long as the indicators selected conceptually represent the domain of interest (the construct), they may be considered adequate from the standpoint of empirical prediction. The structural model was measured and is illustrated below:



**Figure 2: Youth SMEs access to public procurement contracts model**

The essential criterion for the assessment of the structural model is the coefficient of determination ( $R^2$ ) of the endogenous latent variables. Chin (1998) describes the ( $R^2$ ) values 0.67, 0.33 and 0.19 in PLS path model as substantial, moderate and weak respectively. The individual path coefficients of the PLS structural model can be interpreted as standardized beta coefficients of ordinary least squares (Henseler et al. 2009).

It is therefore logical to conclude that our structural model developed is valid. It highly predicts or explains the strategic and management interventions that can be undertaken to enable youth SMEs access public procurement contracts with an  $R^2$  value of 0.789. It is empirically corroborated/validated substantially. Also in our case, access to public procurement contracts has been comprehensively measures with a beta score of 1.00.

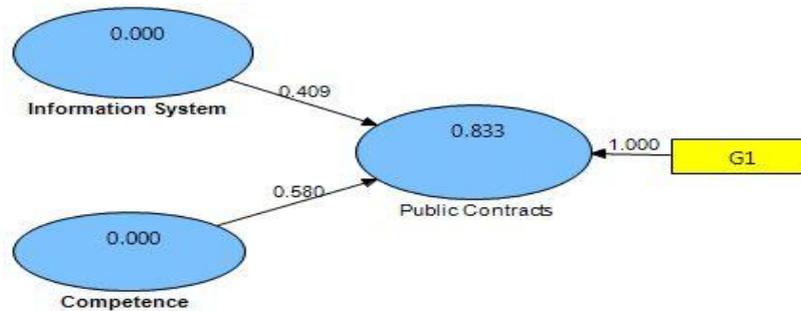
The individual paths are akin to beta coefficients. By one rule of thumb in confirmatory PLS factor analysis, loadings should be .7 or higher to confirm that independent variables identified a priori are represented by a particular factor (Hulland, 1999:198). However, the .7 standard is a high one and real-life data may well not meet this criterion, which is why some researchers,

particularly for exploratory purposes, will use a lower level such as .4 for the central factor and .25 for others (Raubenheimer, 2004). In any event, factor loadings must be interpreted in the light of theory, not by arbitrary cutoff levels (<http://faculty.chass.ncsu.edu/garson/PA765/pls.htm>).

Given the foregoing, Training 0.545 and Information 0.312 substantially predict youth SMEs access to public procurement contracts and the corresponding propositions are supported. We use the criteria other researchers use for exploratory research given the fact that we have little information as no similar study has been conducted so far in Uganda. Implementation 0.032 and Professionalism 0.140 weakly predict youth SMEs access to public procurement contracts. Their corresponding propositions developed are also weakly supported. This though is interpreted with due consideration of multicollinearity.

Using systems thinking we aggregated our individual interventions in the model as follows: Training + Professionalism = Competence; Information + Implementation = Information system. Competence was regarded as the human aspect side (aggregation of stakeholder skills and knowledge) and information systems the inanimate side. We limited ourselves to the operational thinking i.e. understanding the 'physics' of operations and how things really work.

The aggregations of the interventions are in consonance with Albin (1997) who stated that components (in a system dynamics model boundary) should be aggregated. Similar concepts should be aggregated if doing so does not change the nature of the problem being modeled or the model purpose. Fewer components help to avoid unnecessary complications. The model using systems thinking was measured as illustrated below:



**Figure 3: Youth SMEs access to public procurement contracts using systems thinking model**

Youth SMEs access to public procurement contracts is more substantially predicted using systems thinking with the coefficient of determination ( $R^2$ ) of 0.833. This is higher than the prediction using the institutional approach in figure 2. It conforms to the assertion that, traditionally, a system is defined as “an assembly of related elements. But systems particularly the public procurement systems are so dynamic that they cannot be understood just in terms of their elements. The systems view has become a popular way of thinking, a practical philosophy, and a methodology of change not only for the public but the business sector as well (Thai 2001).

Whereas the institutional approach delineates individual strategic interventions that can be undertaken, it does not tell us how they relate to each other. The institutional approach is what Maani and Cavanna (2000) refer to as linear thinking. Implicit in linear thinking is that: The factors are independent; that causality is one way (from cause to effect); the factors are equally important.

In respect to the discourse above, contrary to our expectations (as in Obanda 2010), competence 0.580 predicts access to public procurement contracts higher than information systems 0.409. Given an opportunity to make a decision between investing in stakeholder competence or information systems on the backdrop of limited financial resources, it pays off slightly more to invest in stakeholder competence. What we infer from the slight difference between the two interventions is that: Stakeholder competence and information systems are complimentary and mutually reinforcing. The decision of investing in one over the other is not a viable option.

Information system interventions would necessitate a change in the procurement processes and practices currently being undertaken by entities in Uganda. Many research studies have shown that process transformation is a very difficult activity. Cultural and organizational issues rather than technical issues have been found to be a key inhibiting factor (Parikh and Joshi 2005).

We envisage that the adoption/adaption of the strategic and management interventions in the institutional and systems models may spur government agencies to consolidate the development of a National Public Procurement Policy that specifically addresses challenges of SMEs access to public procurement contracts; strengthen the coordination, harmonization and monitoring of on-going efforts to professionalize procurement officers; vitalize national commitment and actions for increased attention to procurement officers' professionalization as a means of accelerating social welfare for youths and other vulnerable groups; improve national capacity for procurement management as well as support institutions, systems and structures to respond to the issues of youth and other marginalized groups.

#### **PREREQUISITES TO ENABLE YOUTH SMEs A2PPCS.**

A public procurement policy and legislative provisions are important to enable youth SMEs A2PPCs. This would significantly improve the socio-economic empowerment of the marginalized youth and ensure their inclusive growth e.g. 30% of low cost procurements should be reserved for SMEs. The current legislative framework does not explicitly compel or provide for public entities to incorporate SMEs in their procurement plans. Support from the political leadership at both national and local level is crucial in this regard.

Proactive risk management is vital. It is important to consider the risk that any short-term interruption in the policy may pose to the beneficiaries. Hence, continuous capacity building and complimentary actions should be taken to facilitate youth SMEs to other commercial channels where additional long-term and profitable relationships can be established.

There is a need for an independent national public procurement training and information center. This would among others provide the crucial research into innovative procurement practices and the continuous development of procurement professionals e.g. provide procurement officers with help in drawing up SME compliant tenders.

### **CONCLUSION**

This paper has shown that there are an array of strategic and management interventions that ought to be undertaken to enable youth SMEs access public procurement contracts in Uganda. Implementation of the interventions has cost implications in terms of procurement stakeholder training and restructuring of the information systems. Given the socio-economic context particularly of high youth unemployment in Uganda coupled with the benefits that accrue from sustainable and inclusive growth of SMEs, their implementation is critical.

Further research in developing concrete interventions in information systems is important given that process transformation is a very difficult activity. This would enable the use of the reserve scheme and other practices with objective rules for awarding contracts to SMEs that minimize transaction costs, but are not easily subject to manipulation or corruption.

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