



**ASSESSMENT OF PUBLIC PROCUREMENT PERFORMANCE
AND CHALLENGES: THE CASE OF FDRE PUBLIC
PROCUREMENT SERVICE**

By

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DECLARATION

I, Elias Walelign Woldu, declare this thesis titled ‘Assessment of Public Procurement Performance and Challenges: The Case of FDRE Public Procurement Service’ is an original work of mine and has not been previously presented by other student for an award of degree in any university, and sources of material used in the thesis have been properly acknowledged.

Elias Walelign

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APPROVAL

This is to certify the research titled ‘Assessment of Public Procurement Performance and Challenges: The Case of FDRE Public Procurement Service’ has been conducted and submitted by Elias Walelign for the fulfilment of requirements for the award of master of degree in Logistics and Supplies Chain Management at Addis Ababa University, School of Commerce with my approval as an advisor.

Matiwos Ensermu (PhD)

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LIST OF ABBREVIATIONS

E.C	Ethiopian Calendar
FDRE	Federal Democratic Republic of Ethiopia
FPPAA	Federal Public Procurement and Property Administration Agency
MOF	Ministry of Finance
PPS	Public Procurement Service

ABSTRACT

Public procurement is the process of acquiring goods and services by a public organization and has remained a key tool to help public institutions acquire strategic goods and services required for the normal functioning of the organizations. The Ethiopian government has established Public Procurement Service to provide excellent public procurement service to public bodies ensuring the achievement of value for money, accountability objectives, and effective use of public funds. This research, therefore aimed to assess the existing public procurement practice and to identify procurement challenges and their causes responsible for public procurement ineffectiveness in the case of the FDRE Public Procurement Service. To achieve the research's objective, descriptive research design with mixed method of research approach was used by the researcher. Questionnaire survey and semi-structured interviews were used to collect primary data for the research, and secondary data was gathered through document reviews. The study revealed Ineffectiveness in all procurement procedures coupled with lack of cooperation among procurement actors, foreign currency shortage and failure to quickly transition from traditional procurement to digital procurement system. In addition, Failure to create a strong organization and conducive work environment, and being unable to hire and retain skilled professionals, and failure to develop and motivate the organization's procurement experts were identified as the major causes for ineffectiveness in public procurement practice. Therefore, with the study's findings, PPS is advised to create a strong and conducive work environment, to find ways to develop and motivate its procurement experts.

Keywords: Public procurement, procurement procedures, procurement practice, procurement effectiveness, challenges of public procurement

CHAPTER ONE – INTRODUCTION

1.1 Background of the Study

According to Public Procurement Manual (2011), Public procurement is a process by which a public organization obtains commodities, services, or works through a contractual agreement made with suppliers. Public funds are used in public procurement. The fund could come from the government's treasury, foreign donors' aid grants and credits made available to public bodies by the federal government, or through internal revenue of the public body.

The act of procuring involves buying suitable goods and services at the lowest possible "total cost of ownership" in order to satisfy the buyer's requirements for quality and quantity, timing, and location. Public procurement is the term used to describe when a public sector makes purchases of products and services. Getting the appropriate item at the right time and price to support governmental actions is one of the fundamental components of public procurement systems (Wittig, 1999). If a public procurement system meets the goals of openness, competition, economy, fairness, and accountability, it is considered to be in good working order.

In the past decades, public procurement has not been seen as having a strategic impact on the management of public resources in many developing nations. It was primarily seen as a process-oriented, "back-office" support activity that was frequently carried out by untrained employees of the procurement agency. But recently, a lot of developing nations have begun to realize how crucial it is for maintaining effective governance (Hunja, 2009).

Well-planned and effectively managed public procurement system contributes to achieving the strategic goal of acquiring goods and services with the highest quality at the lowest possible cost creating value for end product. Additionally, it is crucial for fostering innovation and employment growth, increasing public confidence in the government, providing commercial entities with growth prospects, and advancing the socioeconomic progress of a nation.

According to a study prepared by the Federal Procurement and Property Administration Agency, Ethiopia began using public procurement in the 1940s. The public procurement was used to purchase military supplies and equipment for the troops. Enhanced procurement services were initiated in 1942 EC. The Ministry of Finance was given the authority to purchase vehicles and office supplies for organizations that are funded by the general government budget in addition to military equipment (Tsigab, 2014).

Subsequent reviews on Ethiopia's public procurement system listed out many shortcomings including the lack of clear central oversight, the lack of transparency in the procurement processes, and the absence of procedures for resolving disputes, shortage of experienced management and procurement staff, lack of transparency in the procurement processes, absence of procedures for modern form of procurement activities and unclear institutional and organizational arrangements required in the management of the public procurement process (World Bank, 2002).

According to the remarks above, Ethiopia began to put major reform programs into place since 2009. The old law was replaced by the Federal Government of Ethiopia

Procurement and Property Administration Proclamation No. 649/2009. The law emphasized public procurement to be practiced adhering to principles of value for money, non-discrimination, transparency, and accountability. At the same year, The Federal Public Procurement and Property Administration Agency (FPPPPAA) were created with responsibilities of policy formulation and administration functions.

As mandated in the Proclamation FPPPPAA issued public procurement manual. The manual state that in the public procurement plan, the user department must raise the procurement needs; this need has to acquire specification/Terms of Reference of Requirements; it should be clear, precise, complete and well understood. The specification may further be refined and clarified, by the procuring department, as per the pertinent rules and regulation. Technical specification is prepared or will be prepared by end users (FPPPPAA, 2011).

The Procurement manual also state that except otherwise provided in this proclamation, the procuring entity shall use open bidding as the preferred procedure of procurement. The selection of any procurement method other than Open Bidding should be recorded in the Records of procurement, stating the reasons and justification for the method selected. The manual also states about contract administration as Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen (FPPPPAA, 2011).

The government further established The Public Procurement Service (PPS), on 2010 by regulation No 184/2010, to carry out the procurement of goods and services for governmental organizations at the federal level, and to assist in property disposal service.

Even though new procurement rules and regulations were formulated and implemented, numerous sources, including audit reports, procurement studies, performance reports of PPS, continue to point out that Ethiopia is far behind from practicing effective public procurement.

Consequently, the goal of the current study is to assess the FDRE Public Procurement Service's procurement practices and to pinpoint the challenges that are responsible for ineffective procurement practice at the organization.

1.2 Statement of the Problem

Public procurement has been acknowledged as a potent tool for public policy that can result in significant economic, environmental, and social advantages and is considered as one of the key tools for ensuring effective and anti-corruption management of public resources (Frank, 2018).

According to a report by FPPAA the procurement of public goods and services consumes more than 60% of the annual budget. Since, it consumes a major amount of public resources, compliance to the established rules and regulations is essential to achieving procurement goals like openness to competition, value for money, accountability, and effective use of public funds (Federal Democratic Republic of Ethiopia (FDRE), 2009).

The Government of Ethiopia is investing huge percentage of its resource for procurement service and has tried to develop effective and sustainable procurement practices. However, the efforts were not enough and have failed to achieve the intended result. Reports on the area of Ethiopia's public procurement practice have suggested poor decision making, inadequate planning, non-compliance to procurement laws and ethical issues to be among the major challenges in the current public procurement. Similarly, other studies conducted on public procurement in Ethiopia, which were undertaken to fulfill the requirement of master's degree (Fekadie, 2018; Worku, 2017; Roman, 2017, Getnet and Tilahun, 2014; Tsigab, 2014; and others) have also identified the problems mentioned above to be the challenges affecting the effective implementation of public procurement in the country.

At the present, all federal budgetary institutions and universities benefit from bulk purchase, which is carried out by PPS. For procuring common user and strategically significance goods to public bodies PPS uses framework agreement with potential suppliers. To procure goods and services for public bodies from framework agreement, PPS centrally call tenders to invite suppliers and service providers under competitive bidding, in order to submit their proposals, negotiates and sign contracts with suppliers on behalf of the public bodies and the public bodies independently place orders by identifying the timing and the quantities of each order within the limits of the framework agreement (Bewuketu, 2016).

PPS has responsibilities for effective procurement of common user items on behalf of all budgetary public institutions and universities in Ethiopia, as well as procuring goods and services which have national strategic values. The preliminary assessment of the

researcher has revealed challenges such as late delivery of items to public bodies and purchasing of poor quality goods to be among the challenges disturbing the procurement performance at PPS.

The researcher of this study believes sufficient studies have not been done on the FDRE Public Procurement Service's procurement performance. And previous studies on the area of public procurement did not adequately identify and discuss the causes of procurement performance challenges faced in the area of public procurement and the implementation of the legal frameworks of public procurement were not adequately addressed. In addition, the studies did not satisfactorily discuss how effectively public procurement procedures are being performed in public sectors and did not give more emphasis for the main reasons why public procurement challenges occur, and sufficiently discuss why these challenges still continue to exist and Ethiopia continue to practice ineffective public procurement.

Therefore, it is the belief of the researcher that further studies on public procurement are needed and it is worthwhile to solely assess the procurement practice at Public Procurement Service and assess how effectively public procurement procedures are being performed and identify the major challenges preventing PPS from providing effective public procurement service. Furthermore, to give more emphasis and discuss the reasons why public procurement practice at PPS still continues to be ineffective.

1.3 Research Questions

The following questions are drawn to be answered by the findings of the study:

- How effectively is public procurement procedures performed at PPS?

- What are the main procurement related challenges that affect procurement activities of PPS?
- What are the major causes for procurement challenges at PPS?

1.4 Objectives of the Study

1.4.1 General Objective of the Study

The general objective of the study is assessment of Public procurement performance and challenges in the case of PPS.

1.4.2 Specific Objectives of the Study

The study has the following specific objectives:

- To assess if procurement procedures are performed effectively at PPS.
- To identify major procurement challenges at PPS.
- To identify the major causes of procurement challenges PPS faces.

1.5 Significance of the Study

The research's finding is expected to provide significant contributions to various bodies. The first significance of the research would go to the FDRE Public Procurement Service of Ethiopia to improve its procurement practice and provide effective service.

The study will also help to guarantee the partial fulfilment of the requirement for the degree of masters in Logistics and Supply Chain Management. In addition, the findings of the study could serve as an input for future researches on the area of public procurement practice in Ethiopia.

1.6 Scope of the Study

The research will be conducted at FDRE Public Procurement Service. The researcher will use his personal contacts to establish a working relationship with the organization.

PPS provides the whole service of acquiring common user items and providing property disposal service upon the request of public bodies. The research focusses on assessing how effectively the need assessment, procurement planning, specification preparation, contract method determination, and contract administration procedures of procurement are performed at PPS while the organization provide procurement service to public bodies from framework agreement.

In addition, regional public procurement services and other actors of public procurement such as users (public bodies) and suppliers are not covered in the study.

1.7 Limitation of the Study

The higher officials of PPS were not included in the study, as they were not available to be participants of the research. The majority of the current higher officials are newly appointed officials as they were appointed for their position very recently. The participation of higher officials would have increased the study's finding generalizability and implications.

1.8 Definition of Terms

For this study, operational definitions of key terms are described as:

- Public Procurement: involves activities performed in acquiring goods or services by governmental organizations (Mentzer et al., 2001).
- Framework agreement: a general agreement of procurement establishing unit price and other terms and conditions of contract which serve as a basis for supplies to be delivered under future specific contract (The Ethiopian Federal Government Proclamation No. 649/2009).
- Common user item: items used by governmental organizations which are essential for the normal functioning of the organizations. Cleaning and sanitary tools, stationery, vehicles, medicines, electrical equipment are some of the goods identified as common user items (FPPPAA, 2009).
- FDRE Public Procurement Service: - Procurement service rendering organization with a mission of providing excellent procurement of goods on behalf of governmental organizations and disposal of public bodies' properties up on request.
- Public body: is any organization which is financed by budget of the federal government (FPPPAA No. 649/2009).

1.9 Organization of the Paper

The research paper is comprised of five chapters. Introduction about the research's background, problems statements together with questions identified in the research and objective and significance of the study will be presented in the first chapter. The second chapter describes the theoretical and empirical review of related literatures on the area of public procurement. The third chapter provides information about the methodological

approach followed to conduct data from the research participants. The fourth chapter shows the results of the research together with analysis made on the collected data from the respondents together with discussions. And, the fifth chapter will present the summary of findings and conclusion made based on the research's findings together with recommendation.

CHAPTER TWO – REVIEW OF RELATED LITERATURE

The review of related literatures part of the research presents the basic concepts on the basic areas the current research tries to cover. The reviewing done on related literature on the area of public procurement is presented in this chapter.

2.1. Theoretical Review

2.1.1 Public Procurement Defined

The process of buying goods, services, and works on behalf of governmental bodies is known as public procurement. It entails entering into contracts with suppliers in order to purchase goods, works, and services. The contract is a binding legal agreement that must always be honoured and followed thoroughly. In order to choose the best contractor, a formal and legal process known as tendering is used to request tender offers. It involves identification, sourcing and management of external resources. (Kotoka, 2012).

It is preferable that the products or services are suitable and obtained at the lowest cost to satisfy the buyer's requirements for quality and quantity, timing, and location (Mangan, Lawani, and Butcher, 2008).

2.1.2 Public Procurement versus Private Sector

The procurement procedure in the public sector is distinct from that of the private sector in a number of ways. Public and private sector's reporting structures, governing bodies, funding sources, and operating motivations all differ significantly. (Larson, 2009).

The public sector procurement is overseen by a plethora of legislative bodies, legislations, state and federal regulations. While the private sector is guided by boards of directors, corporate goals, and the organization's purchasing practices. Second, the taxes and fees used as a source of fund for the public sector come with built-in external restrictions which govern how they should be used. Private sectors do not have to meet any external usage requirements in order to make money. Third, the purview of public procurement extends beyond only acquiring essential commodities and services. Public sector procurement takes into account factors like employment creation, promoting open, egalitarian markets, rigorous adherence to clear rules, fair competition, and transparency (Telgen, et al, 1997)

Public interest satisfaction is the ultimate goal of public procurement. In this view, effective procurement should meet the demands of the populace, be fair to businesses, and prevent the wastage of public resources. Good public procurement should be a tool for good governance and consequently good government. since it is an effective way to put public policy into practice across the board. In this respect, effective procurement will enhance the legitimacy and credibility of the government. By diverting resources away from meeting social needs, corrupt (bad) public procurement, on the other hand, will exacerbate poverty and inequality. It will also lead to poor decisions and promote competition in bribery rather than in quality or price (Transparency International, 2006).

2.1.3. Public Procurement Theories

2.1.3.1. Theory of Auctions and Competitive Bidding

According to Philip, et al. (2011), the term "auction" is used to refer generally to the procurement processes used by the public sector to acquire products, including direct purchase, direct negotiation, requests for proposals, and actual auctions. The primary method by which the value of public assets to be bought is established through auction. This value is the outcome of competition among providers of products and services, which aims to deliver public assets at the most affordable cost and highest quality possible.

Philip et al. (2011), stated that public bodies who determine the prices of projected public authorities determine the projected value, eligibility requirements, and tender awarding criteria for auctions.

This theory is relevant to PPS, as the organization uses auction to compare the bids of competitive bidders and select the bidder which qualifies the most.

2.1.3.2. Principal-Agency Theory

According to Hezheng-Qing (2008), the taxpayer, the government, the financial department, state institutions, and the provider are the key linked stakeholders in government procurement.

These parties have established a principal-agent chain as part of the government procurement management process under the centralized purchasing operational mechanism. Taxpayers commit public monies to the government through the legal system

as suppliers of government procurement funds. Thus, the government and the taxpayer established their first agent relationship.

Since the scope of the government's public administrative responsibilities is so vast, nothing can be done by the government. Financial functions will be further assigned to the financial department under the jurisdiction of the functions. Thus, the second agent relationship between the financial department of government is established. Financial departments draft laws and regulations, monitor their application, establish requirements for qualified suppliers, and so forth.

The financial department cannot possibly handle everything. Therefore, the financial department establishes an exclusive organization (the purchasing centre) internally. The purchasing centre and financial department thus developed their third agent relationship. Since officials are involved in the actual government procurement process, a fourth agent relationship between the purchasing centre and the purchasing official is developed.

2.1.3.3. Contract Theory

A contract is a specified series of actions that the identified parties are expected to execute at different periods, typically in response to the current circumstances (Shavell, 2004). An insurance contract is an illustration, wherein (risk-averse) insureds pay premiums and are protected from risk by an insurer. There may be incentives for one party to act opportunistically at the expense of others. In a perfect world, one might create a comprehensive contingent contract that would compel all parties to act appropriately in every scenario and result in a reasonable conclusion.

Contract theory investigates how agreements should or will be structured in less than perfect situations.

Hidden action (or moral hazard) occurs when others are unable to fully supervise the implicated party's behaviour. Hidden information (or adverse selection) occurs when one of the parties has secret knowledge that no one else is aware of. Contractual incompleteness occurs when a contract does not address all pertinent unforeseen circumstances. The following applications of contract theory, among many more, are significant, in the author's opinion: contracts for services rendered, laws, pricing discrimination, efficient taxation, financial agreements, and auctions (Shavell, 2004)

2.1.4. Methods of Public Procurement in Ethiopia

There are 6 methods to be used in public procurement (FPPAA, 2009).

2.1.4.1 Open Tendering Method

This strategy is employed when the elements are easy to define, simple, and unclassified. These include things like clothes, food, stationery, work services, repairs, and more. In this instance, adverts are posted on notice boards, on television, and in daily newspapers, and businesses are encouraged to submit bids. This method of procurement should be used in ways that allow wider competitions among interested potential suppliers.

2.1.4.2 Two-stage Tendering Method

This involves selecting a preferred supplier in the first stage through competition on the basis of cost and quality: the preferred supplier is then engaged in negotiations to determine the project's final price in the second stage.

2.1.4.3 Restricted Tendering Method

This will be used when products or services to be procured are special and/or can only be provided by few suppliers. In this case, the effects of the procurement on security are taken into account. A competent organization like the user or systems branch conducts a confidential due diligence investigation to identify the firms.

2.1.4.4 Request for proposal Method

This method of procurement may be used when suppliers are required to offer a work plan to solve specific solutions, or to fulfill a specific requirement. Potential suppliers are required to present financial and technical part of their proposals separately. And Public bodies may adopt this method of procurement when pursuing to purchase contracts or services for consultation for which components of the consulting services accounts for more than half of the contract's value

2.1.4.5 Request for Quotation Method

This method of procurement that is used when public bodies want to purchase goods or services and provide adequate information to suppliers regarding specifications about the items to be procured, so that several interested suppliers may submit competitive bids and compete.

2.1.4.6 Direct Procurement Method

This method of procurement is adopted when public bodies invite one supplier without competition to provide the required goods or services. Direct procurement may be used in

cases of disasters or emergencies or when there is a sense of urgency for goods or services.

2.1.5 Procurement Procedures

The following procedures are generally adopted for procuring goods, services and works.

2.1.5.1 Identification of Procurement Need

Identification of procurement needs is the first stage in the procurement process. Organizations are required to identify needs that are vital for effective functioning of their organizations. Departments of the organization will do analysis of the current situation to understand and define what they need in their day to day activities and will make their need known to organization's purchasing body through detailed writing (Sollish and Semanik 2007).

2.1.5.2 Planning and Specification Determination

After the need has been determined, the planning and specification stage of the procurement process follows, and plans on ways to acquire the required goods or services will be created. Therefore, a specification can be thought of as a tool for communication utilized by procurement to inform interested outside parties about the organization's requirement for the particular good or service (Sollish and Semanik 2007).

The product's technical qualities and functions are described in great detail in the technical specification. While function criteria ensures the product's performance, suitability for the purpose or what it has to achieve, performance specifies the output range within which the item must function. Sample type provides a reference as to

applicability, particularly when writing specifications, which can be very challenging. However, in a perfect environment for competition, this inhibits competition to some extent. Before selecting a kind, it is necessary to identify and evaluate each's advantages and disadvantages. To get the best value for your money, specifications should be prepared without the inclusion of any brands that would restrict competition. Instead, present specifications that is open to everyone's participation (Lysons and Farrington, 2006).

2.1.5.3 Sourcing

At this stage, suppliers are located in the market based on material requirements. The source can be located using online trade periodicals, the organization's supplier database, and the telephone directory's yellow pages for trade shows. In this regard, it was recommended by Weele (2010), the supplier be discovered and evaluated concurrently rather than as a distinct stage in the procurement procedure.

Weele (2010) stated the sourcing stage includes tasks or actions like inquiries or requests for quotations which are informed to suppliers along with any other documents necessary to enable suppliers to submit a quote, including drawings, specifications, and other information.

2.1.5.4 Enquiry and Evaluation

This stage in the procurement process is very crucial because it decides the caliber of the output (or product) that will be purchased. Before allowing the provision of information (quotation or tender) on the good or service, suppliers are required to provide the

following information to assess the capabilities of that specific source: details of the organization, financial details, equipment and facilities, management skills, and references. (Emmet, 2008).

The technical and financial skills and competencies of the identified supplier are determined at this level. This phase was described by procurement as the evaluation of the data that possible sources had submitted. This stage has been broken down into four distinct stages that begin with the first selection of tender using predetermined criteria.

The commercial evaluation, which is the second stage, focuses on the delivery schedule that the purchasing institution and the supplying institution have suggested. At this point, the terms of payment and other elements that are regarded as commercial are also examined and will become a part of the contract. Lysons and Farrington (2002), contributed their opinions, stating that further negotiations with the suppliers regarding their capacity to carry out such contracts should be conducted in light of the procurement Act's assistance if numbers are significant and quality or delivery are of paramount concern.

2.1.5.5 Negotiating

One way to resolve conflicts is through negotiation. Negotiation is where substance concerns are adequately resolved, relationships may be built, and an agreement is made in order to improve performance and achieve efficiency and harmonization (Burt, Dobler and Starling, 2006). When it comes to how and when it can be used during the procurement process, the public and private sectors have different negotiation procedures.

After evaluating potential suppliers, which results in the awarding of contracts, the majority of private sector organizations will begin contract negotiations with suppliers. However, before negotiation is permitted as a technique of procurement in the public sector, a set of conditions must be met. According to Mckinsey (2009), these circumstances must exist when sole source action has been permitted. When there is suspicion of a "cartel" among the suppliers, when competitive tendering is not practical, and when the law of the country permits negotiation.

If sufficient preparation and research are completed, this stage of the purchase process is permissible (Burt, Dobler, and Starling, 2006). The authors have recommended thorough planning, information collecting, and analysis, as well as the creation of defined objectives that will serve as a roadmap for the negotiation team in terms of what has to be said and done in order to reach a win-win outcome. These premises allow for the conclusion that a negotiation can only be successful if the buyer and negotiating team put together a sufficient plan.

2.1.5.6 Ordering and Progressing

The contract is signed based on the agreement made at the previous stage of the procedure after evaluating and negotiating activities are carried out. The chosen supplier or contractor will receive a notification of order or contract in order to provide the good or service. Using the terms and conditions reached, a formal contract agreement should be created and signed by both parties. Use of a procurement order for simpler requirements or, in cases where framework contracts are in place, putting a call-off order under an existing contract may constitute contracting.

Another option is for purchasers to establish call-off agreements that are good for a set time. This assumed that contracting and ordering would be distinct activities, as suggested by (Emmet and Crocker, 2008), who believe that the procurement function can add value at this stage if corrective measures are developed in the form of effective ordering, routine checking that will ensure all procurement orders are received and confirmed by suppliers, and maintenance of a database of crucial procurement and supplier information.

Emmet and Crocker (2008), argued spending time advancing and expediting orders, which they perceive as an admission of loss, is not important. They keep arguing that collaborative supply chain thinking will greatly enhance performance and resolve significant issues that are expected to arise.

2.1.5.7 Delivery of Goods

Ahead of schedule delivery is possible with good ongoing work. To ensure early competition of contracts to fulfil anticipated needs is one of procurement's goals. When anything is delivered, it is checked to make sure it meets the agreed-upon specifications and the system is notified of the receipts and payments. The amount of time needed will have an overall effect providing lead time in the absence of corrective action (Otterheim and Strands, 2006).

To ensure prompt delivery, the contract should be managed by both the customer and the provider. Activities could include paying, organizing inspections or freight forwarding, setting up letters of credit, establishing letters of delivery, and expediting. According to

Lysons and Farrington (2006), work should be accelerated to ensure that deliveries are made within the predetermined time frame in order to prevent legal problems.

2.1.5.8 Payment and Reviewing

The conditions of the contract will largely determine how the purchased products are paid for (payment terms). Payment is likely made early in the procurement process, before the items are delivered, if the payment terms specify pre-payment or financing of the contract. The last step before the entire procurement process reviewed will be delivery and submission of the approved documentation, if the payment terms stipulate that. Any aspect of the procurement process can be used to review the entire contracting process. It is done to assess how well the procurement function is performing and, if necessary, to make improvements.

The relevance of the product or service being purchased in connection to the business plan will determine the scope of reviewing, monitoring, and control that is allocated. However, (Emmett and Crocker, 2008) argued actions at this stage might also involve establishing warranty claims and penalty clauses, documenting the user's experiences with certain items and providers, and ensuring complete compliance prior starting projects.

If remedial steps are done to get the right goods or services, this reactive approach to procurement can be avoided. If not handled properly, it may result in a disagreement. Procurement management can address issues raised at this point of the process by taking a proactive approach. Most of the time, payment delays lead to subpar deliveries, poor

overall performance of the supplying company, and operational deficiencies in the procurement function.

2.1.6 Public Procurement Principles

Securing value for money, ensuring accountability in all decisions, impartiality for all candidates involved except in cases where preference are specifically provided in the proclamation, and ensuring transparency in making procurement decisions are the main principles of procurement (FPPAA, 2009).

Public procurement principles provide guidelines on the standards governmental organizations must adhere to while engaging in the procurement of goods and services. The aim of these principles ensuring the achievement of effectiveness and efficiency in public procurement (Frank, 2018):

1. Public bodies should only purchase goods and services which are required for them to function properly, and goods which have no essential value to them must be excluded. In addition, public bodies must focus on securing value for their money by incorporating the right price, quantity and quality on the goods and services they are procuring.
2. In order to achieve the right combination of cost and quality on the goods and services they are procuring, public bodies must ensure proper competition among potential suppliers. Public bodies should advertise tendering opportunities adequately so that competent suppliers would get a chance to participate and compete.

3. Public bodies must make sure transparency in procurement processes so that all actors of the public body will get a chance to see how decisions regarding procurement are made. This will also help to ensure unethical behaviors are avoided.
4. Actors of the public procurement must make themselves responsible for their own actions in order to ensure trust among one another and to ensure the interests of the public is protected.
5. In order to ensure impartiality in the public procurement, public bodies must treat potential suppliers equally, and use proper judgements on the basis of legal frameworks to avoid constraints preventing interested suppliers from participating.

2.2 Empirical Literature

2.2.1 History of Public Procurement in Ethiopia

Public procurement in Ethiopia is a recent phenomenon. According to a report prepared FPPAA (2010), public procurement was started in the 1940's EC, following the establishment of modern government administration. At the start of the 20th century, during the reign of Menelik II, the first government institution was established. Nevertheless, Haile Selassie I's administration saw the emergence of the first set of guidelines for public procurement. Following that, changes were made to the public procurement regulations during the Dergue government.

During that time the public procurement was used to purchase military supplies and equipment for the troops. Enhanced procurement services were initiated in 1942 EC.

MOF had been given the authority to purchase vehicles and office supplies for organizations that are funded by the general government budget in addition to military equipment (Worku, 2017)

The organization was unable to function as expected because of a shortage of trained and qualified staff. An independent agency (the Ministry of Public Property Organization and Distribution) was founded in 1950 by proclamation NO 19/1950 as a result of these and other setbacks (Admasu, 2001).

This independent agency was in charge of purchasing and distributing the goods, but it was not long before it was disbanded in 1956 for the following reasons: the agency was founded without prior research, there was a capital shortage, there were a lack of qualified and skilled workers, there was a lack of support and cooperation from other ministries, and there were no warehouses to store the materials that were purchased (Admasu, 2001). Under the direction of the MOF, the Provisional Military Government of Socialist Ethiopia issues a financial regulation in 1981 (Tsigab, 2014).

The Public Procurement and Property Administration Agency was established by Proclamation 649/2009 to ensure that public procurement and property administration, in which a sizeable amount of public money is invested, are used in a way that allows the government to derive the greatest benefit from them and modernize the administration of them. A new manual and directive for public procurement have also been released (Tsigab, 2014)

The government established The Public Procurement Service (PPS), on 2010 by regulation No 184/2010, to carry out the procurement of goods and services for governmental organizations at the federal level, and to assist in property disposal service.

2.2.2. Researches on the Area of Public Procurement

Various researchers have tried to study public procurement practices and to identify challenges affecting the procurement practices in their respective countries. Nyarku, et al. (2014) did a research to assess the implementation of public procurement policies in Thailand's education sector. Extreme bureaucracy and lack of adequate facilities for storage were identified as the major procurement challenges by the research, and it was advised to do both interventions by authorities of the public procurement and internal interventions.

Roman (2017) did a research to evaluate practice and challenges of public procurement with respect to the implementation of legal frameworks. The research revealed identification of need and planning activities are not carried out based on established rules and regulations, and ineffective use of budgets are among the major challenges affecting the public procurement practice in Ethiopia. The research suggested commitment from government authorities is required to resolve the public procurement challenges.

Ministry of Education of Ethiopia's public procurement practice was investigated by Tsigab (2014). Transparency and accountability issues, weak management of procurement records, and bureaucracy issues were among the major procurement challenges identified by the research. Modernizing the entire procurement process,

training officers of the procurement, and providing due attention and support for the institution's procurement were recommended by the research. Similarly, Ambachew (2018) conducted a research to investigate the procurement practices and challenges in government offices at Addis Ababa and identified challenges of ineffective planning, delays on the completion of procurement processes, and purchase of poor quality materials to be among the major challenges affecting the procurement activities. The researcher made recommendations to improve the coordination of the procurement planning and other departments of the organization.

Biniyam (2019) did a research on the Ethiopian Ethio telecom to investigate the international procurement practice in the organization. The research the overall international procurement practice at the organization is weak and is characterized by lack of adequate knowledge regarding international procurement by the procurement staff, purchasing of lower quality items, and lack of timely decisions by end users was identified as some of the major challenges in the international procurement practice. The research recommended creating lasting relationship with suppliers by establishing registration list system for suppliers, and providing trainings to the procurement unit as a solution for the challenges.

Fekadie (2018) did a research to evaluate how public procurement is administered at Addis Ababa Science & Technology University. The study concluded the weak practice of developing relations with suppliers, failure to timely begin the procurement activities, and lack of adequate procurement experts are among the major practices contributing to poor practice of procurement in the university. It was recommended to improve the

management of relationship with suppliers by improving communication of the buyer and seller, and to timely begin the procurement activities.

Yonas (2014), did research on the Addis Abeba Water and Sewerage Authority's procurement procedure. The study's conclusions indicated that the authority lacked any kind of procurement strategy or policy. The researcher thus advised senior managers to shield the department workers from the procurement department's misconceptions and help the department avoid corruption with little negative impact. In order to improve the organization's material flow, the author recognized the necessity to reform the internal regulating system, needless stages, and bureaucratic steps.

The Amhara Regional Bureaus and other government organizations located in Bahir Dar town are specifically mentioned by Getnet (2014) in the study on 'Public Procurement Reform in Ethiopia', in order to identify factors leading to effective public procurement implementation in the nation. The study's results showed that familiarity with the rules and regulations governing public procurement, transparency, ethics, and efficiency in public procurement processes all positively and significantly impact the implementation of effective public procurement. The study also suggested that despite having positive connections with the implementation of effective public procurement, accountability in public procurement did not significantly affect the implementation of effective public procurement.

2.3 Conclusion and Research Gap

Many scholars have agreed that public procurement function is vital for normal functioning of any governmental organizations. Both in developed and developing

countries, public sectors spend much of their financial resources in the provision of goods and services that are needed to deliver public policy and organizational objectives.

Public procurement is crucial for fostering innovation and employment growth, increasing public confidence in the government, providing commercial entities with growth prospects, and advancing the socioeconomic progress of a nation. And the effectiveness in public procurement practice is associated with how effectively procurement procedures and principles of procurement are practiced by actors of the procurement.

Different researchers have tried to assess some of the challenges of public procurement in Ethiopia. These include public procurement practices and challenges in Ethiopia: evidence from selected public organizations by Roman (2017); an assessment of procurement practice in Ethio telecom by Biniyam (2019); procedure, practice and problems of procurement in the government office: the case of arada sub city by Ambachew (2018); public procurement practice in Ethiopia: the case of federal Ministry of Education by Tsigab (2014); assessment of procurement administration practice and challenges at Addis Ababa Science and Technology University by Fekadie (2018); evaluation of procurement process at Addis Ababa Water and Sewerage Authority by Yonas (2014); and factors leading to effective public procurement implementation by Getnet (2014).

These studies have tried to identify and address major public procurement challenges in Ethiopia. However, the studies do not adequately identify and discuss the causes of procurement performance challenges faced in the area of public procurement and the

implementation of the legal frameworks of public procurement were not adequately addressed. The studies did not satisfactorily discuss how effectively public procurement procedures are being performed in public sectors and did not give more emphasis for the main reasons why public procurement challenges occur, and sufficiently discuss why these challenges still continue to exist. In addition, sufficient studies have not been done on the FDRE Public Procurement Service's procurement performance, as the organization is responsible to provide public procurement service to all budgetary public institutions and universities. Thus, the current study, based on review done on related literatures and gaps of previous researches, sought to assess the public procurement activity at PPS, and tried to answer how effectively procurement procedures are performed at PPS, and what are the major procurement challenges and their causes which lead to ineffective public procurement practice.

CHAPTER THREE – RESEARCH METHODOLOGY

Research methodology deals with the methods of identifying, selecting, and analyzing information regarding the subject under study. Research methodology helps to describe the way in which the research data will be gathered and the way in which the gathered data will be analysed.

3.1 Research Approach

A mixed research approach which involved both quantitative and qualitative methods was used in this study. This is because the researcher believed the use of both quantitative and qualitative data will provide better understanding of the identified research problem and to properly analyze and provide answers to the research questions identified in the research.

3.2 Research Design

The researcher deployed descriptive research design for the research. This method will be useful for describing, recording, analyzing, and reporting situations that have happened or are happening (Kothari, 2003). Since, the aim of the researcher of this study was to assess and describe the existing situation for the subject under study, and to present solutions for the research questions, descriptive research design was used in the research.

3.3 Population and Sampling Techniques

The research was conducted at the FDRE Public Procurement Service. The research's aim was to assess how effectively the procurement procedures are performed and to

describe associated procurement challenges and their causes at PPS. Employees involved in direct procurement activities at PPS (experts of procurement planning, market assessment, contract administration, and Budgeting and planning teams together with team leaders) were included in the study's population, and referred as the target population of the research, and they were 57 employees.

Purposive sampling method was used as a sampling technique for the research. All 57 of the employees were selected purposively to be the actual sample size for the research.

3.4 Sources of Data

Both primary and secondary data sources were used in order to achieve the objective of the study. Questionnaire survey and semi-structured interview was used as a primary data sources. Secondary data was gathered from journals, internet sources, and also by carefully studying annual performance reports of PPS obtained from the research participants.

3.5 Data Collection Instrument

To gather relevant data that are significant for conducting the intended objective both primary and secondary data were used. The main data collection instrument used in this study was questionnaire surveys and structured interviews. Questionnaire survey and interview enables researchers to ask the research questions proposed at the introduction section of the paper and to communicate with the research participants (Malhotra, 2006).

Both the questionnaire and interview was prepared with simple, clear and unambiguous words. The questionnaire was proofread and printed properly before dissemination.

Enough space was provided for response and options were exhaustively provided. Then it was personally handed over to the respondents to provide their reply on the space provided on the questionnaire. Suitable and agreed collection point was established to gather filled out questionnaires.

For the structured questionnaire, closed-ended questions with a 5 points Likert scale were used. A 5 points scale is found to be more reliable range scale to obtain direct response from respondents. In the current study a five point rating scale were used to measure responses of employees asking the respondents to give their opinions by ticking option 1 for “to a very small extent”, 2 for “to a small extent”, 3 for “to a moderate extent”, 4 for “to a large extent” and 5 for “to a very large extent”.

For interviews, first interview questions were prepared, and held on agreed time and place. The interview process was documented to be referred later on.

3.6 Data Analysis Methods

Data analysis is the process of methodically applying statistical and logical techniques to describe and evaluate data with the aim of analyzing research information and making conclusions for the subjects under the study (Shamoo and Resnik, 2003).

The quantitative data was gathered through structured questionnaire survey. A five Likert scale consisting of five ranges which are “to a very small extent”, “to a small extent”, “to a moderate extent”, “to a large extent” and “to a very large extent”, were used to acquire direct response from the respondents, and the collected data was presented in a table using descriptive statistical techniques such as frequency, and percentage. SPSS version 20.0 was used to help in the computing of the quantitative data.

The qualitative data obtained through semi-structured questionnaire, interview, and document review was transcribed, classified, categorized and registered under thematic areas and presented in narrative form.

3.7 Validity and Reliability

3.7.1 Validity

To insure validity of the data collection instrument, the questions were formulated in simple language for clarity and ease of understanding. Clear instructions were given to the respondents. And the questionnaires were submitted to other researchers and academicians to obtain expert opinion. The data collection instrument was examined, and reviewed based on the opinion of the people that have knowledge on the area of the study.

3.7.2 Reliability

All the necessary precaution was used to make the study reliable. The sample size, the population and the questions used was meticulously selected to reflect the reality under consideration. Since the researcher used both questionnaire and interviews, it has increased the reliability of the study.

3.8 Research Ethics

No pressure or force was applied to gather the required data. Respondents had the full power to choose if they like to be part of the research; they were informed and consulted

beforehand if they are willing to be part of a study. Anonymity of respondents was given due attention. Non-disclosure statement was provided on the questionnaire.

CHAPTER FOUR – RESULTS AND DISCUSSION

The aim of this research was to assess public procurement practices and challenges at Public Procurement Service. Research data gathered from the respondents through questionnaire, interview and document review is presented and analyzed in this chapter.

4.1 Results

4.1.1 Rate of Response

53 questionnaires (93% of the total) were filled out and properly returned back from a total of 57 questionnaires distributed to the research participants.

4.1.2 Respondents' Demographic Profile

The research respondents were asked to provide information regarding their gender, age, highest educational level, general work experience, and current position held.

Table 4.1: Respondents' Demographic Profile

1	Gender	Frequency	Percentage
	Female	29	54.71%
	Male	24	45.29%
	Total	53	100 %
2	Age	Frequency	Percentage
	26 to 35 years	37	69.81 %
	36 to 45 years	14	26.41 %

	46 to 55 years	2	3.78%
	Total	53	100 %
3	Educational qualification	Frequency	Percentage
	Bachelor Degree	44	83.01 %
	Master's Degree	9	16.99 %
	Total	53	100 %
4	Work experience	Frequency	Percentage
	3-5 years	42	79.24 %
	6-10 years	9	16.99 %
	11-15 years	2	3.77%
	Total	53	100 %
5	Job position	Frequency	Percentage
	Expert	43	81.13 %
	Team Leader/Senior experts	10	18.87%
	Total	53	100 %

Source: survey result, May 2023

In terms of gender distribution of the respondents, Female respondents account for 54.71% of the total, and male respondents account for 45.29% of the total respondents.

In terms of age, the group from 26 to 35 years of age is the dominating group representing 69.81 % of the total. The respondents between 36 and 45 years of age cover 26.41% of the total respondents, and the remaining 3.78% of the respondents were

between ages 46-55 years. This implies that the procurement experts of the organization are at the productive age of their life.

The educational levels of respondents' reveals, the majorities, and 83.01 % of the respondents had Bachelor degrees, and the remaining 16.99 % are holders of master degree.

Regarding general work experience respondents that had length of service between 3 and 5 years represent the dominating group with 79.24% members, followed by 16.99 % of the respondents who have served between 6 and 10 years. And the remaining 3.77% of the respondents have years of service between 11 to 15 years. It would, therefore, be possible to generalize that the respondents have adequate practical experience in public procurement.

In terms of current position held, 81.13% of the total respondents are at expert level and the remaining 18.87% of the respondents are team leaders.

4.1.3 Questionnaire Survey result on Aspects of Public Procurement Procedures

The FDRE Public Procurement Service was established in 2010. The service has responsibilities for ensuring the timely supply of goods and services to governmental organizations, with the right quality and prices. And to provide timely disposal service of properties of public bodies by sale.

PPS has a vision of becoming an exceptional public procurement service provider in Ethiopia. PPS provides procurement service to all budgetary public bodies. And on average, signs more than 1 billion birr worth of contracts with suppliers each year.

For procuring common user items to government institutions from framework agreement, PPS accepts procurement need requests and performs procurement planning, specification development, procurement method determination, and contract administration with the aim of performing effective procurement activity.

4.1.3.1 Procurement Need Assessment

As discussed above, the procurement need is prepared and requested by public bodies.

Table 4.2: Procurement need assessment

Procurement Need Assessment	1 = to a very small extent		2 = to a small extent		3 = to a moderate extent		4 = to a large extent		5 = to a very large extent		Mean	St.D
	F	%	F	%	F	%	F	%	F	%		
Procurement needs for common user items are presented annually from public bodies							53	1			4	.00
Public bodies present procurement needs with clear product specification	46	0.87			7	0.13					1.2	.68
Public bodies' needs do not involve items which have no strategical value					9	0.17	29	0.55	15	0.28	4.1	.66

to them												
There is a mechanism to control the public body need cannot be met by resources available in the public body's store	24	0.45	29	0.55							1.5	0.5

Source: survey result, May 2023

Regarding procurement need request submission by public bodies, 100 % of the respondents indicated public bodies submit their need requirement for the common user items annually 'to a very large extent'.

The respondents were asked if public bodies present their need requirement together with clear product specification, 87 % of the respondents answered public bodies present their need together with specification 'to a very small content', and 13 % of the respondents answered 'to a moderate extent' with a mean of 1.2. This implies the public bodies to a very small extent determine specification for common user items.

55 % and 28 % of the respondents agreed the need requirements of public bodies do not involve items which have no strategical value to them 'to a large extent', and 'to a very large extent, respectively. The remaining 17 % of the respondents answered 'to a moderate extent' with a mean of 4.1. For the question, if there is a mechanism to control the public body need cannot be met by resources available in the public body's store, 55 % and 45 % of the respondents answered 'to a small extent', and 'to a very small extent', respectively with a mean of 1.5.

4.1.3.2 Procurement Planning

Common user items are identified by FPPAA, and communicated to PPS and all public bodies. After the submission of annual procurement need requirements by public bodies, procurement planning activity commences and PPS prepares procurement plans based on the public bodies' requirements.

Table 4.3: Procurement planning

Procurement Planning	1 = to a very small extent		2 = to a small extent		3 = to a moderate extent		4 = to a large extent		5 = to a very large extent		Mean	Std. Dev
	F	%	F	%	F	%	F	%	F	%		
Plans for purchase are prepared using a standard framework.	1	0.0	7	0.1	31	0.5	14	0.2			3.0	.68
		2		3		9		6			9	
Higher officials at PPS participates in procurement planning	39	0.7	9	0.1	5	0.1					1.3	.65
		3		7							5	
PPS has a proper and clear communication line between experts and higher officials	27	0.5	14	0.2	12	0.2					1.7	.81
		1		6		3					1	

Costs are estimated based on proper information from the current market data	7	0.13	24	0.45	17	0.32	5	0.1			2.37	.83
Procurement plans are prepared and completed on time	27	0.51	17	0.32	7	0.13	2	0.04			1.69	.84
Urgency work program creates a challenge in procurement planning					3	0.06	7	0.13	43	0.81	4.74	.55
Approved procurement plans are communicated to public bodies	53	1									1	.00
The organization is adequately staffed	46	0.87	7	0.13							1.13	.34
You have been provided with the necessary procurement trainings	29	0.55	16	0.29	5	0.1	3	0.06			1.66	.87

The organization is equipped with the necessary facilities	32	0.6	14	0.2	7	0.1					1.5	.72
		1		6		3						

Source: survey result, May 2023

The first question regarding procurement planning was if plans for purchase are prepared using a standard framework. The majority, 59 % of the respondents answered ‘to a moderate extent’, 26 % answered ‘to a large content’, 4 % answered ‘to a small extent’, and the remaining 2 % of the respondents answered ‘to a very small extent’ with a mean of 3.09, which implies standard frameworks are used as guidance for plan preparation of purchase to a moderate extent.

The members of the procurement were asked about the involvement of top management of the organization in procurement planning. 73 % of the respondents answered ‘to a very small extent’, 17 % answered ‘to a small extent’, and the remaining 10 % answered ‘to a moderate extent’ with a mean of 1.35, which implies the involvement of top management in procurement activities is to a very small extent. In addition, regarding communication between top management and experts, 51 % answered ‘to a very small extent’, 26 % answered ‘to a small extent’, and the remaining 23 % answered ‘to a moderate extent’. This imply there exist a poor communication culture in the organization.

Regarding cost estimates, the respondents were asked to what extent market sources are used in procurement planning. The majority of the respondents, 45% indicated ‘to a small extent’, 32 % answered ‘to a moderate extent’, 13 % answered ‘to a large extent’, and the

remaining 10 % answered 'to a very small extent with a mean of , which implies current market data sources are considered in cost estimates to a small extent.

The researcher also assessed if procurement plans are completed on time, and to what extent urgency work programs create a challenge in the planning process. Only 4 % of the respondents answered plans are completed on time 'to a large extent', while the rest of the respondents answered 'to a very small extent', 'to a small extent', and 'to a moderate extent' with 51%, 32%, and 13%, respectively with a mean of 1.69. Furthermore, 81 % of the respondents answered urgency work programs are one of the main challenges 'to a very large extent' hindering the timely completion of procurement plans, supported by 13 % of the respondents that indicated 'to a large extent', and the rest 6% of the employees who indicated 'to a moderate extent' responses.

Regarding the communication of approved procurement plans, 100 % of the respondents answered 'to a very small extent', emphasizing approved plans are not communicated to public bodies.

For the question if PPS has enough workforces to effectively perform procurement activities. 87 % of the respondents answered 'to a very small extent', and the remaining 13% suggested 'to a small extent' with a mean of 1.13, which implies PPS has enough procurement workforce to a very small extent.

Procurement training is vital to enhance effectiveness in procurement practices, as it helps to equip procurement experts with various skills and knowledge to add effectiveness to their performance enabling them discharge their responsibilities at the required level. In this, regard, respondents were asked if they have been provided with

trainings in various aspect of public procurement. The majority, 55 % of the respondents indicated ‘to a very small extent’, 29 % answered ‘to a small extent’, and 10% of the respondents with ‘to a moderate extent’. Only 6% of the respondents answered ‘to a large extent’. This implies the respondents are being provided with essential trainings on procurement to a very small extent with a mean of 1.66. In the same manner, for the question if PPS’ procurement staff equipped with the necessary facilities in order to smoothly perform their duties. 13% of the employees answered ‘to a moderate extent’, while the majority of the respondents indicated the procurement unit is not equipped with the necessary equipment with responses ‘to a very small extent’ (61%), and ‘to a small extent’ (26%) with a mean of 1.5.

4.1.3.3 Specification Development

The procurement experts of PPS prepares specification for the common user items to be purchased and uses it as a communication tool to communicate what characteristics are needed form the items to potential competitors. Table 4.8 discusses specification preparation practice at PPS.

Table 4.4: Specification preparation

Specification Preparation	1 = to a very small extent		2 = to a small extent		3 = to a moderate extent		4 = to a large extent		5 = to a very large extent		Mean	St.Dev
	F	%	F	%	F	%	F	%	F	%		
Specifications are			27	0.5	19	0.3	7	0.1			2.6	.71

prepared using information from a specified source.				1		6		3				
Specifications are prepared clearly, precisely and accurately	1	0.2	26	0.4	10	0.1	5	0.1			2.1	.88
	2	3		8		9						

Source: survey result, May 2023

The researcher wanted to assess to what extent properly specified sources or appropriate guidelines are used as a basis for specification preparation. The majority, 51 % of the respondents answered ‘to a small extent’, followed by 36% of the respondents that answered ‘to a moderate extent’, and finally the rest of the respondents which comprised 13% of the total indicated ‘to a large extent’ with a mean of 2.6. This implies the use of appropriate guidelines in the preparation of specification is done to a small extent.

Regarding the clarity, precision, and accuracy of the prepared specification, only 10 % of the respondents answered specifications are prepared unambiguously ‘to a large extent’, while the majority, 48% answered ‘to a small extent’, followed by the 23 % that answered ‘to a very small extent’. And the remaining 19% answered ‘to a moderate extent’ with a mean of 2.1, which implies specifications are prepared unambiguously to a small extent.

4.1.3.4 Procurement Methods

As an organization, which provides procurement service on behalf of government organizations, PPS is guided by FPPAA's procurement manual and adopts procurement methods described in the manual which discussed in chapter 2. Table 4.9 discusses procurement method determination practice at PPS.

Table 4.5: Procurement methods

Procurement Methods	1 = to a very small extent		2 = to a small extent		3 = to a moderate extent		4 = to a large extent		5 = to a very large extent		Me an	St. Dev
	F	%	F	%	F	%	F	%	F	%		
Procurement methods are chosen on the basis of the nature of goods & services to be procured							7	0.1	46	0.8	4.8	.34
open bidding is used as the preferred method for procuring goods and services							53	1			4	.00
Use of alternative procurement method is							9	0.1	44	0.8	4.83	.37
								7		3		

justified												
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Source: survey result, May 2023

The researcher wanted to assess the extent to which open bidding procurement method is practiced at PPS, and the finding proves this method is practiced ‘to a large extent’, as indicated by 100% of the respondents.

4.1.3.5 Contract Administration

The procurement experts of PPS are required to control to ensure suppliers properly discharges its responsibilities under the contract. Table 4.10 discusses contract administration practice at PPS.

Table 4.6: Contract administration

Contract Administration	1 = to a very small extent		2 = to a small extent		3 = to a moderate extent		4 = to a large extent		5 = to a very large extent		Mean	St. Dev
	F	%	F	%	F	%	F	%	F	%		
Tender opportunities are advertised adequately			31	0.58	159	0.29	73	0.13			2.5	.72
Supplier's obligations are specified under a contract					97	0.17	208	0.38	245	0.45	4.28	.74

Tenders are awarded timely within the proper timeframe.			4 1	0.7 7	12	0.2 3					2.22	.42
Contracts are adequately managed and contract adjustments are made regularly	12	0.2 3	2 9	0.5 4	9	0.1 7	3	0.0 6			2.05	.79
There is a strong monitoring mechanism to ensure works are completed on schedule and goods are supplied with the desired quality	27	0.5 2	2 1	0.3 9	3	0.0 6	2	0.0 3			1.62	.76

Source: survey result, May 2023

The respondents were asked the extent to which tender opportunities are advertised adequately, in order to allow many potential competitors participate in the tendering process. The majority, 58 % of the respondents answered ‘to a small extent’, followed by 29 % of the respondents that answered ‘to a moderate extent’, and the remaining 13 % of the respondents answered ‘to a large extent’ with a mean of 4.86, which implies adequate advertisement of tender opportunities is performed to a small extent.

45%, 38%, and the rest 17 % of the respondents answered 'to a very large extent', 'to a large extent' and 'to a moderate extent', respectively, to the extent at which the supplier's obligations are specified under a contract with a mean of , which implies, suppliers are adequately aware of their responsibilities under a contract to a very large extent.

Regarding award of tenders within the proper timeframe, the majority 77 % of the respondents answered 'to a small extent', and the remaining 23 % of the respondents answered 'to a moderate extent' with a mean of , which implies the finalizing and signing of contracts with suppliers within a short period of time is performed to a small extent.

Regarding adequate following up and regular contract adjustments, the majority, 54 % of the respondents answered 'to a small extent', followed by 23 % of the respondents that answered 'to a very small extent'. 16 % of the respondents answered 'to a moderate extent', and the remaining 6 % of the respondents answered 'to a large extent' with a mean of 2.05, which implies adequate contract adjustment activities are performed to a small extent.

The respondents were also asked if there is a strong monitoring mechanism to ensure works are completed on schedule and goods are supplied with the desired quality. 52 % of the respondents answered 'to a very small extent', 39 % answered 'to a small extent', 6 % answered 'to a moderate extent', and the remaining 3 % answered 'to a large extent' with a mean of 1.62, which implies the controlling mechanism of suppliers' duties under a contract is to a very small extent.

4.1.4 Interview Results and Review of Documents

Interviews were carried out with team leaders/senior procurement experts at PPS as they are responsible to have knowledge on ineffective public procurement performances and the challenges responsible for ineffectiveness in public procurement.

When asked if public bodies are required to prepare need assessment and submit their need requests annually to PPS within the right time for the procurement of common user items from framework agreement, the respondents emphasized most public bodies do not have the adequate capacity to properly and accurately describe their procurement needs. Public bodies also fail to timely submit their requests.

The respondents also discussed there is insufficient practice of thoroughly reviewing need requirements of public bodies before preparing consolidated procurement plans and the plans take too long to be prepared as standard frameworks are not extensively used as guidance for preparation. It also takes a long time for the procurement plan to be approved by the higher officials of PPS as discussed by the respondents.

To the question if specifications are prepared timely and properly using specified sources as guidance for preparation, the respondents answered specifications preparation takes a long time to be completed and there is a challenge in using specified sources as a guideline for specification preparation.

The other questions asked to the team leaders was if procurement manuals of FPPAA are properly used as a guideline to select procurement methods and if tender opportunities are adequately advertised to all interested suppliers. The respondents discussed even if PPS uses FPPAA's procurement manual as a guideline to select the

proper procurement method and open tendering is used as a major method for procuring common user items, there is a challenge in adequately advertising tender opportunities and the supplier selection criteria do not allow many technically and financially qualified supplier to be interested in bidding.

For the question regarding the administration of procurement contracts with suppliers, the respondents discussed there is a challenge in adequately tracking contracts, timely signing contract with suppliers and effecting payment to suppliers. The respondents further discussed some suppliers also frequently request advance payment beyond limit stated in contract agreement. Lack of proper follow-up and adequate monitoring mechanism to control the performance of suppliers to deliver its responsibilities under the contract are also some of the major challenges during contract administration stage as discussed by the respondents.

Regarding budget issues, the team leaders discussed foreign currency shortages frequently prevent the procurement of nationally relevant utilities from the international market. There is a challenge in securing the required foreign currency from the national bank.

Lack of transparency, accountability, and involvement in dark purchasing has also been among the major challenges in public procurement as discussed by the respondents. A few years back some of the higher officials at PPS have been charged with crime due to their fraudulent behaviors and involvement in unethical relationship with suppliers.

Regarding the effective use of electronic procurement system in order to modernize and facilitate the overall public procurement activity. The respondents discussed electronic

procurement is a new system it is faced with challenges of lack of adequate facilities necessary for digital procurement (Internet and Electricity issues, old and slow computers, and so on.), and challenges to transition from the traditional manual system to procurement over the internet are among challenges in the adoption of electronic procurement to improve effectiveness.

For the question if there is proper cooperation among public procurement actors, the respondents discussed there is a lack of satisfactory cooperation among PPS and other actors of the Ethiopian public procurement such as PPS, public bodies, MOF, and FPPCAA.

For the question if PPS is sufficiently equipped with the necessary facilities required to effectively perform the day-to-day procurement activities. The respondents discussed the organization is understaffed and there is a high employee turnover rate. And the organization does not have enough senior procurement experts to guide and teach the young experts on how to provide effective procurement service to public bodies. The respondents further discussed the type and amount of trainings employees receive on public procurement are far less than enough.

Regarding salary of employees, the respondents discussed the salary scale of PPS is not attractive enough to hire and retain skilled public procurement experts as it forces employees to look for other better jobs that pay better. The respondents discussed the employees are responsible to provide bulk purchase service to all budgetary public institutions, and manage billions of birr worth contracts, while their monthly salary is not even enough to properly cover their living expenses. The majority of the procurement

experts at PPS have around 5 years of experience and their gross monthly salary is around eight thousand (8000) Ethiopian birr as indicated by the respondents.

The researcher has also reviewed plan performance reports of PPS for the fiscal year 2011, 2012, and 2013 E.C. Late submission of procurement need requests, late submission of procurement plan documents, ineffective contract administration, foreign currency shortage, suppliers' low financial and technical capacity, and delay in delivery of items are some of the major challenges affecting the procurement practice at PPS.

4.2 Discussion

Questionnaire survey, interviews, and document review methods were used as a data collection instrument to collect both primary and secondary data from respondents in order to assess how procurement need identification, procurement planning, specification development, determination of procurement methods, and contract administration processes are performed at PPS and to identify procurement challenges together with their causes.

1. Procurement Need Identification

From the review of literature it was discussed the first process in procurement is to identify need requirements. According to Sollish and Semanik (2007) organizations are required to properly identify needs that are required for effective functioning of their organizations through the analysis of the current situation to understand and define what they need in their day to day activities. The questionnaire survey and interview result showed that most public bodies fail to properly identify their procurement needs of common user items and timely submit their need requests to PPS.

2. Procurement Planning

Procurement plans are a vital tool to ensure effectiveness in the procurement practice and to accomplish the organization's objectives. Procurement plan that aligns to the objective of the organization programs and budgetary process can expedite the accomplishment of the goals. It is one of the pre-requisites for the effectiveness and efficiency of the procurement function, thus leading to the ultimate success of the organization. The procurement plans tell an organization what and when to purchase items and how to manage the purchasing activity. In addition, procurement plans facilitates smooth procurement practice and enables the achievement of value for money objectives (Namusonge, et. al., 2013). According to FPPAA (2011) effective planning allows the procurement of large purchases with lower unit costs. The questionnaire survey and interview result showed there is a challenge in preparing procurement plans based on standard formats, in evaluating procurement planning effectiveness and updating plans when changes occur, and in adequately using procurement plans as a control mechanism.

3. Development of Specification

As stated in the literature review technical specifications required from the goods to be purchased must be clearly identified and prepared. According to Shaw (2010) in order to be able to procure the proper goods and services, specifications of what organizations needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is, therefore, important to have clear, precise and accurate specifications.

According to Baynesagn and Jan (2017), one of the major reasons for the delivery of low quality items by suppliers is a lack of clear specification preparation by organization making it difficult to properly define and control responsibilities of suppliers under a contract. As a result specifications should clearly describe the type, standard, and quality the required goods and services should comply with, and it must allow the achievement of value for money.

Regarding the completeness of specification, the questionnaire survey and interview result showed that specified sources are not being effectively used as a guideline for specification preparation and there is a challenge in designing clear specification for the items to be purchased for public bodies.

4. Determination of Procurement Methods

According to FPPAA procurement manual (2011), A procuring entity should select an appropriate alternative method of procurement. In the case when open tendering would not be the most economic and efficient method of procurement, justification shall be given for the use of other procurement methods. The purpose of identifying and selecting an appropriate procurement method is to find the best way to obtain the result to satisfy the needs of the end user. From the review of literature it is observed tender opportunities should be adequately advertised to attract interested suppliers and leave a room for wider competition. The questionnaire survey and interview result showed that even though open tendering method is commonly used by PPS for the procurement of goods and services there is a challenge in adequately advertising tender opportunities to attract potential suppliers.

5. Contract Administration

Contract administration is where PPS will be able to fulfil the procurement requests of public bodies. At this stage the requesting public body will become in possession of the common user items. According to Lysons and Farrington (2006), to ensure prompt delivery of goods and services to end users, the contract should be effectively managed and proper follow-up should be ensured. From the review of literature it was discussed contract administration involves activities of monitoring suppliers' performance in the fulfillment of their contractual obligations. The questionnaire survey and interview result showed it takes a long time for PPS to prepare bid documents and sign contracts with suppliers, and there is a challenge in maintaining proper follow up and making adjustments to contracts.

From the review of literatures it was discussed each stage of procurement should be promptly and timely performed to ensure effectiveness. Poor procurement performance will lead to Cost overruns, under and over buying, resource wastage, delay in all procurement processes, and quality problems. According to Thai (2001) countries have their own economic, social, cultural and political environment, and each country's public procurement practitioners are prone to risks and face different types of challenges. The questionnaire survey and interview result showed PPS faces challenges such as budget and foreign currency shortage, volatile market conditions characterized by high material cost inflation rates and unavailability of materials planned to be purchased. In addition, as shown in the survey result PPS faces challenges of not being able to retain experienced and skilled employees and to develop and motivate its current employees, to regularly provide relevant trainings to its employees.

CHAPTER FIVE – SUMMARY, CONCLUSION, AND RECOMMENDATION

Summary of findings, conclusions made on the basis of the study's findings and recommendations provided to improve the procurement practice at PPS are presented in this chapter.

5.1 Summary

This study was conducted to assess the public procurement practice at PPS and to identify the major procurement related challenges together with their causes.

In chapter one, background of the study and problem statements were presented followed by identification of research questions and research objectives. Scope and limitations of the study together with the study's expected significance was also identified.

In chapter two, a review of relevant theoretical and empirical literatures on the area of public procurement was conducted to present the works of previous studies and to use the inputs as guidance for the current study.

In chapter three, the research methodologies adopted for the current study were discussed. The research approach and design, target population and sampling techniques used to select sample size for the research, data collection instruments and data analysis methods together with ethical considerations for the study was presented.

A total of 57 employees who are directly involved in procurement activities at PPS and who are believed to adequately provide relevant answers for the research questions were selected using purposive sampling method to be the respondents of the study.

The study used both primary and secondary data sources and employed structured questionnaire surveys as an instrument to collect quantitative data of the research. Interviews and document reviews were also used as a collection instrument for the qualitative data of the research.

In chapter four, the data collected using questionnaire survey were analyzed using SPSS version 20.0 and descriptive statistics was used to analyze the demographic characteristics of the respondents and also responses provided by the respondents on the main questions using frequency, percentages, mean and standard deviation. The qualitative data collected using interviews and document reviews were organized and presented in narration form.

In the research, it was observed the procurement of common user items for public bodies from framework by PPS starts with identification of procurement need by public bodies. The public bodies are required to identify their procurement need requirements and submit their request within the allotted timeframe to PPS. The result of the data analysis showed inadequate ability of public bodies to properly identify their need and failure to submit their request on time to be among the major problems during need identification process.

During procurement planning stage, PPS prepares a comprehensive plan for purchase and develops product specification for the items to be purchased based on the requests of public bodies. The result of data analysis showed failure to prepare procurement plans on time and to approve the plans by the top management, lack of satisfactory market analysis for product specification and cost estimate, and failure to regularly update

procurement plans to be among the major problems during procurement planning and specification development stage.

During procurement method determination and contract administration stage, PPS advertises tender opportunities to potential and interested suppliers to participate in the bidding for the supply of common user items from framework agreement. Contracts will be signed with the most qualified supplier that could last up to three years depending on the terms and conditions of the framework agreement. The data analysis result showed inadequate advertise tender opportunities and failure to timely sign contracts with supplier together with failure to establish strong controlling and contract follow-up mechanism to be among the major challenges during these stages.

The data analysis result also showed the unattractive salary scale of PPS, PPS's failure to hire and retain skilled professionals and provide consistent and regular trainings on public procurement to its employees, lack of satisfactory communication line between top management and procurement experts to be some of the causes for poor procurement performances.

5.2 Conclusion

The purpose of this study was to assess how the procurement procedures, procurement need assessment, procurement planning, specification preparation, methods of procurement, and contract administration activities are performed at PPS, in order to determine how effectively the processes are performed and to pinpoint major challenges responsible for ineffective procurement practice together with their causes.

Descriptive research design was employed by the researcher and questionnaire survey, semi-structured interview, and a document review method were used to gather quantitative and qualitative data from respondents and the research has achieved its objective by describing the existing procurement trend at PPS, and by analysing procurement challenges and their causes.

For the procurement of common user and strategically significance items to the government, PPS uses framework agreement with potential suppliers. PPS centrally call tenders to invite suppliers and service providers under competitive bidding, in order to submit their proposals, negotiates and sign contracts with suppliers on behalf of the public bodies. And procurement need identification, procurement planning, specification, contract method determination, and contract administration are the main processes performed during the procurement of common user and strategically significance items.

Challenges such as Failure to properly identify procurement need requirements and timely submit need requests by public bodies, Failure to effectively review need requests of public bodies, Failure to timely prepare procurement plans and challenges of developing clear product specifications, failure to adequately advertise tendering opportunities, delay in signing of contracts with suppliers, poor relationship with suppliers and failure to timely effect payment to suppliers, and absence of adequate follow up were identified to be the major procurement related challenges PPS faces while performing the public procurement procedures.

The main causes for the procurement challenges identified during each of the procurement stages are lack of proper communication line in the organization, PPS is

understaffed marked by a high employee turnover rate, PPS do not have enough senior experts to guide and teach young procurement experts, procurement experts are not being adequately provided with procurement trainings to enhance their knowledge and skills on public procurement, and the very unattractive salary scale has made PPS unable to hire and retain skilled procurement professionals, and motivate its current workforce as observed from the analysis of the data collected from respondents.

5.3 Recommendation

Up to 134 budgetary public institutions and 44 universities rely on PPS to provide them with effective bulk purchase service. And PPS has a vision of becoming the preferred and excellent procurement service providing organization in Ethiopia. PPS will only be able to discharge its responsibilities effectively and achieve its vision if it is able to create a powerful organization with dedicated and motivated employees.

In order to be able to provide effective procurement service to public bodies, PPS must build and sustain a positive work environment by creating conducive work environment including open communication line across the organization, and developing the skill and knowledge of the employees by providing continuous trainings on procurement.

A huge percentage of government budgets are spent on procurement each year and the government require PPS to practice effective procurement and obtain goods that have national strategic value. In order for this to happen, different concerned parties (PPS, Government, and Civil Service Commission) need to give special attention to the salaries of public procurement professionals. This will help to invert the high employee turnover rate, hire and retain skilled and experienced professionals, and to highly motivate the

current employees. Creating a strong and conducive workplace will also lead to better relationship with public bodies and suppliers and ensures the proper achievement of public procurement principles.

In addition, to effectively perform the procurement procedures;

- The procurement experts of PPS are recommended to carry out periodic and consistent market research, and to exhaustively use standard sources as a guideline so that proactive procurement plans and proper specifications can be prepared.
- It is recommended if PPS quickly adopts the use of information technology tools like e-procurement. This helps the procurement department to automate workflows and streamline the procurement process in order to make the procurement more efficient.
- It is recommended if PPS advertises tender opportunities adequately and select an appropriate alternative method of procurement as provided in FPPPA's procurement manual.
- It is recommended if PPS use a strong controlling mechanism to create strong relationship with suppliers and ensure effectiveness and efficiency in the delivery of purchased goods to public bodies.

5.4 Further Research Directions

This study only involved experts and team leaders who are involved in procurement activities at PPS. In order to increase its generalizability and implication, further studies

involving higher officials of PPS and other actors of public procurement is recommended.

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Appendix: Questionnaire for research participants

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE
MA IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

Dear Sir/Madam,

I am carrying out academic research for the partial fulfillment of Masters of Arts in Logistics and Supply Chain Management at Addis Ababa University, School of Commerce. The research is on “Assessment of Public Procurement Performance and Challenges: The Case of FDRE Public Procurement Service”

The questionnaire is issued purely for academic purpose, and your genuine response is crucial for the betterment of the study. All the information you provide will remain strictly confidential and will be used for the intended purpose only.

Thank you in advance for your invaluable time devoted for responding the questionnaire.

With best regards,

Elias Waleligne.

+251988754124 / elawaleligne@gmail.com

Section Two: Closed-ended Questionnaire

This section is aimed to assess how effectively procurement procedures are practiced and related concepts. Please tick (✓) the box which you think is fitting to the procurement practice at PPS.

No.	Statement	To a very small extent	To a small extent	To a moderate extent	To a large extent	To a very large extent
1	Procurement needs for common user items are presented annually from public bodies					
2	Public bodies present procurement needs with clear product specification					
3	Public bodies' needs do not involve items which have no strategical value to them					
4	There is a mechanism to control the public body need cannot be met by resources available in the public					

	body's store					
5	Plans for purchase are prepared using a standard framework.					
6	Top management of the organization participates in procurement planning					
7	PPS has a proper and clear communication line between experts and higher officials					
8	Costs are estimated based on proper information from the current market data					
9	Procurement plans are prepared and completed on time					
10	Urgency work program creates a challenge in procurement planning					
11	Approved procurement plans are communicated to public bodies					

12	The organization is adequately staffed					
13	You have been provided with the necessary procurement trainings					
14	The organization is equipped with the necessary facilities					
15	Specifications are prepared using information from a specified source.					
16	Specifications are prepared clearly, precisely and accurately					
17	The procurement method is selected based on the nature of goods and services to be procured					
18	open bidding is used as the preferred method for procuring goods and services					
19	Use of alternative					

	procurement method is justified					
20	Tender opportunities are advertised adequately					
21	Supplier's obligations are specified under a contract					
22	Tenders are awarded timely within the proper timeframe.					
23	Contracts are adequately managed and contract adjustments are made regularly					
24	There is a strong monitoring mechanism to ensure works are completed on schedule and goods are supplied with the desired quality					

Section 3: Interview and Open-ended questionnaire

1. How often do public bodies sent their procurement requirement to PPS?
2. Do public bodies timely submit the procurement requirements of common user items?
And the required specification for their procurement request?
3. Does your organization circulate approved consolidated procurement plan to public bodies?
4. What type of procurement related trainings are provided by your organization?
5. Does PPS have the right quantity of workforce to effectively discharge its responsibilities?
6. What are the major procurement challenges faced by PPS while providing procurement service to public bodies?
7. What are the causes for the procurement challenges?