

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**



**ASSESSMENT OF FACTORS INFLUENCING GOOD
PHARMACEUTICALS PROCUREMENT PRACTICE
EMPLOYEES' PERCEPTION, THE CASE OF
PHARMACEUTICALS FUND AND SUPPLY AGENCY OF
ETHIOPIA.**

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ASSESSMENT OF EMPLOYEES' ATTITUDE TO FACTORS INFLUENCING
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DECLARATION

I hereby declare that this thesis entitled "Assessment of employees' perception to factors influencing good pharmaceuticals procurement practice, the case of pharmaceuticals fund and supply agency of Ethiopia)" has been carried out by me under the guidance and supervision of Dr. Mengistu Bogale.

This thesis is original and has not been submitted for the award of any degree or diploma to any University or institutions.

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This Research Project report has been submitted for examination with my approval.

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Date

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ABBREVIATIONS AND ACRONYMS

EFY- Ethiopian Fiscal Year

ETB- Ethiopian Birr

EPPAAR- Ethiopian Procurement and Property Administration Agency Report

DG - Director General

FPPA- Federal Public Property and Administration Agency

GDP- Gross Domestic Product

GOK - Government of Kenya

GM - General Manager

IPLS - Integrated Pharmaceutical Logistics System

HR - Human Resource

PFSA- Pharmaceuticals Fund and Supply Agency

PP- Public Procurement

PPA- Public Procurement Agency

PPOA - Public Procurement and Oversight Authority

PPR - Public Procurement Reforms

OECD- Organization for Economic Cooperation and Development

TC - Tender Committee

FMOH- Federal ministry of health

USD- United States Dollar

WHO- World Health Organization

WB - World Bank

ABSTRACT

Procurement process has been a serious issue in the country. If not well management it will be very costly to the Government as well as to the public. Procurement is the function that costs an organization a great deal of money and this has to be performed correctly in order to maximize effectiveness and minimize costs. This study will assess employees' perception to factors influencing good pharmaceuticals procurement practices of PFSA. The study focused on: duration that it takes, ethical practices, training of employees, record management and ICT use that might influence good procurement practice. The study was conducted through a descriptive design of research. The study employed a census technique to select the respondents. 70 internal staff and 30 customers' were used who have direct contact with procurement activities. . The data was collected self administered questionnaire and analyzed using SPSS (version 20) and was presented by use of tables, graphs and percentages.

The major findings of the study indicate that duration that it takes, ethical practices, training of employees, and record management and ICT use influence good procurement practice. Based on the findings the researcher recommended that the Agency management should give a proper attention to the above factors to improve the good procurement practices.

Key words: public procurement, Pharmaceuticals, Essential Medicines, record management

CHAPTER ONE: INTRODUCTION

1.1 Background to the study

Procurement of pharmaceuticals by and for public sector health programs has become an inherently complex process that involves the coordination of numerous government agencies, international funding sources, suppliers, and manufacturers (Rao 2006).

Public procurement (PP) refers to the acquisition of goods, services and works by a procuring entity using public funds. According to the Ethiopian Public Procurement Proclamation (No. 649/2009), procurement defined as obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means. The proclamation also defines PP as procurement by a public body using public fund. From the proclamation, the overall tasks of procurement is to obtain goods, works, consultancy services and other services at the right quality, in the right quantity, from the right sources, at the right time, place and price to achieve an organizational objectives (Haymero 2015).

Any good procurement practice must incorporate the basic principles of accountability and competitive supply unless there are compelling reasons for sourcing from one supplier which emphasizes equal treatment of all bidders irrespective of race, nationality or political affiliation. A WB report (2003) stated that an effective procurement process upholds integrity, responsive to needs of target society and transparent to enhance openness and clarity. (Evans 2015)

According to the office of the ombudsman (2012), procurement practices can be referred to as the application of policies, processes, tools and activities related to acquiring goods and services. Public sectors have always been big purchasers, dealing with huge budgets. PP represents 18.42% of the world GDP (Migosi 2013).

In developing countries, PP is increasingly recognized as essential in service delivery and it accounts for a high proportion of total expenditure. For example, PP accounts for 60% in Kenya, 58% in Angola, 40% in Malawi and 70% of Uganda's public spending. As cited by Tesfahun (2011) out of the total public spending, more than 60% goes to procuring public goods and

services according to the Ethiopian Procurement and Property Administration Agency (PPA) report. This is very high when compared with a global average of 12-20 % (Migosi 2013).

Pharmaceuticals represent one of the largest components of health expenditure. In 2009, the total value of the pharmaceutical market was estimated at USD 837 billion. In developing countries, pharmaceuticals expenditures and drug procurements account for 20-50% of public health budget (Vian 2008).

Reports by European Commission among OECD (Organization for Economic Co-operation and Development) member states showed that on average 14% of public spending goes to health expenditures, which is the second largest next to social protection accounting 41% of public spending (Rao 2005).

In developing countries, inadequate availability and access to essential health commodities is apparently a barrier to delivery of essential health care. A recent survey by (Rao 2005) found out that, the availability of 32 selected essential reproductive health (RH) commodities in public sector outlets was less than 25 percent. In a comparison study in Nicaragua, only 20 percent of these medicines were available to public sector. (Rao 2005)

In Ethiopia, the public pharmaceutical procurement maximum capacity in terms of money in 2007/2008 was 624 million birr, in 2012/2013 6.7 billion birr and the plan for 2015/16 was 8.9 Billion Birr. (Haymero 2015) The Ethiopian market will reach about USD 800 Million (70% public (PFSA) and 30% Private), with annual growth rate of 25-35%, will reach \$ 1 Billion by 2018.

The local pharmaceuticals manufacturing companies of Ethiopia are not more than 13 and only cover 15% of the country's pharmaceutical markets. Almost 85% of pharmaceuticals consumed are now imported from abroad from other countries through open procurements. (FMHACA 2010).

In Ethiopia, majority of the common leading causes of morbidity and mortality can be substantially reduced if carefully selected, low-cost pharmaceuticals are procured and appropriately used (FMHACA, 2010; FMOH, 2013). In this regard, efforts have been made to increase the accessibility of EDs, but researches showed that availability EDs in public health

facilities in various part of the country is still a challenge (Abiye et al., 2013; Carasso et al., 2009; FMOH, 2011; Nigussie, 2014).

The management of public procurement function is vested in the hands of different stakeholders involved throughout the implementation of the procurement cycle (PPOA, 2009). These stakeholders include: Supply chain management officers, Suppliers, Finance, Audit, Development Officers and Technical Support Staff. Effective management of the function would require joint / collaborative efforts of all of these stakeholders. (PPOA, 2009).

This study will be assessing the factors influencing the management of the procurement function in the Pharmaceuticals Fund and Supply Agency of Ethiopia in the year 2017. The area has been characterized by interactions between various elements, professionalism, staffing levels, budget resources, organizational structure, procurement regulations, rules, guidelines, and internal control policies. (Gattiker, and Carter, 2000). These situations are linked to various factors which need to be assessed.

This study will try to address the pharmaceuticals procurement process and effectiveness at the central PFSA. It will also try to assess how duration taken, ethical practices, training of employees, and record management and ICT use influence effectiveness of procurement process.

1.2 Statement of the Problem

Pharmaceutical procurement is a complex process that involves many actors and many stakeholders. It is also conducted within national and institutional policies, rules, regulations, and guidelines that hinder the overall effectiveness of the procurement process (Haymero 2015).

In the Dominican Republic, 20% of government expenditure is spent on procuring goods and services, in malawi and Vietnam it is 40%, and in uganda it is as much as 70%. (Tesfahun 2011)

In Kenya, procurement consumes 45% of the national budget, excluding local government procurement. The central government spends about Kshs. 234 billion per year on procurement. However on annual bases, the government losses close to Ksh. 121 billion about 17% of the national budget due to inflated procurement quotations (KISM 2010).

According to the Kenyan PPOA (Public Procurement Oversight Authority) the inefficiency and incompetence of overall administration and management of procurement function in many public institutions contributes to loss of over 50 million Kenyan shilling annually. Such procurement expenditure could be minimized through implementation of effective procurement practices. Moreover, some of the major weaknesses identified in a report by the (PPOA, 2009).) about procurement operations in Kenya are; inadequate expertise and knowledge, inadequate training, poor record keeping and a weak internal audit by the Procuring Entities (PE).

In Ethiopia out of the total public spending, more than 60 percent goes to procuring public goods and services which is very high when compared to global average of 12-20 % (Tesfahun 2011).

There is a gap between what stakeholders need and what is actually performed. There have been a lot of complaints since the quality of goods purchased doesn't fit with the specification. There is also a big gap between purchase request and delivery of items. It could be easily observed that there were instances of shortage of items, quality problems and/or mismatch of items requested with procured and delivered(wrong quality); excessively delayed purchases(wrong timing); and incurring additional costs as result of long duration of the purchase process which negatively affect the operations of public health sector stakeholders. (Zegeye 2015)

Above all no study has been done in Ethiopia on the factors influencing good pharmaceutical procurement practice specifically on duration taken, ethical practices, training of employees, record management and ICT use in PFSA Ethiopia in order to maximize effectiveness and minimize costs.

1.3 General Objective

The aim of this study was to assess factors influencing good pharmaceuticals procurement practice employees' perception, in the case of PFSA.

1.3.1 Specific Objectives

- To assess employees' perception how duration taken influence the good pharmaceuticals procurement practice in PFSA
- To assess employees' perception how unethical practices influence the good pharmaceuticals procurement in PFSA
- To assess employees' perception how training of employees influence the good pharmaceuticals procurement practice in PFSA
- To assess employees' perception how record management influence the good pharmaceuticals procurement practice in PFSA
- To assess employees' perception how usages of ICT influence good pharmaceuticals procurement practice in PFSA

1.4 Research questions

- I. To what extent does duration taken influence good pharmaceuticals procurement practice in PFSA?
- II. Do unethical practices influence good pharmaceuticals procurement practice in PFSA?
- III. How does training of employees influence the good pharmaceuticals procurement practice in PFSA?
- IV. What is the extent to which record management influence good pharmaceuticals procurement practice in PFSA?
- V. Does ICT usage influence good pharmaceuticals procurement practice in PFSA?

1.5 Significance of the study

The research is expected to contribute a lot for different stakeholders. Specifically, it will benefit to PFSA management and FMOH decision makers as it will provide evidence to assist in the revision of procurement process in public sector.

The study will also give insight to policy makers and interested parties who want to review public pharmaceuticals procurement practices.

Further, the findings of this study are expected to be of significance to various scholars, students and researchers who might be involved in procurement research activities since the documented report would provide ready reference material that could equip the learners with more knowledge and skills on issues relating to factors influencing good pharmaceuticals procurement practices in Ethiopia.

1.6 Scope of the Study

The focus of this study is procurement practices of central head office of Pharmaceuticals Fund and Supply Agency which is the centralized and sole procurement agency of Pharmaceutical commodities in Ethiopia.

The researcher tried to include 30 customers to balance the perception of employees to factors influencing the procurement practice.

This study was conducted from April 15-May 15/ 2017 in PFSA. Moreover, the research focuses on the time period of which the last three years.

1.7 Limitations of the Study

Some of the limitation of this study is that the information obtained from respondents may not be reliable and may not reflect the actual situation in the institution because respondents were assessed based on their subjective perception of believe to the factors. Moreover, the finding of this study was from only centralized procurement institution perspective and did not include other stakeholders that deal with pharmaceuticals procurement activities.

1.8 Organization of the Study

This study is organized in five chapters. Chapter One covers background to the study, statement of the problem, purpose of study, research objectives, significance of the study, scope of the study, limitations the study, significant terms. Chapter two covers literature review, Chapter Three covers Research Methodology, Chapter four covers Result and Discussion while Chapter five covers summary of the findings, conclusions and recommendations.

1.9 Operational Definitions

Procurement is the process or act of obtaining or buying goods. The process includes preparation and processing of a demand as well as the end receipt and approval of payment.

Good Procurement practices refers to how a buying firm conduct its procurement activities, in a way, this includes at right time, right suppliers, right quantity, right price, auditable and reportable

Procurement process is each step followed or undertaken to purchase any kind of items starting from the request of items till delivery of items.

Duration of procurement - Refers to time taken to undertake procurement to its logical conclusion.

ICT Use - means use of computer and computer soft ware in Procurement process

Record Management - Means to preserve accurate data on procurement process in a Safe way and easy to retrieve in future for reference.

Training of Staff - Refers to the process of organizing workshops for capacity building on procurement process

Unethical Practices - Refers favoritism, Tribalism and political interference in procurement practices that denies the lowest or the bidder with the opportunity.

Transparency - refers to unrestricted access by the public to timely and reliable information on public sectors' activities, decisions and performance.

Accountability - shows how the public interest has been protected in the expenditure of public funds.

CHAPTER TWO: REVIEW OF THE RELATED LITERATURE

2.1 Public pharmaceuticals procurement in Ethiopia

As cited by (Tesfahun 2011) PP in Ethiopia was started in 1940 EC and was established to procure military equipments and supplies for soldiers. On the other hand the Ethiopian Procurement and Property Administration Agency Report (EPPAAR 2011) 64% of many public originations' budget goes to procuring public goods and services. (Chekol 2014)

In 1950 an independent agency, Ministry of Public Property Organization and Distribution were established under proclamation № 19/1950 which is dissolved in 1956. After its dissolution procurement which accounts less than Birr 10,000 were made by the organization itself and Birr 10,000 and above were procured by a committee established by the Auditor General. In 1981 the military government gave two of its chapters about government procurement in its financial regulation. (Chekol 2014)

After the introduction of the 1995 constitution the government of Ethiopia (GoE) drafted The Federal Government of Ethiopia the Financial Administration Proclamation № 57/1996 and “the Council of Ministers Financial Regulations № 17/1997 (Chekol 2014).

Currently in Ethiopia, PP is regulated by the Public Procurement and Property Administration Proclamation No. 649/2009. The Proclamation establishes the Federal Public Property and Administration Agency (FPPA 2011) as a body responsible for regulation and monitoring of public procurement activities and accountable to the Ministry of Finance and Economic Development. (National DTC 2014).

In order to introduce efficiency in the supply chain of pharmaceuticals management system in Ethiopia, the former PHARMID has been transformed into Pharmaceutical Fund and Supply Agency (PFSA) with the several measures taken to strengthen the capacity of the new agency (National DTC 2014).

Pharmaceuticals fund and supply agency (PFSA), was established in September 2007 by proclamation No. 553/2007 is responsible for public pharmaceuticals procurement. The procurement is done through international and local procurements as well as by direct purchasing or negotiation. The maximum procurement capacity in terms of money in 2007/2008 was 624

million birr and reaching 6.7 billion birr in 2012/2013. Local procurement accounted for 8.21% of the total purchase made by the agency in 2012/2013. (Eyob 2013)

Furthermore; PFSA has developed a national list for the procurement of essential pharmaceuticals. It has been able to develop a pharmaceutical forecasting plan in consultation with health facilities that would be required for need-based procurement. The new Agency has already started handling bulk procurement, storage and distribution of pharmaceuticals [15]. Even though the agency tries to improve delivery of the right medicine at the right time with reduced cost, still problems are observed due to an increase in the need of pharmaceutical products in the country and the ineffectiveness of the existing storage, distribution and procurement practices (Nasra 2014)

PFSA's objectives include:

- ❖ Improve availability of program and non program pharmaceuticals nationwide from 55% to 100%
- ❖ Reduce wastage rate from 8% to less than 2%
- ❖ Reduce cycle time (forecasting, procurement, storage and delivery to public health facilities) from 491 days to 165 days on average
- ❖ Establish a quality complaint system and ensure rational use of pharmaceuticals
- ❖ Improve customer satisfaction in terms of availability and quality of service at public health facilities from 51% to 100%

This chapter will review literatures on procurement processes. It contains Literature on factors influencing effectiveness of procurement process in Public Sector. It highlights on the following: Procurement Processes, steps in procurement process, duration taken in procurement process, ethical Practices in procurement process. Training of employees in procurement Process, use of ICT in procurement process and record management in procurement process. It also presents gaps to be filled by the study and the conceptual framework.

2.2 Procurement Process in public sector

Procurement is a Procedure whereby potential suppliers are invited to make a firm and unequivocal offer on the price and terms in which they will supply specified goods, Services or works which on acceptance shall be the basis of a subsequent contract (Lysons and Farrington, 2006). Procurement is based on the principles competitiveness, fairness and accessibility, transparency, openness and honesty (World Bank, 2008). Internationally, all Public entities are subjected to open procurement by law so as to prevent fraud, waste, unethical practices or local protectionism (global trade negotiation 18th Dec.2006).

There are several main steps that are mostly used in the procurement process (Creswel, 1999). First, Procurement process is determined: the organization requesting the procurement will determine the type of procurement that will be used, as well as what will be involved in the procurement process. Second, request for procurement is prepared: the request for procurement outlines what is required, the contractual requirements and how you should respond. Thirdly, procurements are invited: the value, complexity and business category determines how procurements are invited. Fourthly, suppliers respond: you should first obtain all relevant documentation. At this stage it's important to attend any pre procurement briefing sessions being conducted, clarify any uncertainties, plan your response, prepare your response and submit your response in the right format, on time and at the right location (Fadhil and Hong, 2002).

Other stages are fifth stage, this is the stage of evaluation and selection: each procurement will be checked for compliance, and if compliant, then evaluated against the criteria specified in the procurement documentation. The procurement that offers best value for money will win the business. Six, involves notification and debriefing: when a contract has been awarded, the successful renderer will be advised in writing (of the outcome. Unsuccessful renderer are also advised and offered a debriefing interview Dozziet *al.* 1996). Finally, contracts established and managed: generally a formal agreement will be required between the successful renderer and the relevant agency. This study aim at assessing factors that makes this process ineffective.

2.3 Good Pharmaceuticals Procurement Practices

Pharmaceutical procurement is a complex process which involves many steps, agencies, ministries and manufacturers. Existing government policies, rules and regulations for procurement as well as institutional structures are frequently inadequate and sometimes hinder overall efficiency in responding to the modern pharmaceutical market.

Market constraints differ from country to country. Public sector drug procurement must take place in the context of both the local pharmaceutical market and the international market. In many countries public health officials have limited experience in designing an optimal procurement system to fit their market context. An increasing number of countries have moved, or are moving, away from a pharmaceutical procurement and distribution system which is totally operated by the public sector, and are investigating various options for involving the private sector in order to enhance public health.

2.3.1 Strategic objectives of good pharmaceutical procurement

❖ Procure the most cost-effective drugs in the right quantities

The first strategic objective is that all organizations responsible for procurement, whether they are public, private non-profit or private for-profit, should develop an essential drugs list to make sure that only the most cost-effective drugs are purchased. Procedures must also be in place that accurately estimates procurement quantities in order to ensure continuous access to the products selected without accumulating excess stock.

❖ Select reliable suppliers of high-quality products

The second objective is that reliable suppliers of high-quality products must be (pre-) selected, and that active quality assurance programmer involving both surveillance and testing must be implemented.

❖ Ensure timely delivery

The third strategic objective is that the procurement and distribution systems must ensure timely delivery of appropriate quantities to central or provincial stores and adequate distribution to health facilities where the products are needed.

❖ **Achieve the lowest possible total cost**

The fourth objective is that the procurement and distribution systems must achieve the lowest possible total cost, considering different components: such as the actual purchase price of drugs; hidden costs due to poor product quality, poor supplier performance or short shelf-life; inventory holding costs at various levels of the supply system; and operating costs and capital loss by management and administration of the procurement and distribution system.

2.3.2 Operational principles for good pharmaceutical procurement

- ❖ Different procurement functions and responsibilities (selection, quantification, product specification, pre-selection of suppliers and adjudication of procurements) should be divided among different offices, committees and individuals, each with the appropriate expertise and resources for the specific function.
- ❖ Procurement procedures should be transparent, following formal written procedures throughout the process and using explicit criteria to award contracts.
- ❖ Procurement should be planned properly and procurement performance should be monitored regularly; monitoring should include an annual external audit.
- ❖ Public sector procurement should be limited to an essential drugs list or national/local formulary list.
- ❖ Procurement and procurement documents should list drugs by their International Nonproprietary Name (INN), or generic name.
- ❖ Order quantities should be based on a reliable estimate of actual need.
- ❖ Mechanisms should be put in place to ensure reliable financing for procurement. Good financial management procedures should be followed to maximize the use of financial resources.
- ❖ Procurement should be effected in the largest possible quantities in order to achieve economies of scale; this applies to both centralized and decentralized systems.
- ❖ Procurement in the public health sector should be based on competitive procurement methods, except for very small or emergency orders.
- ❖ Members of the purchasing groups should purchase all contracted items from the supplier(s) which hold(s) the contract.

- ❖ Prospective suppliers should be pre-qualified, and selected suppliers should be monitored through a process which considers product quality, service reliability, delivery time and financial viability.
- ❖ Procurement procedures/systems should include all assurances that the drugs purchased are of high quality, according to international standards. (WHO 1999)

2.4 Duration taken in procurement process in Public Sector

Duration taken is one of the factors that influence effectiveness of procurement process in Public Sector. If not well managed it will be very costly to the company. All Public sectors are required to comply with the law on duration taken in procurement process. The recommended duration is less than three months. (Jodie, 2004).

Hudson Wafula (2014) conducted a research on procurement practices affecting Effective public projects Implementation in Kenya: A Case Study of Kenya Civil Aviation Authority the research study focused on to identify factors that influence successful public sector project implementation and best practices in public project implementation. The research tried to find out that the majority of the respondents held the view that most projects in Kenya did not finish on time and were completed at a cost higher than the originally envisaged contract cost.

A high percentage answered that procurement is planning; contract monitoring & control, choice of procurement procedure and communication are important procurement practices in project implementation. The study also recommended that public organizations should be commended for the efforts and mechanisms put in place to achieve effective implementation of projects in order to meet their strategic objectives and fulfill their legal mandates, it is clearly imperative to put in place the following measures to re-enforce the existing mechanisms and practices: Public organizations should strive to strengthen their procurement planning and contract monitoring & control systems so as to ensure successful projects implementation. (Zegeye 2015)

Tewodros Mesfin (2007) conducted a research on Evaluation of Purchasing Practice at Addis Ababa University college of Commerce. The research problems intend to clearly identify the causes of the inefficient purchasing activity of college of commerce and assessing its consequences. The research findings answered that the major areas of poor performance can be summarized as a shortage of qualified staff for the unit; very long purchasing process involving

some unnecessary steps and parties; absence of systematic ways of expediting and follow up of the purchasing process; poor skill and experience to meet the purchasing requirements of the college, as a result of this wrong items are purchased creating waste of public resources. The study recommends the management should give proper emphasis for purchasing function and should give consideration for the following; assignment of qualified staff for purchasing; establishing systematic ways of expediting and follow up of the purchasing process; seeing ways to establish long term mutually benefiting relationship with reliable suppliers since this will reduce suppliers cheating problem and to a higher extent tackle low quality purchases and delayed deliveries; and the management should also device mechanism to motivate purchasers through recognizing and rewarding efficient purchases while making sure intentional inefficiencies would result in substantial accountability were raised by the researcher.

According to Yonas Dubale (2015) the case of procuring with the right time, 65% of respondents replied either disagree or strongly disagree on the purchase of items at a right time. Thus, it is possible to understand that the time taken to the procurement process is too long. Hence, it is possible to realize that there is a difficulty with regards to the time taken to procure.

Since each department achieve their goal with the supplied material, the delays of supplying the material makes them not to achieve as per their own time plan. Primarily, the public are not getting the authority's service on time. This might be a big challenge for the authority which needs immediate solution.

Another research conducted by Selamawit (2014) The finding revealed highest proportion (46.7%) blame the lengthy purchasing process and the bureaucratic red tape for the delay the 11.7% respondents' blamed the suppliers however 31.7% respondents' blamed, the work load on the purchasing staffs and lack of motivation in which the motivation problem has to be studied in detail. In other words lengthy purchasing process and the bureaucratic red tape are the core reason for the purchases not to be delivered on time.

2.5 Ethical Practices and Its influence in Procurement Process

Unethical practices are an enemy to development not only in Kenya but globally. It greatly contributes to poverty increase in a country is not well managed. According to Vee and Skitmore (2003), on their study on professional ethics in the construction industry, found out that, all the respondents had witnessed or experienced some degree of unethical conduct, in the form of unfair conduct, negligence, conflict of interest, collusive procurement, fraud, confidentiality and propriety breach, bribery and violation of environmental ethics. These practices ended up resulting to loss of money.

Unethical practices in Public Procurement were also facilitated by the lack of transparency in the system; the applicable procedures were invariably inaccessible to the public according to World Bank (2008).

Ngwili Josephat and Dr. Susan (2013) were conducted a research on factors affecting efficiency of Procurement functions at the Public Institutions in Kenya (A Case study of Supplies Branch Nairobi). The study established that existing legal framework and organizations culture affects the efficiency of the public procurement function. Factors like political influence, fairness in awarding procurement contracts, adherence in procedures, bureaucracy and corruption affect the efficiency of the public procurement function at the public institution in Kenya. From the findings the study concludes that staff competencies affect greatly the efficiency of procurement function. Hence, employees need to acquire core competencies like knowledge, skills, experience and abilities to enhance public procurement function efficiency in public institutions. The study also concluded that supplies Branch did not embrace modern technology in the procurement function. Hence it implies that those public institution in Kenya not using ICT in the procurement function do not benefit from its advantages of reduced cost of holding stock, reduced paper work, increases transaction effectiveness, increases quality of goods and services, reduced lead times and improved quality of decision making. The study also found out that proper procurement records management helps in giving authentic and reliable information and has an impact in procurement function efficiency.

2.6 Training of employees and good procurement practices

According to Banda (2009), many procuring organizations do not have staff with the right competence critical to good procurement process management and therefore there is need for authorities to give much greater emphasis to developing such competence and to adopt best practice more widely. According to that study, for big projects the cost of employing advisers is very high and in many cases exceeded budgets by a substantial margin. It suggests that procuring organizations should drive down advisers' costs and ensure that sensible budgets are adhered to through staff competence development. The study further points out that monitoring and enforcement of quality standards is sometimes weak and failure can be traced back to problems in human resources capacity to monitor procurement process, poor determination of specifications, weak definition of requirements and/or inadequate budgets, and failure to enforce the conditions of the contract which arises due to inadequate supervision. The study further notes that regulatory agencies rarely manage to enforce standards due to lack of capacity. (Evans 2015)

Another study by Berger & Humphrey (2007), noted that a procurement function that is carried out professionally is the heart of delivery of any service on value for money principle. In that study, it was noted that most of personnel carrying out procurement functions in the local authorities in Kenya have not been sensitized on procurement regulations. For example, the law requires that each procuring entity establishes a procurement unit manned by professionals in procurement. From the study, that was not the case in 15 out of 27 surveyed local authorities in Kenya. According to them, there are serious challenges in staffing of procurement professionals in the local government institutions. They point out that some of the personnel carrying out those duties do not have any certification in procurement and most have never been sensitized and have little knowledge if any of procurement function. (Evans 2015)

According to a study by Appiah (2010), current educational systems do not necessarily impart specific knowledge for specific job positions in organizations. As a result of this the labor force comprises of few people with the right skills, knowledge and competencies needed for positions in the job market. There is therefore the need for extensive external training for human resources to be able to improve and also contribute to the productivity of organizations.

Another study by Seleim (2007), explained that training is a key element for improved organizational performance through the increasing level of individual competences which means that training would help employees to master knowledge, skills, behaviors, sense of self worth and confidence upon which they are able to perform efficiently to improve on the performance of the organization. Furthermore, Boyan (2003) noted that there are clear benefits in ensuring that staffs who handle suppliers are professionals and that approaches to supplier management are handled well. The study noted that competence can ensure that the benefits of new products and services are brought to the attention of the right person in the organization. It can protect the organization, keep work to a minimum, avoid souring relationships and add to the organization's reputation for efficiency and good management.

According to Landale (2006) training is the process of acquiring knowledge and skills by the team who participate in the public procurement process for efficient and effective service delivery. Through training participants acquire new sets of values and perceptions. The appreciation of their inherent but untapped potential and reinforce their self-confidence and sense of autonomy as opposed to dependency (Osborn et al 2003). For any project to be implemented successfully people involved must be trained. The training offered must be of quality to ensure effective implementation of procurement process.

If this is lacking then the procurement process will be adversely affected (Husband and Bolles 2007). According to the Kenya Public Procurement and Disposal Act 2005 section (7) procurement shall be staffed with procurement professionals whose qualifications have been recognized by the authority. The authority shall facilitate the establishment of an examination body for procurement professionals and shall ensure support for their professional association. These means that learning is knowledge and knowledge is power (Ahmed, Irfan, and Parasuraman, 1994).

2.7 Information Communication Technology and good procurement Practice

E-Procurement will bring improvements to all aspects of the procurement process (National Institute of Governmental Purchasing, 2001, Minahan and Degan, 2001, McIntosh and Sloan, 2001, Ribeiro, 2001). The procurement process is not solely the buying of goods and services but also incorporates buying strategy as well (Egbu et al, 2003).

Martin (2004) shows that still less than 30% of procurement documentation is sent out in electronic form. This is because of many different parties involved who feed information into the process clients,

Consultants, contractors and suppliers. Bell (2001) suggests changes must take place if electronic solutions are to become predominant and companies are to remain competitive in the new era. Therefore ICT is critical in procurement process.

Another study by Rusek (2006), noted that the digitalization of information and data, as well as the opportunities offered by the internet, provides the basis for rationalization and improved efficiency in administrative processes for private sector procurement companies. In public sector companies digitalization provides a number of advantages, for example, the opportunity to establish new and more efficient work processes and to communicate and cooperate in new ways. This study will narrow down to evaluate level of usage of ICT in procurement process and its influence in effectiveness in procurement process.

Berger and Humphrey (2007) noted that the use of technology has not been fully embraced in the practice of undertaking procurement activities in Kenya. Berger and Humphrey observe while there are up to date systems such as reverse auction for undertaking bidding process in procurement, in most private and public sector the process is still being undertaken manually giving room for manipulation and corruption. Manual process also takes longer thus thereby affecting procurement activities. Dale (2010) also noted that the manufacturing industry performance in Kenya is hampered by lack of investment in technology that helps to reduce lead time, improve efficiency and efficacy, and eliminate quality default and corruption in the processes. (Evans 2015)

2.8 Record Management in Procurement Process in Public Sector Procurement

Record Management is a must if there is to be good governance in public entities in Procurement process. In cases where records are poorly managed companies have lost a lot of revenue through county business claims. If not well managed could lead to Business claims or Poor governance. A survey had shown that many companies still have poor electronic Record management Practices, which could result in business insurance claims if they are taken to court (Ahmed, Irfan, and Parasuraman, 1994).

In any contemporary industry, the data and reports showing compliance to regulatory needs must be robust and come from a reliable source. Many developing countries lack a systematic approach to managing records. It is argued that accurate and readily accessible records of judicial rulings reduce the potential for illicit manipulation resulting from delays, corruption, and inaccuracies. Dysfunctional records management undermines legal and judicial reform creating room for corruption or collusion between court officials and lawyers (Thurston, 2005).

According to Musembi (2005) efficient record management is basis of good governance, there exists a very close relationship between good governance and records keeping. Well-managed records are essential tools for good governance. They facilitate the achievement of transparency and accountability in Public Procurement, as indeed in all other types of administration. When government records are easily accessible to members of the Public at times when they want to verify actions and activities of public servants, a Relationship based on trust between the governments and the governed is greatly strengthened (Kombo and Tromp, 2011).

According to the Kenya Public Procurement and Disposal Act 2005 section 45(1), Procurement records shall be kept by all Public Procurement entities. Procurement entity shall keep records for each procurement for at least six years after the resulting contract was entered into or, if no contract resulted after the procurement proceedings were terminated.

The records for procurement must include the description of the goods, works or services being procured, if a procedure other than open procurement was used, the reasons for doing so, Copy of the advertisement as it appeared in the newsletter or publication, the name and address of the person marking the submission, the price and the summary of the other terms and conditions of the procurement, proposal or quotation, a summary of the evaluation and Comparison of

procurements, proposals or quotations, including the evaluation criteria used, if the Procurement proceedings were terminated without resulting in a contract, the explanation of why they were terminated, a copy of every document the act requires the procuring entity to prepare and such other information or documents as are prescribed (Kombo and Tromp, 2011).

According to OEED (2007) accurate written records of the different stages of the procedure are essential to maintain transparency, provide an audit trail of procurement decisions for controls, serve as the official record in cases of administrative or judicial challenge and provide an opportunity for citizens to monitor the use of public funds. Agencies need procedures in place to ensure that procurement decisions are well documented, justifiable and substantiated in accordance with relevant laws and policies in order to promote accountability.

Proper record management is necessary for effective procurement. Poor record management creates confusion and problems in future referencing.

2.9 The Contingency Theory

Contingency theory is a class of behavioral theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Several contingency approaches were developed concurrently in the late 1960s. Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies.

Mohsini and Davidson (1986) make use of contingency theory to examine the effects of structure and environment on performance, measured using the concept of conflict. Ireland (1983:25) indicates that he has used contingency theory to identify managerial actions affecting project performance. Kelly and Fleming (1986) and Brandon (1987) have attempted to take this further and build models of the procurement system. This theory is relevant to the study since the study looked into the aspects of duration of time used in procurement, ethical practices in procurement, usage of ICT in procurement and record management in procurement and how it influences procurement in a formal structure.

2.10 Conceptual Framework

The Figure 1 below tried to shows how variables of the study and how they relate to each other. The main objective of the study is to assess factors influencing the good pharmaceuticals procurement practice employees' perception in PFSA, Ethiopia. The undependable variables identified are; duration taken in the process, unethical practices, Training, use of ICT and Record Management.

Duration of time taken in procurement influences the good procurement process. Procurement process that takes a long time before being processed will be affected by inflation. Prices of inputs will rise there by forcing the procurement firms to adjust the quoted prices consequently bringing confusion. Procurement process that takes short duration brings about efficiency.

Unethical practices such as favoritism, tribalism and political interference makes procurement ineffective, since the lowest bidders will not be awarded. Good procurement system must be devoid of such unethical practices. Trained staff with adequate knowledge on procurement procedures will improve good procurement process unlike untrained staff. Use of ICT is generally an element of good procurement practice due to its ability to store and process a large data in a short time objectively than manual processing.

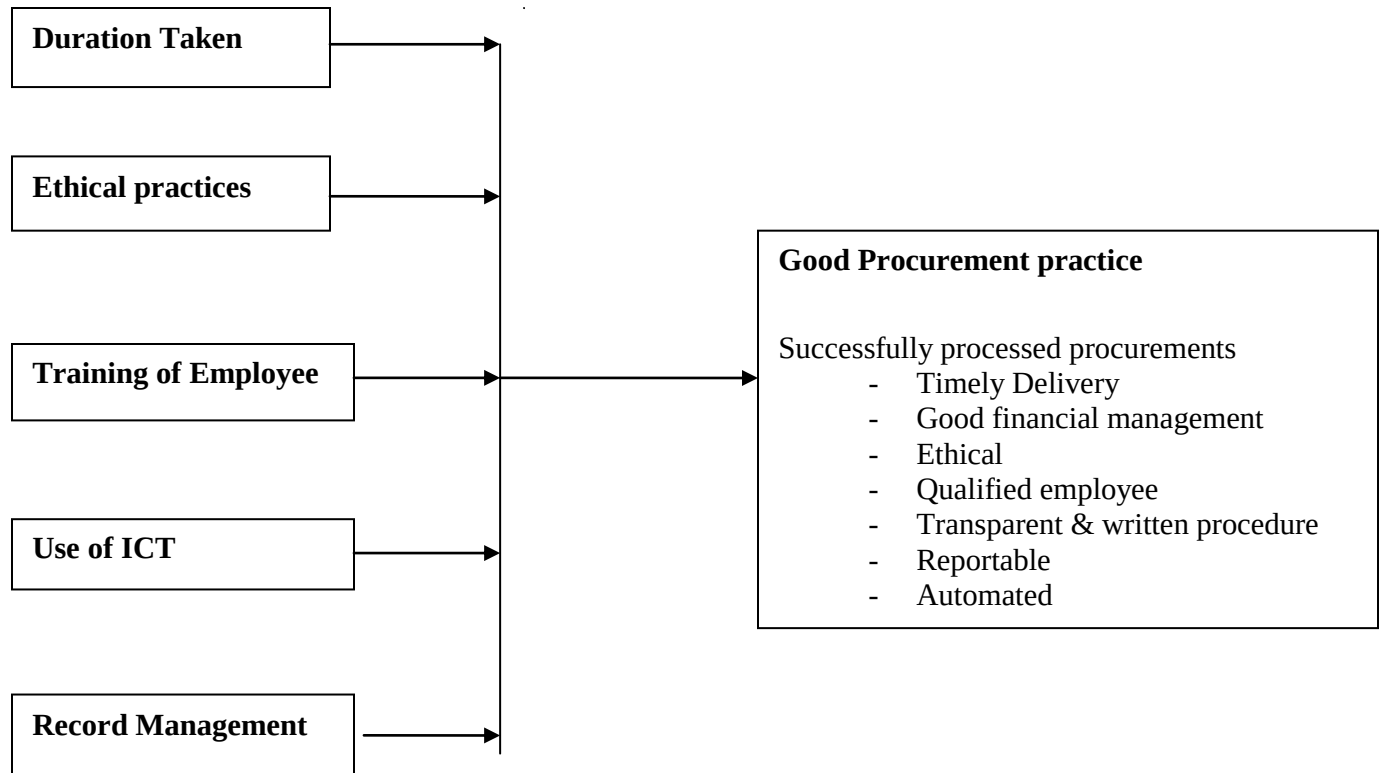


Figure 1. Conceptualization

Source: (Ayoti 2012)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. It describes the research design, the target population and sampling methods and sample size, data collection tools, validity and reliability, pilot study, data collection tools, ethical consideration and data analysis method.

3.2 Study Area Description

The study was carried out at central head office of PFSA which is located in the capital of Ethiopia, Addis Ababa. Ethiopia is a democratic federation of nine states, governed by a bicameral legislature with 656 representatives combined a Prime Minister and a President.

Ethiopia is among the fastest growing economies in the world and has maintained an average GDP growth rate of 11percent in the last ten years. In 2012/13 fiscal year the economy grew by 9.7 percent, which is higher than the sub-Saharan Africa's average GDP growth rate of 4 percent. Agriculture continues to be the backbone of the Ethiopian economy contributing 42.9 percent to GDP, and accounting for about 80 percent of employment and 70 percent of export earnings in 2012/13. The services sector has also been expanding, buoyed by an expansion in wholesale and retail trade (34.4 percent); transport and communications (17.1 percent); and hotels and tourism (15.4 percent) (Haymero 2015).

The PFSA, an agency under the FMoH replaced PHARMID in late 2007 by proclamation № 553/2007. PFSA is the leading organization for managing the health care supply chain of the country, has been working to ensure the availability, accessibility, and affordability of essential medicines with appropriate quality, safety, and efficacy. The agency is organized in to 6 directorates, out of which 3 are in charge of medicines supply chain management: forecasting and capacity building, storage and distribution and procurement. The procurement capacity of the agency was increased by over tenfold from 624 million birr to 6.7 billion birr within 5 years from 2000 to 2005 EFY. The local procurement of the agency was increased from 550 million birr to 790 million birr within 3 years (2003-2005 EFY). The increased capacity was attributed to the role of the agency to procure and distribute pharmaceuticals and retain service charge from RDF (Revolving Drug Fund). Central hub at PFSA distributes to eleven hubs in the country,

including one in Addis Ababa, Adama, Desse, Gonder, Mekele, Nekemet, Bahirdar, Diredawa, Hawasa, Jimma and Negelle Borena with recent expansions to Arbaminch, Gambella, Assosa, Shire and Semera (Haymero 2015).

3.3 Research design

Descriptive research design was used through quantitative data collection method. Descriptive research design was appropriate as it enabled the researcher to generalize the findings to a large population. The study utilized quantitative approaches in the collection of data. According to Kothari (2009), the approach enables data to be systematically collected and analyzed in order to provide a descriptive account of the variables under study. The target populations in this study were 70 PFSA procurement staff and 30 customers across the country. Perception of employees to factors influencing good procurement process was measured by a 5-point scale while the statements in the view of the same were on a Likert scale. In the 5-point scale 1, 2, 3, 4 and 5 represent strongly disagree, disagree, neutral, agree, and strongly agree respectively.

3.4 Study population

The study population was a total of 100, of which 70 were internal employees who involved in the procurement process and 30 customers who came to PFSA during the period of data collection.

3.5 Sampling Design and Sample Size

The research used a census sampling method because it enabled representation of each team under study, that is, Pharmaceuticals procurement team, Laboratory reagents and chemicals procurement team, Medical equipments and supplies procurement team and Transit and procurement follow up team and fund management team allows generalization of a larger population with a margin of error that is statistically determinable (Mugenda & Mugenda, 2003).

Inclusion, all employees directly or indirectly involved in the procurement practices who work at least 1 year before the data collection time.

Exclusion, employees that do not involved directly or indirectly in the procurement practices and workers who have less than 1 year experience in the area at the time of data collection.

Census (100%) of staffs under study was selected from each procurement team. 70 internal employees was used and 30 external customers used for the balanced assessment of factors influencing the procurement practice. The following table shows teams to be interviewed and number to be interviewed.

Table 1: Description of the study population

PFSA Procurement Team	PFSA internal employees	Customers	Total
Forecasting and capacity building directorate	12	0	12
Pharmaceuticals procurement	10	0	10
Laboratory reagents and chemicals procurement	8	0	8
Medical equipments and supplies procurement	5	0	5
Transit and procurement follow up	10	0	10
Fund management	14	0	14
Storage and distribution	11	0	11
External customers	0	30	30
Sub Total	70	30	100
Grand Total	70	30	100

3.6 Data Collection Instruments

A structured questionnaire adopted from (Ayoti 2012) and was used to collect quantitative data (see Annexes). The questionnaire was self administered to respondents. This method was considered because it is effective to the study in that; it created confidentiality and the presence of the researcher was not required as were self-administered.

3.7 Validity and Reliability of Research Instruments

According to (Mugenda and Mugenda, 2003) validity is the accuracy and meaningfulness of inferences, which is based on the research results. It is a degree to which results obtained from the analysis of the data actually represents the phenomenon under study. The questionnaire was also subjected to scrutiny by researcher's supervisor and other research experts' for validation purposes.

Reliability refers to the consistency of a measure, the ability of the instrument used in research to consistently measure the characteristics of interest over time (Ahmed *et al*, 1994). According to Mugenda and Mugenda, (2003) reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. To ensure reliability of the instrument, a pilot study will be carried out. The reliability of the instrument was estimated using Cronbach's Alpha Coefficient which is a measure of internal coefficient. A reliability of at least 0.70 at $\alpha=0.05$ significance level of confidence was accepted.

3.8 Data Analysis

The collected data was entered into a computer, and the data analysis was done using Statistic Package for Social Sciences (SPSS version 20) in computer to give all correct detailed analysis. The results are displayed with tables, percentages and narrations in the next chapter.

3.9 Ethical Issues

The researcher disclosed to the respondents that the study is purely meant to satisfy an academic requirement and not for any other reason. Respondents did not write their names in the questionnaires and confidentiality was observed. The information was analyzed and used for the purpose of the study only.

CHAPTER FOUR: RESULT AND DISCUSSION

4.1 Introduction

This chapter presents and discusses findings deduced from the questionnaires with regard to the stated research objectives and questions. The data collected using questionnaires was analyzed using the Statistical Package for Social Sciences (SPSS version 20) and presented by the use of frequency tables and percentages.

4.2 Questionnaire Response Rate

The research targeted censuses of 100 respondents (70 PFSA internal staff and 30 external customers) were involved in procurement process. All the questionnaires were dully completed and returned. This marked a response rate of 100% which was significant to provide reliable findings for this study. This high response was achieved as the researcher self administered the questionnaires with the help of the research assistants on a drop and collect later basis.

4.3 Demographics Characteristics of the Respondents

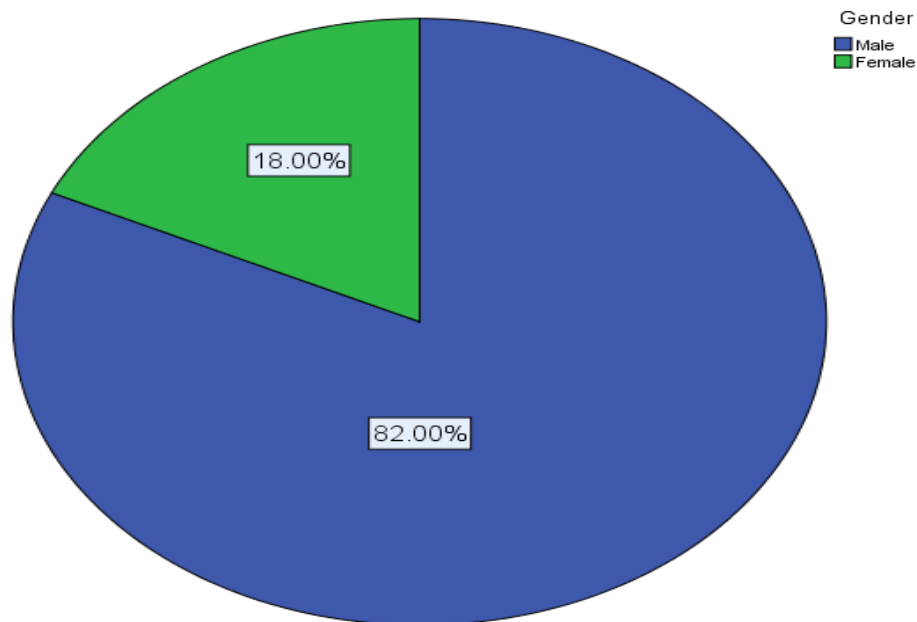


Figure 2: Gender

Despite the facts that the overall respondents gender characteristics was 82(82%) male and 18(18%) female, the researcher want to focus on the 70 respondents of PFSA internal staff of them the majority was male that is 60% and the rest 10% was female. The researchers knowingly tried to not take up the gender status of PFSA external customers, because such deviation with the procurement system does not provide significant impact on the research output and value.

From the data table figure 2 above, female gender is less as compared to the male gender.

4.3.2 Ages of Respondents

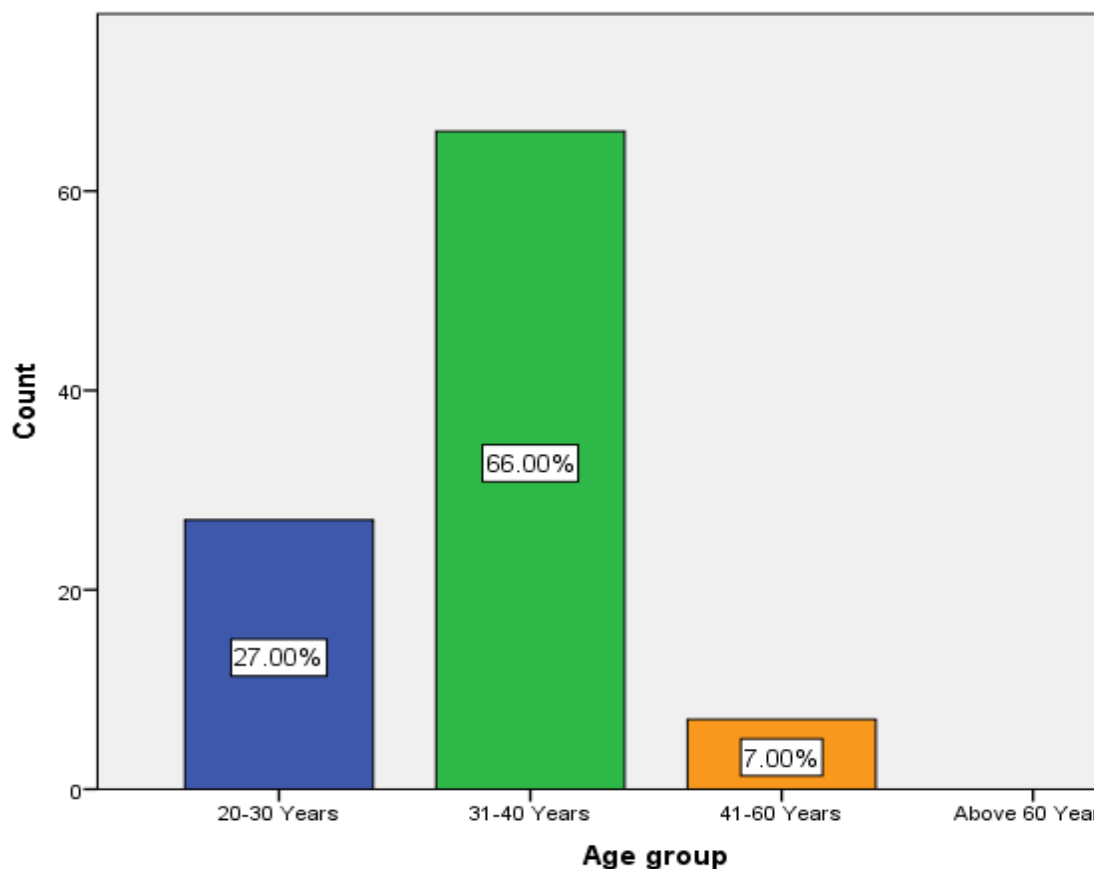


Figure 3: Age

Figure 3 shows that 27% of the respondents were aged between 20 and 30 years, 66% were aged between 31 and 40 years and 7% were aged between 41-60 years. This indicates majority of officers were aged 31-40 years.

4.3.3 Level of Education of respondents

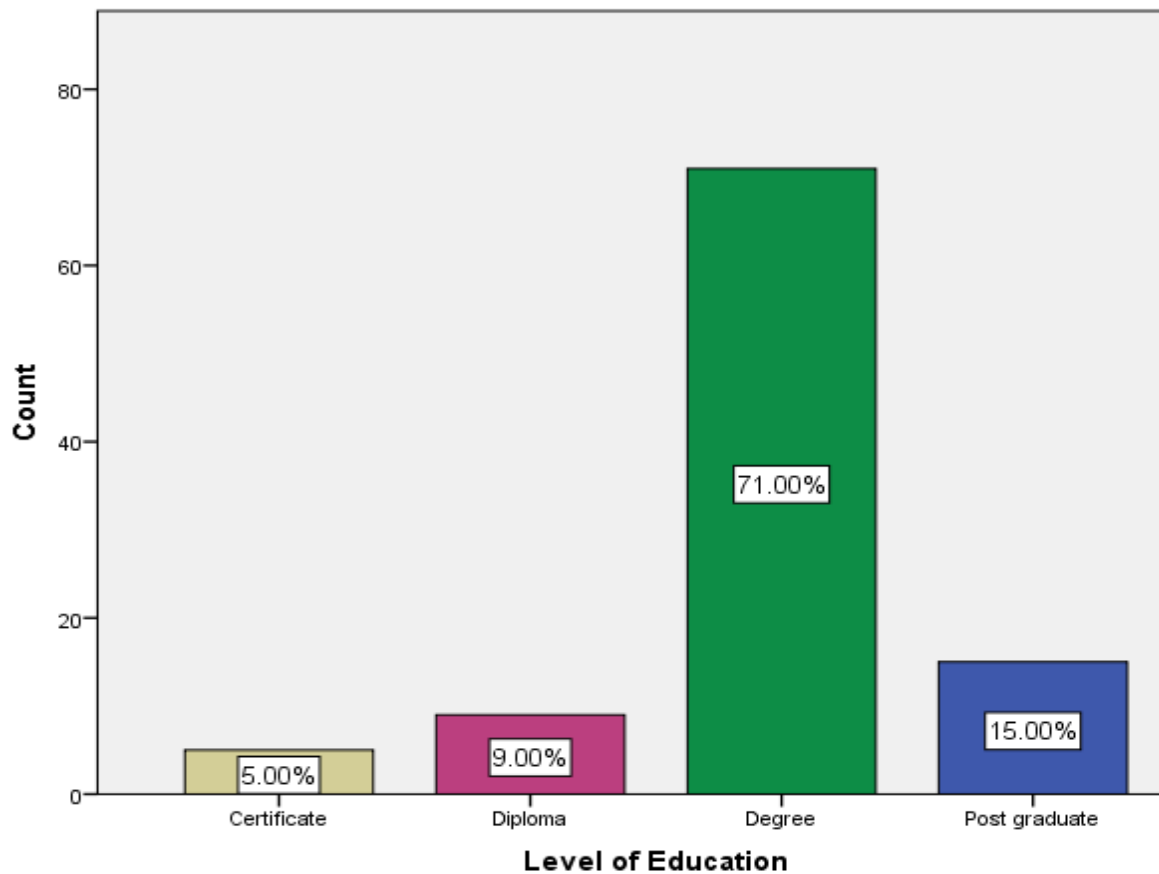


Figure 4: Education

Figure 4 shows that a majority of respondents 71 (71%) of those involved in procurement in the agency were degree holders, (9%) were diploma holders, 5% were certificate holders while 15% of the members were post graduates holders. This reflects better ability to make quality procurement practices since members should fully understand the procurement process.

4.3.4 Title position in PFSA

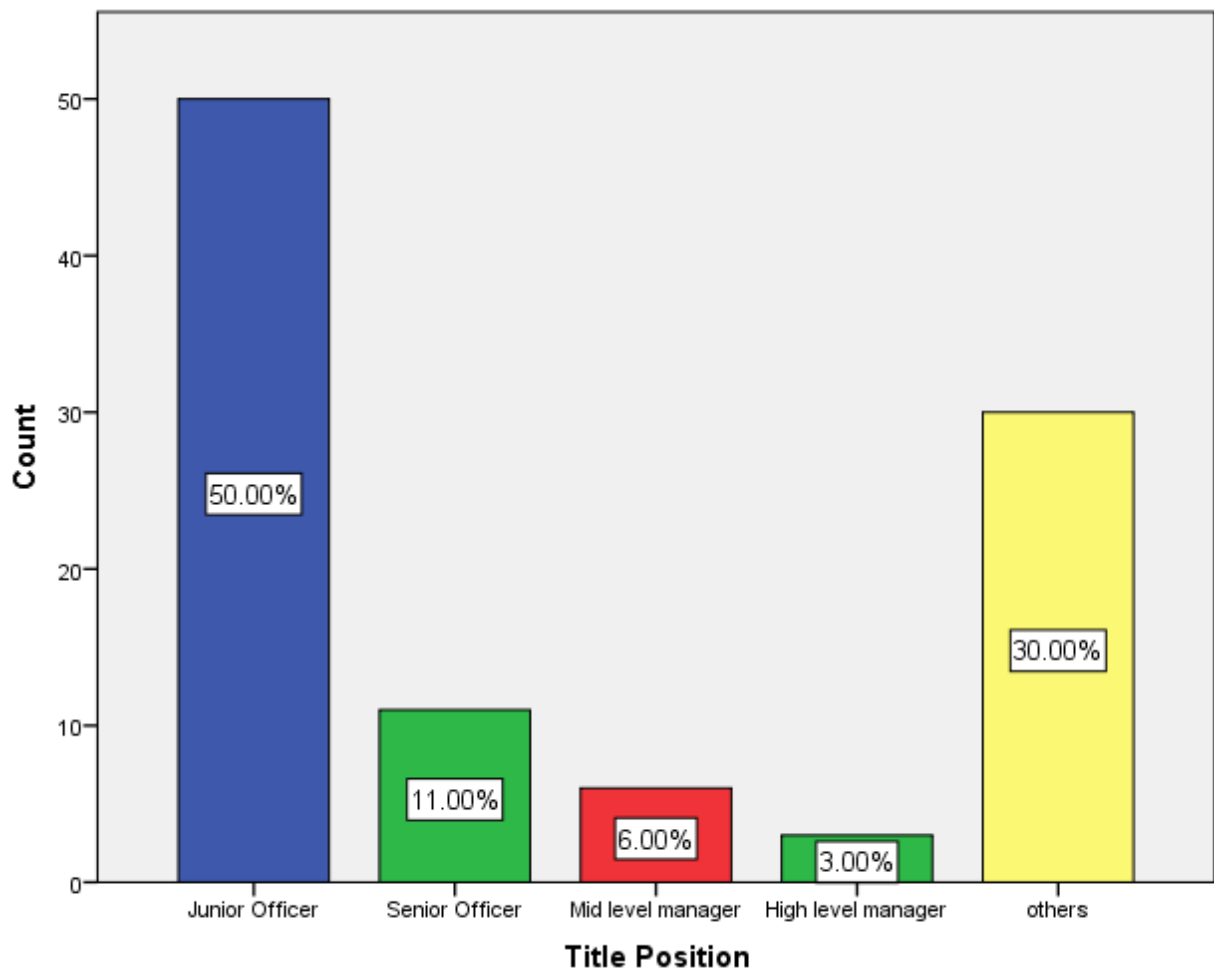


Figure 5: Position

Figure 5 shows that a majority 50(50%) of those involved in procurement in the agency were Junior Officer, 11(11%) were senior officers, 6(6%) were mid level managers, 30(30%) were others i.e. external customers while 3% high level managers.

4.3.5 Years of service in PFSA

Table 2: Experience of respondents in PFSA, 2017

Total years of service at PFSA		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	52	74.0	74.0	74
	6-10 years	13	18.5.0	18.0	92
	11-20 years	5	8.0	8.0	100
	Total	70	100.0	100.0	

Table 2 shows that 52% of the respondents were between 1-5 years of service, 13% were between 6-10 years of service and 5% were between 11-20 years of service. This means that majority of the respondents were between 1-5 years of service.

The researchers knowingly tried to not take up the service year of external customers, because such deviation does not provide significant impact on the research output and value.

This finding aligned with Daid (2015) that year of experience enable employees to provide more accurate information on procurement processes in a Public Health facility.

4.3.6 Respondents Category

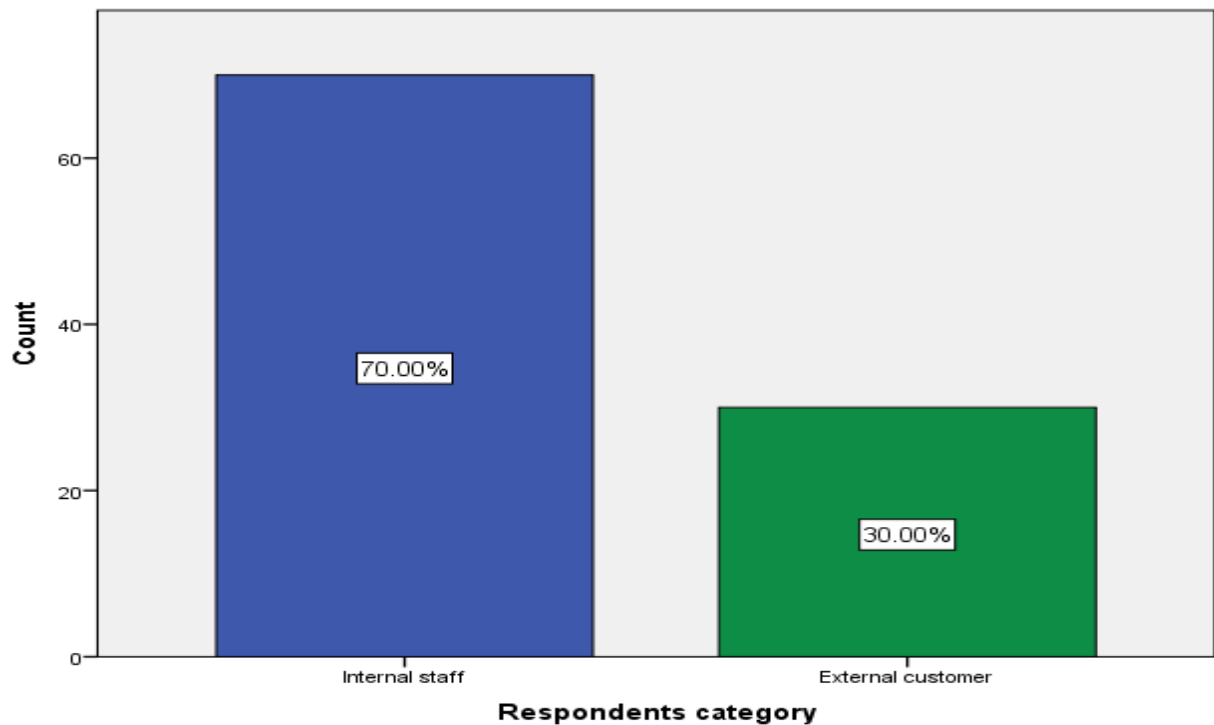


Figure 6: Respondents category

Figure 6: shows that 70% of the respondents were PFSA's internal staff who directly or indirectly involved in the procurement process while the 30% were PFSA's external customers who participate in tendering process and came to purchase different pharmaceuticals during the data collection period. The reason why external customers were added in this study was because the researcher wants to balance perception of respondents to the variables in the agency.

4.4 Ranking main Factor variables based on means (High mean indicates high Impact)

Table 3: Main factors influencing procurement practice in PFSA, 2017

Impact of ordered factor variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Rank
procurement is influenced by duration taken	0	0	0	2(2%)	98(98%)	1 st
procurement is influenced by ICT usage	0	0	0	5(5%)	95(95%)	2 nd
procurement is influenced by training of staff	0	0	0	6(6%)	94(94%)	3 rd
procurement is influenced by record management	0	0	0	9(9%)	91(91%)	4 th
procurement is influenced by unethical practices	0	0	0	11(11%)	89(89%)	5 th

Table 4: Range, mean and SD of factors influencing procurement practice in PFSA, 2017

Perception of employees to selected factors	N	Minimum	Maximum	Mean	Std. Deviation	Variance
procurement is influenced by duration taken	100	4	5	4.98	.141	.020
procurement is influenced by unethical practice	100	4	5	4.89	.314	.099
procurement is influenced by ICT usage	100	4	5	4.95	.219	.048
procurement is influenced by record management	100	4	5	4.91	.288	.083
procurement is influenced by training of staff	100	4	5	4.94	.239	.057
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

As indicated table 3 and 4 above respondents rate the impact of duration taken in procurement process 1st with a mean value of 4.98(98%), ICT usage in procurement ranked 2nd with a mean value of 4.95(95%), lack of employee training (skill and experience) 3rd with a mean value of 4.94(94%), record management in procurement with a mean value of 4.91(91%) and lastly procurement is influenced by unethical practices with a mean value of 4.89(89%).

This finding was consistent with (Ayoti 2012), that majority of respondents agree duration taken, Ethical practices, training of employees, record management and ICT use influence procurement practice in central region in Nyeri County.

4.5 Perception of respondents on reasons for lengthy procurement

Table 5: Main reasons for lengthy procurement process in PFSA, 2017

Lengthy procurement duration taken variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Lack of procurement follow-up mechanism	1(1%)	3(3%)	0	8(8%)	88(88%)
Multi party involvement during the procurement process	0	2(2%)	0	15(15%)	83(83%)
Work load on procurement personnel	0	8(8%)	0	13(13%)	79(79%)
Incomplete documentation of suppliers	0	1(1%)	0	14(14%)	85(85%)
Poor decision making of committees during the procurement evaluation	0	2(2%)	0	5(5%)	93(93%)

Table 6: Range, mean and SD of main reason for lengthy procurement process

Reasons for lengthy procurement process	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Lack of procurement follow-up mechanism	100	1	5	4.79	.686	.471
Multi party involvement during the procurement process	100	2	5	4.79	.537	.289
Work load on procurement personnel	100	2	5	4.63	.849	.720
Incomplete documentation of suppliers	100	2	5	4.83	.451	.203
Poor decision making of committees during the procurement evaluation	100	2	5	4.89	.469	.220
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

From the result obtained above the average mean score for lack of procurement follow up mechanism 4.79(88%), for multi party involvement during the procurement process 4.79(83%), for work load on procurement personnel 4.63(79%), for incomplete documentation of suppliers 4.83(85%) and for poor decision making of committees during the procurement evaluation is 4.89(93%) and on aggregate 88% of the respondents were strongly agree that the above factors were the main reason for lengthy procurement practice at PFSA.

These findings were in lined with Tewodros (2007), the main reason for lengthy procurement, 28% blamed for lengthy procurement process, and 3% blamed for workload onto procurement staff as likely causes.

The finding is also aligned with Selamawit (2014) that the reasons for lengthy procurement 16.7% blame by work load on procurement personnel and 11.7% blame by supplier related problems.

Moreover, the finding is in agreement with Banchamlak (2014), 34% of respondents reasoned out that the major factors for procurement delay is due to suppliers related problems & only 3% is due to workload onto procurement experts.

Therefore, the research identified majority of the respondents' believed that the procurement process has long timing via both internal and external factors. This result showed that majority of the respondents believed that the above reasons for lengthy procurement process is well taken as influencing factors to good procurement practices in the agency.

4.6 Unethical practices in procurement process

Table 7: Unethical practice in procurement process in PFSA, 2017

Unethical practice variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is favoutism	87(87%)	8(8%)	0	3(3%)	2(2%)
There is a case of tribalism	81(81%)	10(10%)	0	6(6%)	3(3%)
Political interference affects the procurement	76(76%)	13(13%)	0	8(8%)	3(3%)
The procurement process is not free and fair	86(86%)	7(7%)	0	4(4%)	3(3%)

Table 8: Range, mean and SD of Unethical practice in PFSA, 2017

Unethical practices variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
There is favoutism	100	1	5	1.25	.783	.614
There is a case of tribalism	100	1	5	1.40	.985	.970
Political interference affects the procurement	100	1	5	1.49	1.049	1.101
The procurement process is not free and fair	100	1	5	1.31	.907	.822
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

4.6.1 Customers perception to unethical practice

Table 9 customer perception to unethical practice in PFSA, 2017

Record Management variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is favoutism	25(83%)	2(6%)	0	2(6%)	1(3%)
There is a case of tribalism	26(86%)	2(6%)	0	1(3%)	1(3%)
Political interference affects the procurement	26(86%)	2(6%)	0	2(6%)	0
The procurement process is not free and fair	27(90%)	1(3%)	0	2(6%)	0

From the result table 8 above respondents asked whether there is favoutism, there is a case of tribalism, there is political interference and the procurement process is not free and fair and respondents answered 1.25, 1.40, 1.49 and 1.31 average mean score respectively and this indicates that each unethical practice variables chosen were very far below the average point 2.5 where majority of respondents believed that there is no unethical procurement practice at PFSA.

The researcher tried to compare the perception of external customers against internal PFSA staffs but there is no significant difference between them. These findings were in lined with findings of Ayoti, (2015), in his study about 68% of respondents felt unethical practices is very low in procurement process at Central Region Nyeri County.

4.7 Employee skills, qualifications or competencies and good procurement practice

Table 10 Employee skills in PFSA, 2017

Employee skill variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
PFSA staff attend regular training	93(93%)	7(7%)	0	0	0
PFSA staff have good work experiences	84(84%)	14(14%)	2(2%)	0	0
PFSA staffs have recognized professional procurement qualifications or competencies	81(81%)	13(13%)	6(6%)	0	0
PFSA staff have relevant education background on procurement	89(89%)	7(7%)	4(4%)	0	0

Table 11: Range, mean and SD of Employee skill in PFSA, 2017

Employee skill variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
staffs attend regular training	100	1	2	1.07	.256	.066
staffs have good work experience	100	1	4	1.20	.532	.283
staffs have recognized professional procurement qualifications or competencies	100	1	4	1.31	.761	.580
staffs have the relevant educational background	100	1	4	1.19	.631	.398
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

From the result table 10 and 11 above respondents answered for the questions asked whether PFSA staff attend regular training, have good work experiences, have recognized professional procurement qualifications or competencies and have relevant education background on procurement practices and their average mean score is 1.07(93%), 1.20(84%), 1.31(81%) and 1.19(89%) respectively.

So, from the result above one can easily say that the majority of the respondents believed skills and experiences of PFSA employees handling procurement activity are not satisfactory. For efficiency and effective service delivery all staff involved in procurement process from various functions should be trained.

Moreover, competent staffs are also effective, efficient and provide solutions to procurement problems while incompetent staff would be ineffective and inefficient.

Finally, majority of respondents indicated that good procurement process can only be achieved by skillful, qualified and competent staffs.

This finding was in lined with Yonas (2014), 47.72% of respondents rate the qualification of procurement staff and was below 5 out of ten. Thus, it is possible to understand from the above statement that almost half of the respondents rate the department's staff qualification below 50%.

4.8 Use of ICT in procurement

Table 12: Use of ICT for efficient procurement process in PFSA, 2017

Use of ICT variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
ICT contribute to facilitate procurement process	8(8%)	6(6%)	0	8(8%)	78(78%)
PFSA staffs have the basic IT skills	66(66%)	15(15%)	0	13(13%)	6(6%)
PFSA is organized with strong IT system	76(76%)	7(7%)	0	13(13%)	4(4%)

Table 13: Range, Mean and Standard of ICT use in procurement process in PFSA, 2017

Use of ICT variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
IT can contribute to facilitate procurement process	100	1	5	4.42	1.257	1.579
staffs have the basic IT skills	100	1	5	1.78	1.299	1.688
PFSA is organized with strong IT system	100	1	5	1.62	1.229	1.511
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

The study results above revealed that 78(78%) of the respondents strongly agree that IT can contributed to facilitate procurement process, 66(66%) of the respondents strongly disagree that the staff of PFSA did have the basic IT skills and 76(76%) of the respondents strongly disagree that PFSA is organized with strong IT system. This indicates that majority of the respondents believed the information technology utilization in both the agency and the staff is very weak.

This finding is consistent with Aberdeen (2005), which stated that today's organizations cannot compete and achieve their goals without the use of information technology. Therefore,

Procurement professionals should identify and implement technology that support the procurement process and enhance the overall strategy of the organization.

The technology should create measureable results (linked to Return on Investment) including, reduced transaction costs, improved process efficiency, increased contract compliance, improved transparency, reduced cycle times and improved inventory costs. Technology can also increase supplier access to bid opportunities which can result in increased competition, diversity and inclusion of suppliers. Moreover, according to the research conducted by Hagen, & Zeed it is concluded that government officials have increasingly come to realize that public agencies must utilize ICT in order to enhance the procurement processes in the public sector. Faced with tight budgets and a retiring workforce, today's government agencies are operating in an environment defined by the need to 'do more with less'. Public authorities are expected to provide excellent service to their constituents in an effective and transparent manner, all the while working under constant resource constraints by adopting ICT (Hagen and Zeed, 2005).

In addition, majority of the respondents believed that technology highly affects the procurement process and this finding is in agreement with those of Rankin *et al.*, (2006) who indicated that usage of ICT in procurement process would influence the good procurement practices.

The finding is also in agreement with other authors who found technology to have positive effect on the procurement process of organizations. For instance, Daud *et al.*, (2013) revealed that applications of e-procurement such as e-bidding, e-tendering, e-monitoring and many more can help contractors to improve and enhances their business performance. The study encouraged firms to use the e-procurement in order to improve their business performance.

So, from the perception of the respondents, one can easily say that public institutions specifically PFSA procurement department was making little use of Information communication technology in their Public procurement function. So, the agency should focus on how employees at procurement unit get skill of information technology and apply to their specific job.

4.9 Record Management in procurement practice

Table 14 Record keeping in procurement process in PFSA, 2017

Record Management variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The recordkeeping system is accurate and complete	63(63%)	14(14%)	0	15(15%)	8(8%)
Documents are recorded and stored safe, traceable and clean	77(77%)	12(12%)	0	7(7%)	4(4%)
Records storage areas secure against unauthorized access	79(79%)	11(11%)	0	6(6%)	4(4%)
There is a proper record disposal procedures	83(83%)	8(8%)	0	6(6%)	3(3%)

Table 15: Range, Mean and Standard of record keeping in PFSA, 2017

Record management variables	N	Minimum	Maximum	Mean	Std. Deviation	Variance
The recordkeeping system is accurate and complete	100	1	5	1.91	1.401	1.962
Documents are recorded and stored safe, traceable and clean	100	1	5	1.49	1.078	1.162
Records storage areas secure against unauthorized access	100	1	5	1.45	1.048	1.098
There is a proper record disposal procedures	100	1	5	1.38	.982	.965
Valid N (list wise)	100					

1=Strongly Disagree, 2= Disagree 3 =Neutral, 4= Agree and 5=Strongly Agree

From the result table 14 and 15 above respondents asked whether PFSA's recordkeeping system is accurate and complete, documents are recorded and stored safe, traceable and clean, records storage areas secure against unauthorized access and there is a proper record disposal procedures and respondents answered strongly disagree 1.91(63%), 1.49(77%), 1.45(79%) and 1.38(83%) respectively.

As per the opinion of majority of the respondents, record management in the organization was not accurate and complete; and for that the procurement documents are not easily accessible and not well managed.

The findings are in lined with Bailey *et al.*, (2008) who considered procurement records to be the most important records of an organization throughout the records life-cycle, which includes from the time such records are conceived through to their eventual disposal.

This finding tends to disagree with Ayoti (2012) that s/he stated developing countries have minimal record management problems; for this the finding reveals that, record management is good in KeRRA, KeNHA and KURA with 31% of the respondents' rating accuracy and completeness of the record in the organization as very accurate and complete and 69% moderately accurate and complete.

These findings are not also consistent with the Public procurement regulations in both Ethiopia and Kenya which states that records should be kept and maintained in procurement process. Procuring entities are required to keep records for each entity for at least six years after the resulting contract was entered into.

This indicates that majority of the respondents believed PFSA's record keeping system is poorly managed which is a very important component of good procurement practices.

CHAPTER FIVE

SUMMARY, IMPLICATIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Findings

Procurement function plays a key support role in the operations of public health supply chain management. The main purpose of the study was to assess factors influencing good pharmaceuticals procurement practices at pharmaceuticals fund and supply agency of Ethiopia. The study was conducted through descriptive design with a census target population of 100 respondents at PFSA who directly or indirectly involved in the pharmaceuticals procurement process.

Five variables, Lengthy Duration taken (Mean= 4.98), unethical practices (Mean= 4.89), employee skills (Mean= 4.94), use of ICT (Mean= 4.95) and Record management (Mean= 4.91) were found factors influencing good pharmaceuticals procurement practice in PFSA. The most important factors ranked by respondents were Lengthy Duration taken, use of ICT, employee skills, Record management followed by unethical practices.

The study also found out that, procurement function was not well managed and all selected variables significantly influence the good procurement practices. Favoritism, tribalism, politics prevalence were very low and do not significantly influence the procurement practice in the agency.

Record management was also found to be not well managed and also the majority of staffs believed there is no regular training schedule.

In terms of availability computers, most of the departments had and were used in stages of the procurement process however; the technical experts should be well trained on IT. Uses of ICT significantly influence the good procurement practice in the agency.

5.2 Implication of the Study

The results of this study have some managerial implication for PFSA and FMOH at large and to procurement office in particular. The study has found the entire five variables were the most important factors influencing good procurement activities in the agency. Thus managers at different level need to work on these factors to mitigate their effect and eventually to improve work performance of the procurement unit. Then other factors need to be tackled once the five main factors given due attention at first hand.

5.3 Conclusion

- The study concludes that duration taken is the first important factor that influence good pharmaceuticals procurement practices in PFSA.
- ICT usage is the second important factor that influence good pharmaceuticals procurement practices in PFSA
- Training is the third important factor that influence good pharmaceuticals procurement practices in PFSA
- Record management is the fourth important factor that influence good pharmaceuticals procurement practices in PFSA
- Unethical practice is the least important factor that thought to influence good pharmaceuticals procurement practices in the study.
- Staff experience, qualification, educational background and competencies at procurement unit is not satisfactory
- The study identified that majority of the respondents believed that IT is a very important component to facilitate procurement process and there is a gap in basic IT skills among the staffs
- The study researcher sought to examine the procurement follow up mechanism. The result of this study identified that there is a fragmented and poor way of procurement follow up mechanisms. So, absence of procurement follows up mechanism result in delay in delivery of items and further wastage of resources.
- The major reasons for lengthy procurement process in PFSA is due to poor procurement follow up mechanism, multi party involvement in the procurement decisions, work over

load to technical experts, suppliers related problems and poor decision making of committees.

- Majority of the respondents believed the data management is not accurate, systematic and well organized.
- Less overall support from top managements to the procurement technical experts especially the evaluation and endorsal committee.
- The study result reveled that majority of respondents strongly agree that is no ethical problems and the procurement process is free and fair.

5.4 Recommendations

Based on the findings, the following recommendations are forwarded by the researcher:-

- PFSA managers should be able to find out how exactly is an expert performing against the approved procurement plan to ensure successful implementation of their organizational plan and to achieve their organizational goals and objectives.
- Awareness creation forum should be prepared and at the same time, Short term training with regard to as to how to plan and execute procurement activities should be organized.
- The study identified that PFSA use of information communication technology in procurement function is not satisfactory. Therefore, the study recommends that PFSA should automate their systems and equip their technical experts on the basic IT skills.
- Regarding employee qualification and competency, the result of the study showed that there is a shortage of qualified and experienced employee with a background of procurement. The top management should support employees have career aspiration on procurement and develop retention mechanism of existing qualified employee or attract qualified employees from outside.
- All the employees involved in procurement process should advance their level of education especially on procurement and supply chain management
- The agency should improve remuneration of all staff involved in procurement process since they handle large sums of tenders of very high value to avoid being corrupt
- The agency should train all the procurement staff and persons involved in the tendering process in order to provide them with skills and knowledge of procurement process. They

should be allowed to attend both local and international workshops, seminars and conferences specific to procurement process handling and execution.

- The agency should update the data base of supplier and possibly arrange a short brief on requirements and criteria for tender participation annually or bi annually.
- The agency should improve the data management process and should develop record data disposal scheme.
- The study recommends that the agency should improve the tender approval and decision making process.
- Should encourage further studies to be conducted in the area specifically on the causes and consequences of procurement inefficiencies in procurement procedures

5.5 Suggestions for further research

- (i) Investigate the association, and impact of the studied variables in the procurement process and how it affects the agency
- (ii) A similar study may also be carried out in other counties to establish whether the findings are similar as those generalized in this study
- (iii) Investigate on other factors that influence good pharmaceuticals practice in PFSA.

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APPENDIX 1

INTRODUCTION LETTER

SOLOMON BERTHIE
ADDIS ABABA

TO.....

Dear Sir/Madam,

RE: ACADEMIC RESEARCH.

I am a student at the Addis Ababa University School of Commerce Post Graduate Distance Learning Program Department Of Logistics And Supply Chain Management. I am conducting an academic research on Assessment of employees' perception to factors influencing good pharmaceuticals procurement practice in PFSA Ethiopia.

I kindly request you for your assistance in responding honestly to the interview questions and to all the items in the questionnaire. All information given will be treated confidential and will be used only for the intended research Purpose.

Looking forward for your co-operation.

Thanks in advance.

Solomon Berhie
Cell phone: 0912701889

APPENDIX 2.

QUESTIONNAIRE FOR RESPONDENTS

My name is Solomon Berhie, I am a student at Addis Ababa university school of commerce post graduate learning program department of logistics and supply chain management. I am carrying out an academic research on the ‘ASSESSMENT OF EMPLOYEES’ PERCEPTION TO FACTORS INFLUENCING GOOD PHARMACEUTICALS PROCUREMENT PRACTICE IN PFSA ETHIOPIA. I am therefore requesting you to feel free in giving your answers and all will be considered right. The information provided through this questionnaire will be treated with top most confidentiality and results will be used to make recommendations which will help the PFSA at large. Please tick in the space provided and you need not to write the respondent’s name. Please be honest in all responses. Your co-operation and assistance will be highly appreciated.

PART ONE

SECTION 1: BACKGROUND INFORMATION

1. a. Gender

Male	Female

b. Marital status:

Married	Single	Divorced

2. Check your appropriate age group.

- A. 20-30 years of age ()
- B. 31-40 years of age ()
- C. 41-60 years of age ()
- D. above 60 years of age ()
- E. Not PFSA Staff ()

3. The Current level of education:

- A. Certificate ☐
- B. Diploma ☐
- C. Degree ☐
- D. Post graduates ☐
- E. Not PFSA staff ☐

4. What is your job role/title position?

- A. junior officer ☐
- B. senior officer ☐
- C. mid level manger ☐
- D. high level manger ☐
- E. Not PFSA staff ☐

5. Your total years of service in PFSA?

- A. 1-5 Years ☐
- B. 6-10 Years ☐
- C. 11-20 Years ☐
- D. Beyond 21 years ☐
- E. Not PFSA staff ☐

SECTION II MAIN RESEARCH QUESTIONS

6. Respondent's category?

Internal Staff	External customer

Please rate the influencing factors to the procurement practice at PFSA? (Make X)

s/n	Good procurement practice elements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6.1	procurement is influenced by duration taken					
6.2	Procurement is influenced by ICT usage					
6.3	procurement is influenced by record management					
6.4	Procurement is influenced by unethical practices					
6.5	Procurement is influenced by training of staffs					

7. DURATION TAKEN

Please rate the reasons for lengthy procurement practice at PFSA? (Make X)

s/n	Items related to procurement duration	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
7.1	Lack of procurement follow-up mechanism					
7.2	Multi party involvement during the procurement process					
7.3	Work load on procurement personnel					
7.4	Incomplete documentation of suppliers					
7.5	Lengthy decision making of committees during the procurement evaluation					

8. UNETHICAL PRACTICES

Please rate the unethical practice at PFSA? (Make X)

s/n	Items related to employee unethical practices	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
8.1	There is favoutism (unfair support shown to one person or group) in procurement process?					
8.2	There is a case of tribalism (very strong loyalty to a tribe) in procurement process?					
8.3	Political interference affects the procurement process?					
8.4	The procurement process is not free and fair					

9. EMPLOYEE SKILLS

Please rate the employee skill at PFSA? (Make X)

s/n	Items related to Employee Competency	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
9.1	Procurement staffs attend regular training schedule related procurement					
9.2	Procurement staffs have good work experience					
9.3	Procurement staffs have recognized professional procurement qualifications or competencies					
9.4	Procurement staffs have the relevant educational background related to Procurement					

10. USE OF ICT

Please rate the use of ICT in PFSA procurement process? (Make X)

s/n	Items related to use of ICT	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
10.1	Use of IT can contribute to facilitate procurement process					
10.2	Procurement staffs have the basic IT skills to facilitate procurement activities					
10.3	PFSA is organized with strong IT system to support the good procurement practice					

11. RECORD MANAGEMENT

Please rate the record management practice in PFSA procurement process? (Make X)

s/n	Items related to Record Management	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
11.1	The recordkeeping system is accurate and complete					
11.2	Documents are recorded and stored safe, traceable and clean					
11.3	Records storage areas secure against unauthorized access					
11.4	There is a proper record disposal procedures					

Thank very much for your time.