

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**



**EVALUATION OF PROCUREMENT PROCESS THE CASE OF  
ADDIS ABABA WATER AND SEWERAGE AUTHORITY**

A Thesis Presented in Partial Fulfillment of the Requirements for the Degree  
Master of Arts in Public Management and Policy

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ADDIS ABABA WATER AND SEWERAGE AUTHORITY**

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS  
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## **Abstract**

*Procurement is a means by which an organization acquire good and services in a scientific manner. More than two third of the organization annual budget is spend through procurement. Every activity of the organization, either service or goods provider, is highly attached with the procured product. Thus, failure of the procurement unit has a direct impact on the failure of all other department. This study focused on the evaluation of procurement process at Addis Ababa Water and Sewerage Authority. The purpose of the study was to assess the performance of procurement department, the satisfaction of the user department, the challenges faced by the procurement department and the adverse effect of the perception towards the department. For the accomplishment of this, the study was employed through descriptive design in whom the selection of respondents is carried out by using purposive sampling technique. 44 employees are considered as a sample unit. Furthermore, exclusive interview has made with the procurement support team leader and the procurement officer, who has more than 13 years of experience. Both primary and secondary data are used. The major finding indicates that, the performance of the procurement department is found in unsatisfactory level. The department work flow is too long and bureaucratic nature which is not flexible for new idea. Even though straggling to avoid rent seeker is admirable, most of the time the adverse effect has forgotten. The department is not fully authorized to make decision in every procurement step and method. Besides, the qualification of the staff and training held is not well enough to fill the gap. The negotiation, specification and contract management is too deprived, though they are highly important. Moreover, there is no any classification of inventory and vendor to make the procurement process more prolific.*

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## **List of Abbreviations**

AAUCC	Addis Ababa University Commercial College
AAWSA	Addis Ababa Water and Sewerage Authority
FEAC	Federal Ethics anti-corruption commission
GOFAMM	Government Owned Fixed Assets Management Manual
GTP	Growth and Transformation Plan
HRC	Human Right Commission
Mofed	Ministry of Finance and Economic Development
5R's	The right quality, The right quantity, The right place, The right price and The right time
3E's	Economy, Efficiency and Effectiveness
PDO	Project Development Objective
PPA	Public Procurement and Property Administration Authority
PSM	Procurement and Supplies Management
NAPM	National Association of Purchasing Management
SBD	Standard Bidding Document
TOR	Terms of Reference
TQM	Total Quality Management
WB	World Bank

## **Chapter one**

### **Introduction**

#### **1.1 Background of the study**

Public procurement is one of the subdivisions in the public organization with high expenditure outlet. It is also highly important input for many organizations to provide their service to their ultimate customer. According to World Bank (2011 pp 7) Procurement has a major impact on Development as, resources are mostly used to procure goods, works or services critical to the achievement of the project development objectives (PDOs), Public procurement represents 10 to 20% of the GDP of a country and Opportunities for fraud & corruption affect the achievement of the PDOs. Thus, proper management of public procurement means utilizing significant amount of resources appropriately and achieves the organization goal easily. Public procurement in Ethiopia is a recent phenomenon. As per Tesfahun (2011, pp1) referring the Ethiopian Procurement and Property Administration Agency, public procurement in Ethiopia has started in 1940 E.C and it was established to procure military equipment and supplies for soldiers. On the other hand the Ethiopian Procurement and Property Administration Agency Report (2011, pp15) 64% of many public origination's budget goes to procuring public goods and services. According to the researcher preliminary survey, most public origination's procurement unit is criticized by the stakeholder including the Media. Conversely, a number of procurement staff did not accept the complain raise by other unit rather most of them complain on the procurement process. The Ethiopian government is working to make the procurement process more effective and efficient, though it is not as productive as it is expected. According to the Federal Negarit Gazeta (2005 pp 2954) the government has established the Public Procurement Agency with main objective of ensuring the application of fair, competitive, transparent, non-discriminatory and value for money procurement. As well, World Bank (2011 pp 16)

elaborate the basic principles of the Bank Procurement as economy, efficiency transparency, fairness and development national industry. The Addis Ababa Water and Sewerage Authority is one of the Public Origination under the City Administration engaged in water production and sewerage disposal. The authority procurement unit is organized under the support process unit to supply the requested material to the user department. Proper designed procurement system allows the procurement unit to acquire the goods at the right time, price, source, quality and quantity. The user department will also step forward their activity for the achievement of the organizational goal without any interruption as they are acquiring the requested material. Thus, in this study the researcher tires to evaluate the procurement process at the Addis Ababa Water and Sewerage Authority. It also tries to assess the performance of the procurement unit, procurement method, and the adverse effect of the regulation.

## 1.2 Statement of the problem

It is well known that procurement and payroll unit of every organization spent significant portion from the total organization's annual budget. According to <http://www.mofed.gov.et/English/NewsandUpdates> since more than 65 percent of the country's annual budget, that is currently over 5 billion USD, is spent through procurement, the government of Ethiopia believes that an effective functioning of public resource management system in the areas of procurement and financial management is important and central for the success of the GTP. As well, since material is a life blood of every organization, purchasing takes significant accountability for the right flow of material. However, due to the incompetent process, a number of troubles happen in the area of procurement especially, the integrity of the professional, the quality of the procured items, the competence of the professional, the policy and procedure of procurement, the purchase contract and after sells service. Besides, public procurement is one the exposed area for corruption in alliance with Land distribution and administration, the Customs Administration and private to private business Ethiopia, Country Procurement Assessment Report by World Bank (2002pp 10). Likewise, many stakeholders complain on the process of the public procurement. The preliminary investigation revealed that, there are various instances of items purchased don't match with items requested (wrong quality) and a number of procured items are found in the stockyard of many public organizations with small or no service year. Conversely, the many procurement officers do not think that they are not the primary decision maker for the procured items and stakeholders misperceive them wrongly.

The Addis Ababa Water and Sewerage Authority is one of the public origination with many complaints on the procurement unit. The Addis Ababa Water and Sewerage Authority (AAWSA) mobilize significant portion of the annual budget and identifying the problem of the procurement will help the authority to save significant portion of the its annual budget and helps to serve the public in efficient and effective manner.

Therefore, its due to this gap & fact that the researcher had to carry on such kind of research through: investigating the current procurement process based on pre-procurement and post procurement so that the researcher can avail conclusion and recommendations for future proper usage of resource for achievement of the authority goal and dependable procurement process.

## **1.2 Objective of the Study**

### **1.3 .1 General objective**

The broad aim of the study was assessment of public procurement in the case of Addis Ababa Water and Sewerage Authority.

#### **1.3.2 Specific Objective**

- To assess the procurement policy and strategy and its appropriateness
- To identify the stakeholder in the procurement process with their power and responsibility in making step by step decision
- Determining the competency of the procurement staff and the department workflow proficiency
- To measure the performance of the department in relation with procuring the right quality, quantity, time, source, and price
- Examining the procurement methods in relation with the practical situation
- To examine the contract, specification, negotiation and their effectiveness
- To assess the procurement process, ethical standard, control and the perception of the stakeholder towards the procurement unit.

#### **1.4 Research Questions**

To guide the study, the following research questions were formulated and addressed on the study

1. What is the procurement policy and strategy and how it is developed?
2. Who is proactively involved in the procurement process and what is their duty?
3. Are the procurement staffs and the adopted process competent to administer the procurement?
4. How the user department perceives the procurement department based on the 5R's?
5. Is the procurement methods designed as per the science and practical situation?
6. How is the department administering the specification, negotiation, and contract management?
7. What are the ethical standard, internal control, and perception of the stakeholder towards the department?

### **1.5 Significance of the study**

Result of the study provides evidence concerning which aspects public procurement activity is unsound and how it will be going to improve. It is known the public procurement is the major spot of sending government budget, it demands substantial and exhaustive effort to use the country's budget economically and reasonably. The flow of material in every organization is just like blood in the living organism. Its negative impact immediately discontinues the operational activity. This research also provides how the procurement unit makes the flow of material more effective.

On the other hand, the significance of the study would be its contribution of reducing the knowledge gap in the area of public procurement of the Addis Ababa Water and Sewerage Authority through how the public procurement training might be held and in what manner.

The study further tries to build effective and efficient process of the public procurement by analyzing the current progression in relation with the practical and scientific

approach. As well, Addis Ababa Water and Sewerage authority could use findings and recommendations of the study as a feedback to improve the procurement support process unit. Furthermore, this study could potentially be used as the foundation for future research.

### **1.6 Operational definition of variables**

For the purpose of this study, the following terms were operationally defined:

**Procurement:** is a wider term than purchasing, which implies the acquisition of goods /service in return for a monetary or equivalent payment. Procurement however is the process of obtaining goods/in any way, including borrowing leasing and even force or pillage.

**Efficiency:** The best public procurement is simple and swift, that meets the public body's need as planned, producing positive results immediately. In addition, efficiency implies practically, especially in terms of compatibility with the administrative resources, organizational capabilities public pro of the purchasing entity and its procurement personnel with planned /envisaged type and volume of procurements.

**Effectiveness:** Effectiveness means the extent to which the entity is able to procure goods, works and services of quality. In a timely and most economical manner.

**Economy:** to give the public body best value for money. Value implies right price right quality, right time, right place, and right quantity

**Bid:** means a method in the procurement process extending from advertisement of or invitation to bid up to signing of contract.

**Procedure:** specified way to carry out an activity or a purpose.

**Quality:** an item which fulfill the need of the user department.

**Supplier/Vendor:** an organization that provide a product.

### **1.8 Scope and limitations of the Research**

The scope of this study was limited to Addis Ababa Water and Sewerage Authority procurement support unit and who are agreed to participate in this research. Both the Head office and branches at the Sub city level are included. Even though most of the foreign and local procurement procedures are the same except the LC process, the research highly focus on the local procurement process, especially goods and services. The target population for this study was limited to the senior manager, procurement Officer, Accountant, Store person and selected user department. The study hold at AAWSA may or may not yield results representative of all public procurement around the country since the sample for this study was obtained only from the AAWSA and generality of the results may not be reserved. Moreover, there was absence of detailed data resulted in reporting and internal auditing of the department activity. In addition, the research does not include the supplier and MoFED's staff response regarding the procurement process. Furthermore, the participant in this study might respond to all or partial items on the survey dishonestly.

Thus, any conclusions of the study emanating from the research finding needs emanating from the research finding needs to be interpreted with some caveat due to the limitations of the study.

### **1.9 Organization of the paper**

The report of this research was organized as follows:

The paper is organized within five chapters, excluding the pre-pages and annexes. Chapter one describes the background, problems, objectives and methodology of the study. To aid in the attainment of the objectives of the study, a survey of the available literature that was undertaken are presented in Chapter two. The chapter therefore

provides the theoretical grounding that forms the foundation of the study, concerning the process of public procurement. Chapter three provided discussion of the research methodology used to investigate the research problem. Chapter four presents the results of the data from the research study. Finally, chapter five concludes and recommends based on the analysis, findings, interpretation and implications.

## **Chapter two**

### **Review of related literature**

#### **2.1 Procurement**

According Lysons and Farrington (2006, PP.8-9), defined purchasing as the processes undertaken by the organization unit that, either as a function or as part of an integrated supply chain, is responsible for procuring or assisting users to procure, in the most efficient manner, required supplies at the right time, quality, quantity and price and the management of suppliers, thereby contributing to the competitive advantage of the enterprise and the achievement of its corporate strategy. Alternatively, Quayle (2006, PP 2) further defined by quoting Compton and Jessop as the obtaining by various means (loan, transfer, hire purchase) of supplies and services with or without consideration

From the entire definition listed above, it is possible to conclude that procurement entail that it is a process and parts of the supplies management process works to bring effective and efficient management of resource, engaged in acquisition of materials and services by various means, the acquisitions are based on the right manner (time, quality, quantity, price...) and developing its own strategy that relates to the corporate strategy.

Sometimes procurement and purchasing considered as similar term with analogous duties and responsibilities. Even though the two terms have similar explanation, there are matters that makes distinct. According to Quayle (2006, PP:3) the term purchasing and procurement are often used interchangeably; however, there might be a distinction in that purchasing is more concerned with establishing and managing a commercial relationship, whereas procurement is also concerned with the more physical material or service delivery control aspects after the contract has been let or the order placed. On the other hand Lysons and Farrington (2006, PP.6), procurement is a wider term than purchasing, which implies the acquisition of goods or services in return for a monetary

or equivalent payment. Procurement, however, is the process of obtaining goods or services in any way, including borrowing leasing and even force or pillage.

## **2.2 Public procurement**

Public procurement is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public entity. The public procurement process spans the whole life cycle from initial conception and definition of the needs through to the end of the useful life of an asset or the end of a contract. The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 6). Then again, Baily and et al (2005, PP 343) identified proposals for the public [procurement] sector includes

- Seeking to develop world class professional procurement staff
- Seeking to introduce best practice in terms of whole-life cost savings
- Highest standard benchmarking
- Co-operative relationship with contractors and supplies within the constraints of competition
- The promotion of continuous improvement (Kaizen)

General principles of government procurement,

1. Purchasing should be based on value for money
2. Competition should be used to acquire goods and services (unless there are convincing reasons to the contrary)
3. There should be clear definition of the roles and responsibilities of personnel involved in specifying the need, giving financial authority and making purchasing commitments

4. There should be separation of the financial authority and the purchasing authority.
5. There should be separation of duties between personnel who make contracts, those who receive the goods or services and those who authorize payments.
6. Requirement which are above a certain financial threshold are normally required to be advertised in accordance with [government] regulation on public procurement. Baily and et al (2005, PP 343-344)

### **2.3 Professionalism in public procurement.**

Professionalization is associated with the development of associations that seeks to establish minimum qualification for entrance to a professional practice or activities, enforce appropriate rules and norms of conduct among the members of the professional group and raise the status of the professional group in the wider society Lysons and Farrington (2006, PP: 23). In order to ensure public accountability, yet to gain optimum impact through the use of commercial best practice, there is a need for professional training and education of those personnel responsible for the strategic direction and practical application of procurement action.

### **2.4 Strategic aspects of purchasing**

The strategy of every organization is a derivative its department strategy in a consolidated manner. Even though the corporate strategy may depend on the primary function of the organization, each unit has its own contribution to the corporate strategy. As per Quayle (2006, PP: 26) it is important that the plan shows a coherent competitive strategy on which the detailed plans for each function can be used. As per Baily and et al (2005, PP 32) some of the main reason for the growth in purchasing involvement in the strategic decision-making are as follows,

- Purchasing is seen as an area of adding value, not simply reducing costs.

- Awareness that active supplier involvement can increase efficiency.
- Increased recognition of profit potential in purchasing.

Similarly Quayle (2006, PP: 26) states the for the development of the strategic perspective of purchasing are, rising prices and the need to control inflation, the need to control investment in inventory more effectively, shortage of materials, and growing scarcity of some key materials.

Thus, based on the facts and points stated above, procurement unit has a considerable impact on the corporate strategy and failure of the procurement unit strategy has great negative impact on the corporate strategy.

Quayle (2006, PP: 26) elaborate the dimension of purchasing strategy as

**The development of New Materials and Equipment:** there are two reasons why buyer should be concerned with identifying and helping supplies to develop new materials and equipment. First innovations are an important source of cost saving and of improvement in performance. Second, the substitution of new material and equipment for products bought previous occasions can overcome anticipated shortages and adverse price movement

**The development of supply capacity:** changes in supply condition and changes in expected demand for materials may create a gap between existing capacity and the volume required. Buyers, therefore, need to take steps to increase supplies in line with the corporate plan. This may be done either by arranging for existing suppliers, expand their facilities or by developing new supplier.

**Price strategies and the structure of supply market:** an audit of existing supply market structure may show that they buying company may be in an unfavorable position. Monopoly and Oligopoly situations could restrict competition and thus weaken the power of the buyer as regards choice of suppliers and the negotiation of prices.

**Elements of supplier partnership:** to compete successfully in world markets, you need to be better than the competition and source suppliers who can both add value and reduce cost. Partnership sourcing is where a buyer and supplier develop such a close and long-term relationship that the two work together as partners in a win-win arrangement.

## **2.5 Purchasing Policy**

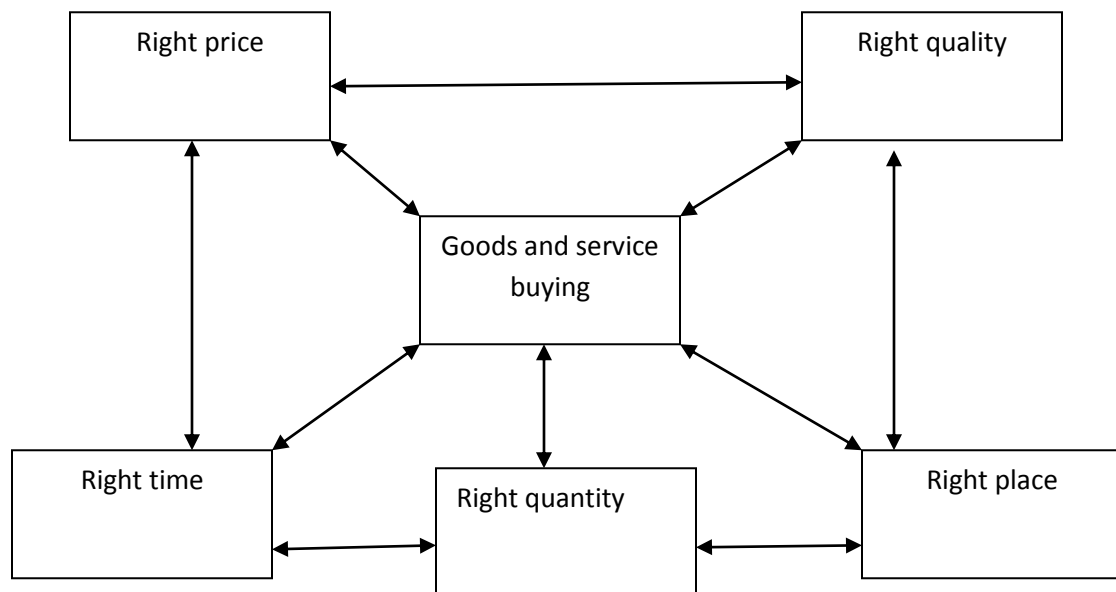
Policy is a body of principle, expressed or implied, laid down to direct an enterprise towards its objective and guide executives in decision making. Policies are mandatory and must be adhered to by all people and activities throughout the organization. Lysons and Farrington (2006, PP: 23). As of other departments and the organization in general, the purchasing department should develop its own sound purchasing policy to achieve both the departments and the organization objective.

According to Quayle (2006, PP: 50) Policies regarding the reciprocal trade, intercompany, and purchasing ethics should be established as part of the plan for purchasing management. Allied to selecting the policies, the structure of the purchasing function, centralize or decentralize activity and interface with material management, sourcing policy are all relevant to effective purchasing and supply chain management. Reciprocity involves a two way flow of trade between companies so that each is both a seller and buyer. [...] the growth of multiproduct companies has increased the opportunities for internal trading between different parts of the same company. A policy decision is needed to state how such possibilities should be handled. There has been tendency in the past for arbitrary policies to be established giving preference to internal sources and thus restricting the choice of the buyer

The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 44) states that any public body and other entities

accountable to such public body shall be required to prepare a procurement plan supported by action plan enabling them to execute in due time, the procurement necessary to implement their work program. [...]This plan shall be updated on an annual basis and in a rational manner having regard to expected flow of funds. The Procurement Plan shall be incorporated into the Project Performance of the capital project.

Generally, Quayle (2006, PP: 52) states that the buyer must also remember the following five rights of purchasing. If [the purchasing policy maker] do



## 2.6 PROCUREMENT METHODS

The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 47) by quoting **Proclamation Article 33**: list the following methods of procurement

The following methods of procurement shall be used in public procurement:

- Bidding (tendering)
- Request for Quotations
- Request for Proposals

- Restricted Bidding
- Direct Procurement

The Federal NegaritGazeta (2005, pp 2963) states that except as otherwise provided in this Proclamation, the procuring entity shall use open bidding as the preferred procedure of procurement. Even though it is common that each method has its own advantage and drawback, the Ethiopian government prefers the bid way of purchasing especially; open bidding way to perceive the advantage gained by such method.

### **2.6.1 Bidding (Tendering)**

According to Lysons and Farrington (2006, PP: 576) a purchasing procedure whereby potential suppliers are invited to make a firm and unequivocal offer of the price and terms on which they will supply specified goods or services, which, on acceptance, shall be the basis of a subsequent contract. Alternatively, Lewis (2005, pp 1) elaborate as a formal written offer to undertake work or provide services for a stated price is called tender

#### **Types of bid**

According to Lysons and Farrington (2006, PP: 576) tender are alienated in to five ways:

**Open Tender:** Prospective supplier are invited to compete for a contract advertised in the press or on the internet-the lowest tender generally being accepted, although the advertisers usually state that they are not bound to accept the lowest or any tender. Similarly the Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 41) states that all interested firms bidders are given adequate notification of contract requirements and all eligible bidders are given an equal opportunity to submit a tender. The public body must give sufficient public notification of bidding opportunities to potential bidders to determine their interest and prepare bid documents

**Selective Tender:** Tenders invited from supplier on an approved list that have been previously vetted regarding their competence and financial standing.

**Serial Tenders:** Prospective suppliers are requested on either an open or a selective basis tender for an initial scheme on the basis that, subject to satisfactory performance and unforeseen financial contingencies, a program of work will be given to the successful contractor, the rates and prices for the first job being the basis for the rest program.

**Negotiated tender:** a tender is negotiated with only one supplier so that competition is eliminated. This type of contract is usual. In case of local authority, it would require the waiving of standard order.

Thus, generally the Ethiopian government adopts only the two methods of tendering; open and restricted Tendering.

### **Two stage bidding**

According to public body may use Two-Stage Bidding Method for the procurement of large or complex contracts. In the First-Stage, a public body shall invite through advertisement unpriced technical proposals on the basis of Bidding Documents which shall state the requirements of the public body in general terms and incorporate the necessary description and questionnaires and outline a conceptual design and/or specific performance requirements. A conceptual design would focus mainly upon the presentation of a functional design that provides potential bidders with basic technical information, e.g. stipulated performance specifications, outline technical specifications, visual, operational and economic details of the required procurement object.

#### **2.6.2 Request for quotation**

The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 73) a public body may undertake procurement by

means of a Request for Quotations (RFQ) for the purchase of readily available, standard, off-the-shelf goods and related services and low value simple works or physical services, provided the estimated value of the contract does not exceed the amount

For works -----br 250,000

For goods-----br 100,000

For consultancy-----br 60,000

For services-----br 75,000

The public body shall request quotations from as many Bidders as practicable and shall obtain and compare at least three (3) quotations to establish the competitiveness of the quoted prices. Comparison of two (2) quotations is justified only when there is satisfactory evidence that there are only two sources of supply.

### **2.6.3 Request for proposal.**

The Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 79) A Request for Proposals (RFP) shall be used by public bodies for procurement of consultancy services. Consultancy services mean a service of an intellectual and advisory nature provided by consultants using their professional skills to study, design, and organize specific projects, advice clients, conduct training and transfer knowledge.

### **2.6.4 Restricted bidding**

Prospective suppliers are invited to compete for a contract that advertising of which are restricted to appropriate technical journals or local newspapers. Likewise the Federal Democratic Republic of Ethiopia, Public Procurement and Property Administration Agency (2011, PP: 43) the total contract value of Procurement made by restricted bidding, in accordance with Article 49.2 of the Proclamation shall not exceed the following:

1. for procurement of works Birr 2,000,000.00;
2. for procurement of goods Birr 500,000.00;

3. for procurement of consultancy services Birr 300,000.00;
4. for procurement of services Birr 400,000.00.

### **2.6.5 Direct procurement**

The public body shall, in the first place, ask for a quotation from a single bidder directly and afterwards shall be free to negotiate with the selected sole bidder. There is no requirement for Direct Procurement to be advertised, nor is there a need for a bid security.

### **2.7 Single versus Multiple Sources**

According to Benton (2007, pp 150-151) the main argument for multiple source are competition and ensure supply. It is commonly believed that competition between suppliers for a similar part will drive costs lower as suppliers compete against each other. [Conversely] the major arguments in favor of single sourcing are that with the certainty of large volumes the supplier can enjoy lower costs per unit and increased cooperation and communication to produce win-win relationship between the buyer and seller.

Then again, Fearon and England (1992 pp 257) discussed how the purchasing unit relay with a single source by enumerating

1. Prior commitment, a successful past relationship, or an ongoing long term contract with a preferred vendor might prevent even the possibility of splitting the order.
2. The supplier may be the exclusive owner of certain essential patent or process and, therefore be the only possible source.
3. Concentrating purchase may make possible certain discounts or lower freight rates that could not be had otherwise.
4. When all orders are placed with one supplier, deliveries may be more easily scheduled.
5. Effective supplier management may require considerable resources and time.

## **2.8 Make or Buy decisions**

According to Peter Baily and et al (2005, pp 256) some exigency is the usual reason for review, and some common reasons for make or buys decision at the lower level are:

- Deterioration in an existing supplier's quality performance
- Delivery failure or poor service in an existing source
- Large price increase
- Volume change; much larger or smaller quantity requirement for items concerned.
- Pressure to reduce costs
- Desire to concentrate internal resources on areas of special competence.
- Need for design secrecy.
- Import substitution

Then again, Dobler Lee and Burt (1998, pp150) the make or buy issue should be addressed for all new items which can be either purchased or produced in house. Every job release and every purchase request implies a decision to make or to buy. Purchasing and supply management plays a key role in the make or buy process by providing information on the cost, quality, and availability of items.

## **2.9 Classification of purchasing goods**

According to Rushton, Croucher and Baker (2006 pp244) Products need to be classified according to their criticality to the business and the value of annual purchase. The four categories usually used are routine purchases, commodities, critical items and strategic times [...] strategic item is one that is both very critical to the business and has a high annual purchase value. Routine purchase is one that has low annual purchase value and is not critical to the business.

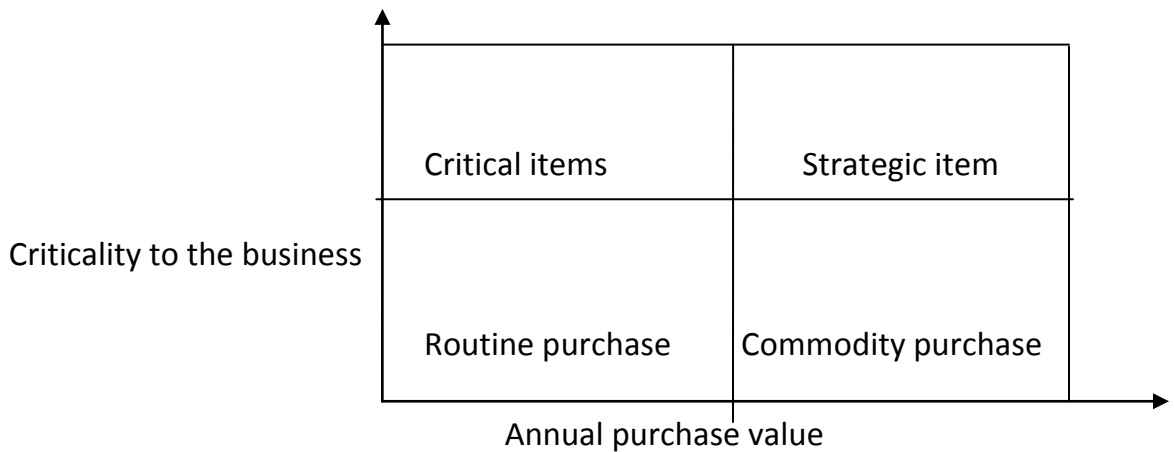


Fig 1 purchase categorization

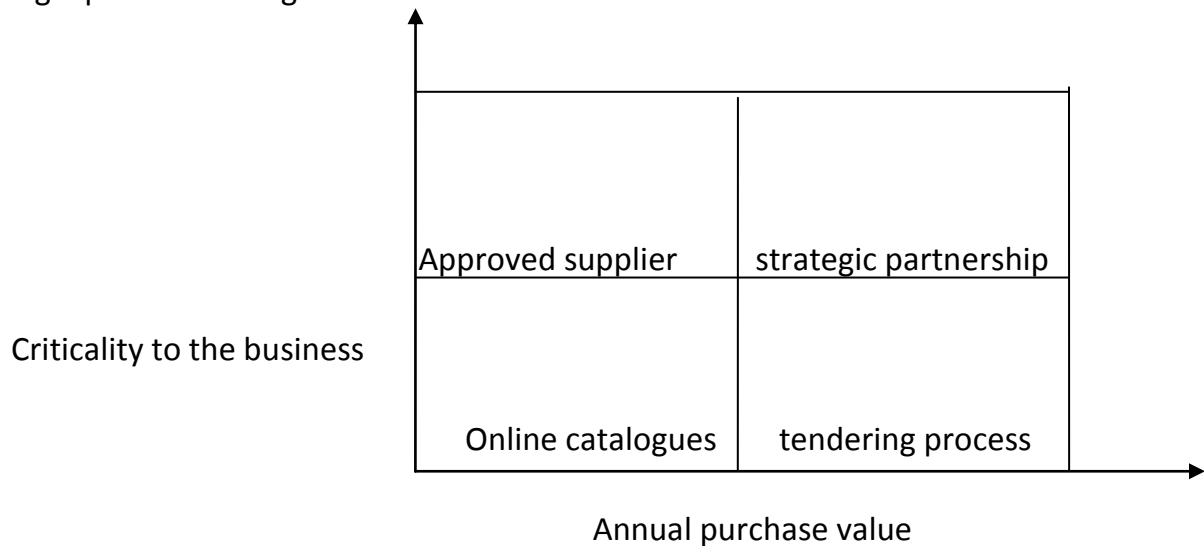


Fig 2 supplier categorization

Source: Rushton, Croucher and Baker (2006, pp244)

Fig 1 shows how the appropriate buying process may be matched with the purchase categorization described in fig 2. Online catalogues available to employee will allow them to purchase routine items quickly and easily. This speed up the process and limits

the cost of these transaction. The tendering process for high annual purchase value commodities will be appropriate where obtaining the best price is important. A network of approved suppliers and a formal system for approving suppliers are most appropriate where items are critical to the business but have a low annual purchase value. Strategic partnership will be most appropriate where the purchase has high annual value and is critical to the business. It is the interest of both purchaser and vendor to develop a strong working relationship.

### **2.10 Purchasing of capital goods**

According to Peter Baily and et al (2005, pp 302) Buying capital goods, such as building, plant and machinery, and computers, differs in several ways from purchase of non-capital goods. Unlike merchandise production materials or office supplies, capital goods are not bought for current needs, to be used up in a short time, but are bought for long-term requirements, to be used for the production of goods or services. Capital goods have, as a rule of thumb, working lives greater than one year.

Alternatively, Dobler and Burt (1998, ppm 386\_387) difference in procurement of capital equipment

**Nonrecurring purchase:** the purchase of a particular piece of capital equipment typically occurs only once every three to five years or so.

**Nature and size of expenditure:** an expenditure of company funds for capital equipment is an investment. If purchased wisely and operated efficiently, capital equipment generates profit for its owner. Because it exerts a direct influence on the cost of production, the selection of major capital equipment is a matter of significant concern to top management.

**Consideration in source selection** when selection of capital equipment, selection of supplier is governed largely by four general consideration(1) operation characteristics of

the equipment, (2) engineering features of the equipment, including compatibility with existing equipment (3) total economic analysis and (4) various qualitative considerations.

**Joint selection of equipment:** it should be clear that final selection of capital equipment should be a joint undertaking by all departments having a legitimate interest in the decision.

**Life cycle analysis:** the price of anything that one buys is important. But in the case of capital equipment, it is usually less important than the sum of all the follow on costs that eventually accompany the purchase.

Thus, purchasing of capital items need more attention and scientific procedure to achieve the purchasing objective and to have the best value of money.

Similarly, Lysons and Farrington (2006, PP: 480) elaborate the following main points during capital goods

- Capital purchase is more likely to be bought centrally than products of relatively continuous consumption, such as materials and components parts.
- Purchasing decision relating to capital items will be made by a buying center, with the ultimate user, such as the production manager in the case of machinery, playing a dominant role
- The greater the technical nature and complexity of an item, the greater the influence of technical staff in the buying decision.

**Procurement of Used equipment:-**As per Fearon and England (1992 pp 557\_558) Generally the same rules of evaluation apply [for used items] as in the case of new equipment [...] many buyers would say that they are more important with used equipment than new and that their value may be greater than any differential in price.

## Reasons for buying Used Equipment

1. When price important either because the differential between new and used is vital or the buyer's funds are low
2. For use in a pilot or experimental plant
3. For use with a special or temporary order over which the entire cost will be amortized
4. Where the machine will be idle a substantial amount of time.
5. For use of apprentice
6. For fast delivery when time is essential.
7. When labor cost is unduly high

Conversely, Dobler Lee and Burt (1998, pp 386\_387) elaborate the following cautions in purchasing used equipment. It is difficult to determine the true condition of a used machine and to estimate the type and length of service it will provide. [...] moreover, it is virtually essential to enlist the cooperation of an experienced production or maintenance specialist in appraising used equipment. It is always sound practice to check the reputation of a used equipment supplier and to shop around, inspecting several machines before making a purchase.

### **2.11 Specification**

Specifications must be distinguished from standard and code of practice. According to Lysons and Farrington (2006, PP: 274) Specification defined in three statements as it is a statement of the attributes of product or service, a statement of requirements and a statement of needs to be satisfied by the procurement of external resources. A standard is a specification intended for recurrent use. Standard differ from specifications in that, while every standard is a specification, not every specification is a standard. Codes of practice are less specific than formal standards and provide guidance on the best

accepted practice in relation to engineering and construction and for operation such as installation, maintenance and service provision.

On the other hand Dobler Lee and Burt (1998, pp 181) elaborate how standardization reduce costs as the use of standards permits a firm to purchase fewer items, in larger quantities and at lower prices. Thus, fewer items are processed and stocked. This reduces purchasing, receiving, inspection and payment cost. Stocking fewer items makes controlling inventories easier and less costly. [...] Consequently, the purchase of standardize materials saves money in four ways: lower price, lower processing costs, lower inventory, carrying cost, and fewer quality problems. Conversely, the use of non-standard items, commonly referred to as “specials” almost always assures a firm of higher total acquisition and carrying cost.

Baily and et al (2005, pp 116) articulate two approaches to specification: performance and conformance. Performance specification is that a clear indication of the purpose, function, application and performance expected of the supplied material or service is communicated, and the supplier is allowed or encouraged to provide an appropriate product. Conformance specifications are where the buying organization lays down clear and unambiguous requirements that must be met. The specification is of the product, not the application. Specification is also used as one means of comparison. As per Chopra and Meindl (2005 pp 37) for many firms, prices are traditionally been the dimension that supplier have been compared on. There are many other supplier characteristics such as specification.

### **Sources of specification data**

According to Fearon and England (1992 pp 138) There are three major sources from which specifications may be derived

1. Individual standards: it require extensive consultation among users, engineering, purchasing, quality control, suppliers, marketing, and possibly, ultimate consumers. This means the task is likely to be arduous and expensive.
2. Standard specifications: these have been developed as a result of a great deal of experience and study by both governmental and non-governmental agencies, and substantial effort has been expended in promoting them.
3. Governmental standard: [it is just] to be sure that product purchased meet government requirement.

## **2.12 Total quality management**

As per Dobler Lee and Burt (1998, pp 452) it is a management approach to an organization centered on quality, based on the participation of all its member and aiming at long-term success through customer satisfaction, and benefits to the members of the organization and to the society. The key element that appear to be common to most definitions are

- The notion that quality is everybody responsibility
- The commitment and active participation of all individuals in the organization
- Continuous improvement of quality
- Satisfaction of customer.

Similarly Lysons and Farrington (2006, PP: 269) define total quality management as an integrative management concept of continually improving the quality of delivered goods and services through the participation of all levels and functions of the organization.

Additionally, Lysons and Farrington (2006, PP: 273) state the following advantage and criticism of TQM

Benefits of TQM

- ✓ Improve customer satisfaction
- ✓ Enhance quality of goods and services
- ✓ Improve productivity
- ✓ Better utilization of human resource

#### Criticisms of TQM

- That it create a cumbersome bureaucracy of councils, committees and documentation relating to quality
- That it delegates the determination of quality to quality to expert because TQM is a complicated entity beyond the comprehension of the average employee

#### **2.13 Evaluation of potential source**

Fearon and England (1992 pp 141) elaborate how to evaluate the source in the evaluation of potential source attempt to answer two key questions

1. Is this vendor capable of supplying the purchaser's requirements satisfactorily in both the short and long term?
2. Is this vendor motivate to supply these requirements in the way that purchaser expects in the short and long term?

The first question can be largely answered on a technical basis. The second probes the human side. On the other hand Baily and et al (2005, pp 116) supplier can be assessed with the following parameter

**Past performance:** - it is used for supplier selection when items are bought in large quantities form several supplies. [...]Buyers use this information not only to give more business to better suppliers, and to phase out inadequate suppliers, but also to urge weak suppliers to improve their performance

**Reputation:** - experienced buyers build up a lot of market knowledge, which they add to by talking to colleagues, sales representatives and buyers in other organization.

**Visit and appraisal:** - it involves a visit to the supplier in order to make an assessment of quality capability. [...] quality control staff, purchasing staff or an interdepartmental team may take the visit

**Third party certification:** -Third party certification is the term used for visit and appraisals made by some independent body-neither the first party, or buyer, nor the second party, or seller- the results of which are then published or made available to clients or subscribers in the form of a certificate of quality assessment.

**Evaluation of sample product:** -it is the delivery of satisfactory goods by the supplier and their acceptance by the customer, thus completing the transaction once payment has been made.

## **2.14 Negotiation**

Negotiation is an occasion where one or more representatives of two or more parties interact in an explicit attempt to reach a jointly acceptable position on one or more divisive issues about which they would like to agree Lysons and Farrington (2006, pp 548). Similarly, Dobler and Burt (1998, pp 358) list out the following common objectives of all procurement\sales negotiations

- To obtain the quality specified
- To obtain a fair and reasonable price
- To get the supplier to perform the contract on time

Conversely, The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011,

pp 94) negotiations shall include discussions of the TOR, the approach and methodology, organization and staffing, work plan and the public body's inputs. Special attention shall be paid to defining clearly the inputs and facilities offered by the public body. The negotiations shall not significantly alter the original TOR otherwise the integrity of the negotiations, the content and findings of the technical evaluation report, may be questioned.

### **2.15 Contract Administration**

According to Dobler Lee and Burt (1998, pp 427) purchasing must monitor supplier progress closely depends on the lead time, complexity and urgency of order. [...] at the time of purchase order or contract is awarded, the buyer should decide whether routine or special attention is appropriate. Similarly The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011, pp 108) 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.

As per Lysons and Farrington (2006, pp 211) to be legally enforceable, a contract must satisfy the following essentials;

**Intention:** - both parties must intend to enter into a legal relationship

**Agreement:** -in dispute, the court must be satisfied that the contracting parties had reached a firm agreement and were not still negotiating.

**Form:** - certain exceptional types of agreement are only valid if made in a particular way, such as in writing.

**Definite terms:** - there will be no contract if it is not possible to determine what has been agreed between the parties.

**Legality:-** some agreement, such as contracts to defraud [...] or immoral contract, such as agreement to fix prices or regulate supplies, while not illegal are void under the competition acts, unless the parties can prove to the restrictive practices court that their agreement is beneficial in the public interest.

Dobler Lee and Burt (1998, pp 427) Supplier is required by the terms of the contract to submit the phased production schedule for review and approval. A phased production schedule shows the time required to perform the production cycle- planning, designing, purchasing, tooling, plant rearrangement, component manufacture, and subassembly, final assembly, testing, and sipping.

It is usual for purchasing staff to know something of the general principles of interpretation and the rules of evidence, including how the courts will construe the words used, resolve ambiguities, take account of trade usages, vary written terms and 'fill in the gaps' with regards to issues not covered in the contract Lysons and Farrington (2006, pp 214). Additionally, Federal, Public Procurement Directive (2010, 99) public bodies have to ensure that the performance of a procurement contract is completed with the terms and conditions of such contract being complied with and other transactions incidental to such contract being finalized.

According to Dobler Lee and Burt (1998, pp 428) this can be control using Gantt chart, CPM and PERT. The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011, pp 122) Contract amendment may become necessary as a result of the application of price variations specified in the contract, the resolution of disputes, additional or reduced requirements by the public body, agreements to extend the time schedule, or

from accepted increases or decreases in prices. The contract may allow the public body to modify contract values by a pre-determined percentage when this is in the public interest and essential for the work of the public body.

### **2.16 E-procurement**

Lysons and Farrington(2006, pp 187) define E-procurement by referring, is using the internet to operate the transactional aspect of requisitioning, authorizing, ordering, receiving, and payment process for the required service or product. Additionally, Benton (2007, pp 136) state that [E-Procurement] will also lead to higher transactional accuracy and cost reduction for the entire supply chain. Rushton, Croucher and Baker (2006 pp 252) discussed the importance of E-procurement as

- Online auctions where pre-qualified bidders compete to win contracts or buy assets;
- Sending and receiving of documents such as purchase orders, bills of loading, RFQ invoices and delivery confirmations;
- The use of online catalogues.

### **2.17 Critical Review of Empirical Study**

Different researches have made in relation with public procurement. Even though the scopes of the research area are different, most of them focus on the effective and efficiency of the discipline.

Firstly, it is assessed the research made by Yirga Tesfahun, Public Procurement Reforms in Ethiopia: Policy and Institutional Challenges and prospect presented to AAU school of graduate public management and policy.

#### **Research problem**

After illustrating the importance of public procurement, which shares more than 60 percent of the total public spending, it hasn't been given due attention so far in the

country. Until recent years, overseeing public procurement has been the responsibility of a smaller department under the Ministry of Finance and Economic Development. In Ethiopia, the Auditor General, Human Rights Commission (HRC) Federal Ethics Anti-Corruption Commission (FEAC) and others are directly responsible to the House of People's Representatives. But huge responsibility on it and frequent allegations of corruption, discrimination and inefficiency, the Ethiopian public procurement has long been neglected and subordinated to the Ministry of Finance and Economic Development as if it is a very simple government function. Moreover, the procurement proclamation, directive and policy is not well addressed by the government.

Thus, the main idea of the statement of the research focus on the policy, reform and identifying the activity of the public procurement and property administration.

### **Research objectives**

The main objective of the research was giving a better insight about the challenges and prospects of the federal government public procurement system and assesses the nature and system of public procurement practices and the underlying factors that hinder public procurement activities in Ethiopia associated with the public procurement and property administration agency.

### **Conclusion**

The findings of the study suggest that procurement reforms, particularly in the area of procurement law and regulations, occur quietly but frequently. In addition some supporting documents were still on revision that organizations are working on the previous ones. SBDs are critical examples which are not revised according to the new proclamation. Corruption is also a serious obstacle to transparent and value-for-money procurement in Ethiopia and despite the efforts made by FEAC is evident that the current mechanism for monitoring corruption and the enforcement of anti-corruption measures are still weak

In this study even though the problem associated with the proclamation, directive and policy are well addressed, the practical applicability is not well addressed. Most of the initiatives are generic and cannot be representative to unique public organization. Besides, as procurement is highly exposed to corruption, the research focus on the horrific implication of corruption rather than the identifying the sources and the ways of managing such corruption.

Secondly, it is tried to assess the research made by Tewodros Mesfin, Evaluation of purchasing practice at Addis Ababa University College of Commerce.

### **Statement of the problem**

The research tries to disclose the importance of public procurement. However, the Addis Ababa university college of commerce purchasing department is doing well the procurement process.

The preliminary investigation on AAUCC revealed that, there are various instances of items purchased don't match with items requested (wrong quality); purchases are excessively delayed (wrong timing); the purchasing process takes too long resulting in additional cost due to inflation, suppliers stock out items, user department work hindered, items become obsolete and accessories will not be available anymore. Further it is becoming obstacle for the organizations goal attainment. Thus, the paper intends to clearly identify the causes of the inefficient purchasing, assess the consequences.

### **Objective of the Study**

The study aims at critically reviewing the purchasing procedure of AAUCC, assessing the variables that influence its efficiency and examine the implication of the prevalent purchasing practice on institutional performance.

### **Conclusion**

The management is not giving sufficient emphasis for the procurement. Firstly, the organization is not effectively communicating the principles of purchasing (5 rights) for the members has is for the purchasing function. Secondly, the organization is not

assigning qualified staff for the unit. Thirdly, the department is not establishing systematic ways of expediting and follows up of the purchasing Process. Finally, the department is not establishing long term mutually benefiting relationship with reliable suppliers. On the other hand purchase requisition forms are not properly designed; they do not have space for specification and also they don't have serial number so identifying a particular requisition is difficult. The purchasing process is very long and involves some unnecessary steps and parties

In this study, the performance of the purchasing unit has critically examined and the performance of the department is deprived at in purchasing with the right quality, quantity, price, source and time. As well, the procedure is with lots of decision maker, communication gap, poor record keeping and poor follow up. However, the research is highly focused on the department and did not focus on the senior management. Even though the limitation of staff skill is assessed by the research, the reason and what specific skill lacks are not properly addressed. Finally, it is not properly addressed the impact of the regulation and other department for the poor performance of the procurement unit.

It is very imperative to have the right contract management for the procurement unit because every purchase involves with offer, acceptance and performance of obligation. Fail to perform according to the convention makes the entire procurement step invaluable and the organization operation highly affected by the interruption of material flow. However, most organization did not give the right attention to purchasing contract management and there isn't adequate research in the area of procurement contract. Even though, the researcher tries to find out researches about purchasing contract management, there is no basically available research. According to Journal of procurement (2006) analyze the purchasing contract managing of American institution as follows;

TABLE 1 Contract Documentation Weaknesses of MAS multiple award schedules  
Contracts by Acquisition Center

Acquisition center	CONTRACTS REVIEWED	Contracts that did not meet pricing documentation requirements	Contracts with inadequate price analysis	Contracts that did not fully document price negotiations	Contracts that did not identify most favored customer price
Center for FMH	2	2	0	0	0
GPA	10	5	5	0	0
IT Center	10	8	5	7	4
MS CENTER	10	10	5	7	4
NF CENTER	10	2	9	9	4
OSASA center	10	1	0	0	1
SA center	10	1	0	0	1
Total	62	37	26	24	12

Legend: Center for FMH=Center for facilities Maintenance and Hardware; GPA center; General product Acquisition center IT Center = Information Technology Center; MS Center = Management Service Center; NF center National Furniture center; OSASA Center = Office Supplies and Administrative Services Acquisition center; SA center = Services Acquisition center.

Source: American Journal of procurement (2006)

From the above table, it is possible to understand that several procurement contract made by the American organization have different drawback. It is also possible to suggest that such drawback can happen for developing countries. The unavailable literature in the area of procurement contract management in Ethiopia intends that such issue is not yet properly addressed. According to Schapper and Malta (2011) generally, often, for developing countries, there are severe shortages of procurement expertise and limited procurement legislation and standard procedures. These shortcomings cannot be addressed within a time span measured in months: legislation alone will in most countries take a minimum of two years to develop and initiate, while procurement expertise also takes significant time to recruit and train. In addition there is a need for the development of effective institutional structures and systems that support transparent processes and effective monitoring and evaluation, and while these procurement reforms typically take years to institutionalize,

From the above research, it is possible to understand that the proper functioning of procurement is a crucial for the successes of every organization. However, both research focus on the theoretical perspective of the procurement. To have effective procurement process, in addition to properly designed rules and regulation, the practical staff knowledge, the existing market situation, and the impact of stakeholder should be assessed properly. In addition, the some of the important factors, like contract management, specification are not assessed properly. Thus, this paper tries to address the main perspective of procurement and related issue which is not properly addressed by other research.

## **Chapter three**

### **Research Design and Methodology**

The research methodology describes the means used to collect data to address central research questions enumerated. The following part outlines the research design, the research method, the population under study, the sampling procedure, and the method that was used to collect data. The reliability and validity of the research instrument are addressed. Ethical considerations pertaining to the research are also discussed.

#### **3.1 Research Design**

Research Design is a blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the method and procedure for collecting and analyzing the needed information. Adams&et al (2007, pp 81). Descriptive research is aimed simply at describing phenomena and is not particularly concerned with understanding why behavior is the way it is. Adams &et al (2007, pp 21). Besides, as per Malhotra and Peterson (2006, pp76) descriptive research assumes that that the researcher has prior knowledge about the problem situation. The design for this study is descriptive research that was used to examine the current practice of procurement progress.

#### **3.2 The Subject of research**

The study was conducted on Addis Ababa Water and Sewerage Authority procurement department. This is because the department spent significant portion of the organization budget and preliminary survey shows that the product purchased through the authority has many problem. The procurement department and related staffs at Head Office & branch office are considered to make the research. The data therefore, was collected from the right people who should be included in the research.

### **3.2.1 Population**

Generally, the population is the whole staff at Addis Ababa Water and Sewerage Authority, totally 856 in number. The target population was all the procurement, finance, inventory management and respective line manager at the selected organization under study.

### **3.2.2 Sample and sampling procedure**

According to Fetter and Mcmillan (1980 pp 177) purposive samples normally involve a more deliberate effort to secure a sample that conforms to some predetermined criteria. The researcher uses a non-probability sampling design in the form of a purposive sampling method was adopted and considered to be appropriate to gather the data. For interview case, the procurement support process team leader and the procurement officer who has more than 13 years of experience in local purchasing are included.

Accordingly, sixty (60) questionnaires were administered from those who actively participate in the procuring process, procurement, finance, inventory, user department from Head Office (central laboratory unit, engineering unit and IT unit) and General Manager, of which forty four (44) questionnaires were returned, yielding a 73.33% response rate, which is good enough. According to Gorden(2002), a response rate of 60 percent is regarded as acceptable, though 70 % would be preferable but a 70% to 80% response rate would be desirable.

### **3.2.3 Sampling rationale**

According to Kumsa (2011, pp 36) elaborate the rationale of sampling by quoting Schindler, obtaining data from the population and interpreting vast amount of data would have been impossible to accomplish within the time constraints and with the limited financial resources which were available for conducting this research. Through sampling, we will not only save time and money by selecting sample rather than

attempting the entire population; we can also achieve greater accuracy of results and greater speed of data collection without significantly affecting the research finding. The researcher also suggests sampling possesses the possibility of better interviewing (testing), more thorough investigation of missing, wrong, or suspicious information, better supervision, and better processing than is possible with complete coverage. Moreover, the rationale for using the sampling method was due to the respondents being easily accessible, their availability, as well as being less time consuming and inexpensive to gather the research information

To gather data for this research, both primary and secondary sources of information were used. The primary sources include data gathered by distributing questionnaire to AAWSA employee; interview conducted with procurement support team leader, procurement officer and PSM lecturer from AAU school of commerce. Further personal observation of the purchasing procedure was done.

Thus, this part includes all the empirical findings which have been obtained to answer the research questions which have been outlined in first chapter In order to have clear understanding on the study, a study on the public procurement practice is required to incorporate qualitative and quantitative indicators in order to reflect the current practice.

### **3.3 Data Collection Procedures**

Because of the use of questionnaire in the study for data collecting purpose, it is especially important that permission should obtain from the AAWSA prior to conducting the study. Since the research involve in the procurement issue, some of them were not willing to participate in the questionnaire. However, consent was granted to the researcher to have access to departmental and related information necessary for the research. Permission to conduct the study was requested from Addis Ababa University .

To induce an interest in the study, all senior managers and employees working under their supervision were initially informed in person about the purpose and objectives of the study. This was in assurance that anonymity would be protected, even though some of them are willing to declare themselves. Moreover, this research focuses on the time period of which the last three years.

## Chapter Four

### Data presentation and analysis

#### 4.1 Introduction

This chapter presents the detailed data presentation of the study and analysis based on the discovered data. The main objective of this chapter is to disclose the practical process procurement at Addis Ababa water and Sewerage Authority. It includes analyzing the process of the procurement, training, methods and related. Different types of statistical measures were used to analyze the data.

#### 4.2 Demographic Characteristic

The demographic characteristics of the respondent are summarized as follows

**Table 3.1 Demographic characteristics of Respondents**

Profile	Demography of respondent	Number of Respondents	Percentage of Respondents
1. Educational level	Diploma and less	12	27.27
	First Degree	26	59.09
	Masters and above	6	13.63
	total	44	100
2. Gender	Male	27	61.36
	Female	17	38.63
	total	44	100
3. Age	below 21 years	0	0
	22-30 years	9	20.45
	31-40 years	31	70.45
	above 41 years	4	9.09
	total	44	100

4. experience at AAWSA	0-5 years	34	77.27
	6-10 years	9	20.45
	11-20 years	1	2.27
	above 21 years	0	0
	total	44	100
5. Position at AAWSA	managerial	2	4.54
	supervisor/coordinator level	4	9.09
	Senior/junior officer level	36	81.81
	other	2	4.54
	total	44	100
6. Department	PSM/Logistics	25	56.81
	finance/ accounting	8	18.18
	Store/Inventory	5	11.36
	other	6	13.63
		44	100

### **Analysis of the Demographic Variables.**

Based on the findings of the study; the participants were 44 from procurement and non-procurement unit. The study population was heterogeneous in terms of age, gender, qualification, job status, and years of experience.

The majority of the respondent was male that is 61.36 % and the rest 38.63% was female. The researcher take up such deviation with the procurement system does not provide significant impact on the research output and value. Secondly, more than 90%

of the respondents were 22-40 years of age. This also suggests that both matured and younger staffs are included in the research. Thirdly, even though the research does not include those who have more than 21 years of experience, the majorities of the sample had 1-10 years of working service at AAWSA. Thus, the researcher assumes that absence of above 21years of experience does not provide material impact on the research as the department is organized in the last decade. As well, the research includes all the managerial, supervisory, and junior level staff. Based on the nature of procurement science, almost all departments are user unit as material is a life bloods for any organization. Thus, the entire respondents are from user department. Furthermore, the majority of the respondents are from procurement department, 56.81%, because these staff has close understanding and skill regarding the procurement process. Since, finance and Inventory section has direct work flow with the procurement unit, 31.81 % of the respondents are from the two departments. Other departments also include seeing the procurement system externally. Such department assortment and workflow linkage would help to get better and practical evidence about the procurement process. Finally, the highest number of respondents had university degree. Fortunately, 13.63% of respondents have master's degree, with better academic understanding.

#### **4.3 Background of the study area**

As per Tesfahun (2011 pp 36) by referring The Ethiopian Procurement and Property Administration Agency and Admasu, Public procurement in Ethiopia is a recent phenomenon. It was started in 1940 EC and it was especially established to procure military equipment and supplies for soldiers. With the responsibility laid on the then Ministry of Finance the procured materials were stored at the Ministry's warehouse. As material is the life blood of any organization and every organization involves the management of material, it is possible to say that procurement has started in AAWSA starting from the establishment of the corporation. Nonetheless, the procurement unit

of the authority with professional duties and responsibilities has started, 2004 E.C. However, before 2004, the department was structured as a part Finance and then to the material management unit till 2004.

It was since 1900 that pipe water service was started in Addis Ababa. In order to cater for the increasingly growing demand for water and waste water disposal services there did raise the need for the establishment of an autonomous body that would primarily focus on the provision of the services. Accordingly, Addis Ababa Water and Sewerage Service Authority was set up as for proclamation no 68/1963, in 1971 and in 1995 additional powers were invested on the authority, while being reestablished with slightly different name, i.e. Addis Ababa Water and Sewerage Authority (AAWSA). ‘wuha le hiwot’ (2008, pp11). As well, according to A Brief Profile of AAWSA (2012, pp2) AAWSA is led by a General Manger who is answerable to a board of directors. There are three deputy general managers leading the water production, resource management and Sewerage service unit. Since 2009 the authority has fully implemented business process reengineering. Hence, now it is structured in to process unlike the earlier functional mode of organization. There are two core processes, namely,

1. Water Production, Distribution and Catchment Management Core process.
2. Sewerage Disposal Service Development and Reuse Core Process.

Besides, the two core process, support processes were engineered to assist the realization of the two objective of the two main process. One of the support processes is procurement support process

Public procurement starts from center of request approval up to transfer of the requested inventory to the concerned unit. In the modern thinking, for the success of procurement unit, each department is also responsible and should work in a cooperate manner. However, the procurement department takes the primary responsibility and accountability for either the success or failure of the procuring process. Thus, the research focuses on the assessment of procurement unit during the procuring process.

#### **4.4 Strategy and policy of the AAWSA**

According to delegated Procurement support process department Manager, AAWSA procurement unit has no strategy developed by itself for the department and it assumes that the authority's strategy as of the department. As well, the department did not have any implied or written policy regarding the procurement process. However they are adopting some policy for the City Administration of Addis Ababa like giving priority to minority business suppliers (micro and small business association) and working for the right time, price, quantity, quality, and place.

As it is to be recalled from the discussion in chapter two of this paper, the procurement unit has better develops its own strategy and policy which should be a derivative of the corporate strategy and policy. It is possible to realize that the authority procurement unit misses the merit of having departmental strategy and policy. Conversely according to Monczka& Trent (2005, pp75) even though developing policy has many advantages, it may have also the following disadvantage. Firstly, a policy is often difficult to communicate throughout large organization. Second a danger exists that employee vies policies as a substitute for effective management. Thirdly, policy development can also restrict innovation and flexibility. Then again, the procurement department uses the City Administration manual after making some amendment.

#### **4.5 Procurement Training**

According to The Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development Public Procurement and Property Administration Agency (2011, pp 237) as part of the deliverables staff training will be crucial to the success of the implementation. However, the AAWSA procurement staffs are not taking the right training. Firstly, according to the procurement support team leader and the procurement officer, trainings are giving randomly; either the city administration or the MoFED (Public Procurement and Property Administration Agency) may prepare and

deliver the procurement training based on their schedule even by comprising other organization's procurement staff. This may be arranging by the time of pick hour or some staffs are on leave. Besides, there were no per assessment of training to identify the knowledge gap. This makes the training less worth and even sometimes it may be worthless. As per the researcher observation on the PowerPoint of training held on the last two training session, most of issue addressed are common procurement topics and ethics. It doesn't comprise how to handle the market situation, how to interconnect the procurement system with backward and forward departmental work flow, other organization and country experience, how to get best value for each purchase, how user complain are managed, and the like.

Thus, it is possible to realize that the training did not meet the right objectives and it does not fill the knowledge and process gap as it is not giving based on the pre assessment and planed schedule.

#### **4.6 Procurement Method**

The procurement department usually use the approve procurement method on the procurement manual; direct procurement, request for pro forma, biding, restricted bidding and request for quotation.

The procurement method should be selected depends on a number of factors including the type of goods or service being procured, the value of the goods or service being procured, the potential interest of foreign bidders and even the cost of the procurement process itself. 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 Public Procurement and Property Administration Agency Public Procurement Manual (2011,pp 42). As well, according to the Federal Negarit Gazeta (2003, pp 2963) except otherwise provided in this proclamation, the procuring entity shall use open bidding as the preferred procedure of procurement. As per the

procurement support team leader, tendering method gets priority than other purchasing method is because the discipline is highly exposed to corruption. As well, Tendering method takes significant portion of the procurement process, which is 63.15 % of the total purchase for the 2006 E.C for the nine months. Conversely, the 19 million birr purchase through direct procurement is selected because the market enforces the purchasing staffs to use it.

**Table 3.2 amount of purchase for the last nine months from July 2006 E.C to March 2006 E.C**

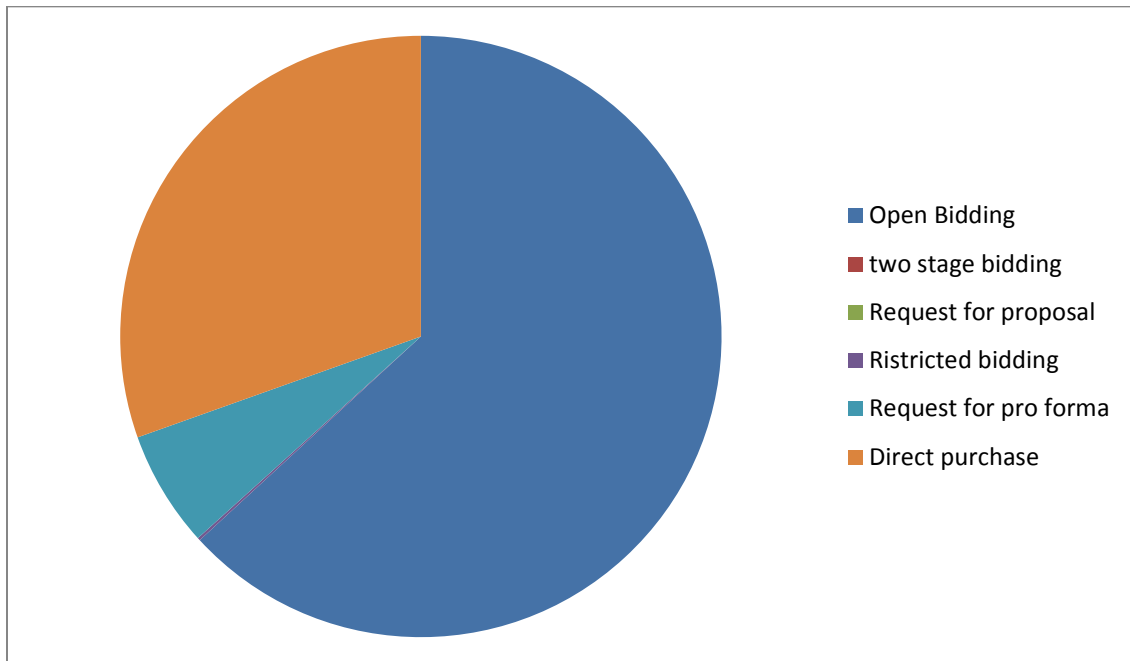
Sr. no	Method of purchase	amount of purchase
1	Open Bidding	40,391,425.60
2	two stage bidding	
3	Request for proposal	
4	Restricted bidding	93,725.00
5	Request for pro forma	3,999,739.40
6	Direct purchase	19,471,955.66
	Total	63,956,845.66

**(Source AAWSA procurement report for MoFED 2006 E.C)**

It is possible to realize that the department spent significant amount of money with open bidding. Besides, the proclamation and the procurement manual enforce the department to administer each purchase requisition through the open bidding. That is why around 40 million birr are spent through open bidding. This also indicates that the

procurement staffs are not selecting the procurement method. As the procurement department is exposed to corruption and open bidding is the best solution to avoid such corruption, the authority's procurement unit has spent its budget in a safe manner. Conversely, 19 million birr are spent through direct procurement which means such amount of money is expensed in unsafe manner.

To see the share of each purchasing method the above table is illustrated below through Pie chart.



**Chart 3.1 Amount of purchase in each procurement method**

**(Source AAWSA procurement report for MoFED 2006 E.C)**

Form the above chart; it is possible to realize that open bidding takes significant portion of purchasing method. Next, direct purchasing takes second large value from the other purchasing methods.

However, 86.36% (38) of the respondents assume that giving primacy for tendering method is not gainful for the effective procurement process even though 9.90% (4) of

them agree with the primacy of open bids. Besides, 72.72% (32) of respondent remarked that selection of procurement method should be designated after the request has raised and specification has been performed though 11.36 % ( 5) of them agree with the predominance of tendering process. The rest respondents were not responding on the instance.

According to Ministry of Water and Energy Bid Evaluation Report (2011, PP 13) bidding method is exposed to Bid rigging [potential suppliers would establish beforehand the bid winner and winning price, other firms would submit noncompetitive bids], Shoddy material [because low-quality supplies and materials can generally be delivered at lower cost than can higher quality supplies and materials]. Moreover, the procurement support team leader replies that as procuring through tendering involves mass purchase, this makes the inspection, numbering, purchase return...more difficult during item receiving. As well, to avoid bid rigging, intense research on the market and organizational need should be done not to have incorrect solution like primacy giving to open bidding. As well, only 11.36 % ( 5) of respondent assume that tendering method achieve the principle of 3E's (economy, efficiency and effectiveness). 70.45% replied that Tendering method miss the principle of 3E's.

According to the nine months data around 64 million birr are spent for the procurement. From those amounts of money, 39 million birr are spent in ineffective, inefficient and wasteful manner. Besides, the stated amount of money may not achieve its best value as open bidding is expensed to bid rigging. Moreover, the material flow management is not efficient as open bid involve mass purchase.

Nonetheless, 97.72%(43),of respondents replies that tendering method provide transparent, fair and give equal opportunity for the suppliers and procurement process.

Thus, it is possible to realize that even though open bidding provide fair, transparent, and equal opportunity for the bidder, the disadvantages of open bid makes the decision in question. According to the Federal Negarit Gazeta (2005EC pp 2964) the procuring entity may use direct procurement in accordance with the [law] if this method is not resorted to with a view to avoiding possible competition or in a manner which would constitute a means of discrimination among candidate.

On the other hand, according to the PPA procurement training Module (2003, E.C PP15), direct procurement is a least preferred means of procurement method and such method should not be used unless clear and concrete justification are presented. Moreover, according to the procurement officer, most of the time, as the senior manager, delegated individual from MoFED and PPA, assume that direct procurement is exposed to corruption and they do not allow using such method unless critical situation happen. The procurement support team leader also said that the department is not allowed using direct procurement method normally. However, the authority is using direct procurement method with enormous amount next to open bidding. As well, some purchases which are processed through open bidding are not really bid. Occasionally, only one or two bidders are submitting their offer and the purchasing process are going on with these bidders. This is thus, according to procurement support team leader, the market situation enforces the department to use direct procurement. To reconcile the two cases, the procurement support team leader advice to use official contract with those monopoly supplier to avoid the corruption case and have fair communication with the supplier.

According to the above facts and researcher observation, discouraging to use direct procurement on the proclamation and procurement manual does not hinder the procurement staffs using it. This is because the market situation is exposed to monopoly character and limited numbers of suppliers are involved in specific sector. Thus,

discouraging direct procurement on the manual and proclamation need to revise according to the market situation and preventing the method from corruption. As it is tried to illustrate on chapter two, making a deal with single supplier or multiple supplier might be the better solution for direct procurement. It is known that the law developed direct procurement is highly exposed to corruption though not convincing in practical process.

According to the procurement support team leader referring the procurement manual, request for pro forma method is used to purchase those items which are not being in the procurement plan and part of item which are not successfully bought through open bidding. For instance, from the listed material, the bid winner may not be able to supply some of them or may supply shoddy material if this is so, announcing the bid for this small item may not be feasible and RQF may be used to fill the gap.

According to the authority's procurement manual, the process of RQF is announced on the public board to make the process more transparent and any legal suppliers who are willing to join the competition are permitted to offer its quote.

Both the procurement support team leader and procurement officer replied that there is no significant internal problem related with this procedure. However, most suppliers are not willing to make a deal with government as the contract amount is minor. As they win the competition, their payment may involve withholding tax, value added tax, their financial structure may expose to government. Most of the time the specification practice for request for pro forma is unfortunate. This makes the offer from supplier differ in quality and unfair personal decision is concluded.

The authority's procurement unit is not yet used two stage bidding and restricted bidding for the last nine months for the year of 2006 E.C. Moreover the authority is not usually use restrictive type of bidding, which is around 93,725 birr (0.146% of the total

purchase) for the last nine months of 2006 E.C. It is known that each of the three methods have their own advantage comparing with other methods. As per the procurement support team leader, such situation happens that the requested requisitions are not favorable to administer through the three types of methods.

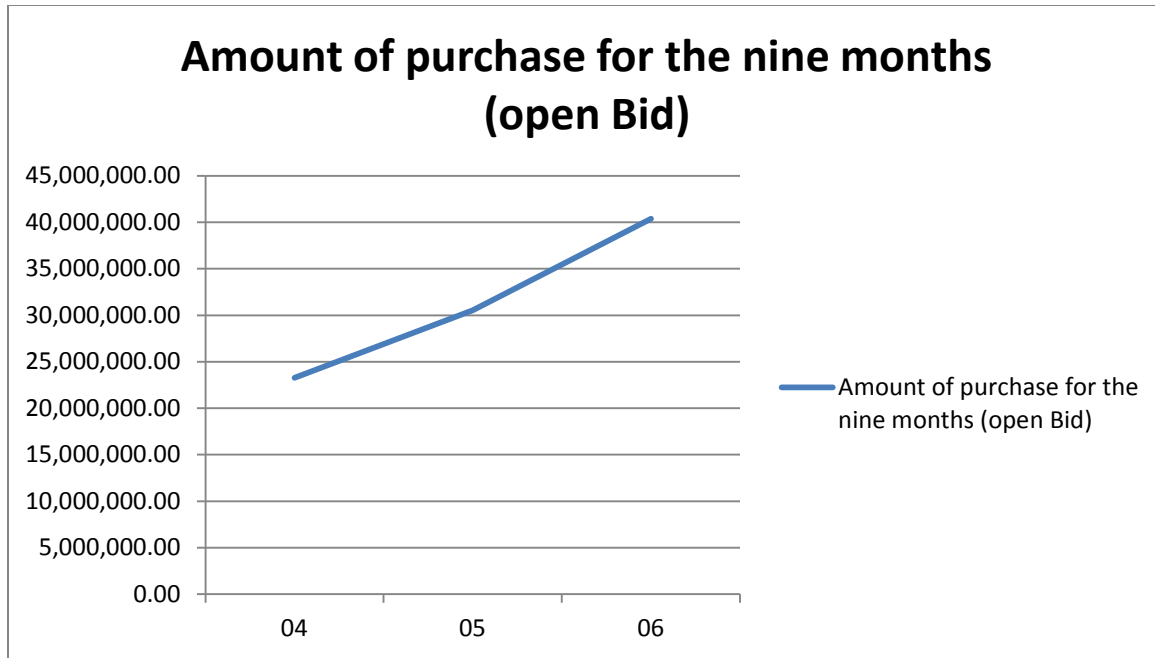
On the other hand, the procurement through bidding is coming increase at an increasing rate for the last three years (nine months report). The researcher tries comparing the nine months of the last three year bidding amount.

**Table 3.3 amount of purchase through open bidding for the last three years from July to March**

year	Amount of purchase for the nine months (open Bid)
2004	23,261,820.96
2005	30,543,661.20
2006	40,391,425.60

**(Source AAWSA procurement report for MoFED 2004 E.C, 2005 E.C, 2006 E.C)**

To the realize the proportion of each year purchase through open bidding more clearing, the following chat has illustrated



**Chart 3.2 Three years purchase through open bidding ( )**

**(Source AAWSA procurement report for MoFED 2004 E.C, 2005 E.C, 2006 E.C)**

It is possible to understand that the amount of expenditure through open bidding is increase at an increasing rate and substantial amount of money are spent through open bidding. As per the procurement support team leader referring the government principle, it is planning to make most purchase through open bidding. The main reason with this principle is avoidance of rent seeking activity from the government procedure. The team leader agrees that open bidding is the first and foremost procurement method help to eradicate the rent seeking activities from procurement department.

It is assumed that open bidding achieve the avoidance of rent seeking activity. Unfortunately, as per the previous discussion getting best value of money through open bidding is difficult. Besides, the lengthy process, and shoddy material makes the authority's public service challenging and getting best value of money will not be achieved in the near future.

**Challenges regarding each method.**

**Table 3.4 Major items purchased and Challenges faced by the AAWSA's purchasing department**

Sr. no	Method of purchase	major items purchased	Common challenges
1	Open Bidding	<ul style="list-style-type: none"> <li>- cleaning items,</li> <li>printings, electrical</li> <li>items, stationery items,</li> <li>vehicles spare parts,</li> <li>aluminum sulfate ,</li> <li>'water balbola' water</li> <li>tank</li> </ul>	<ul style="list-style-type: none"> <li>-Bidders offer does not fit the standard bidding document usually</li> <li>-limited number of bidder offer their quote</li> <li>-shortage of manpower</li> <li>- requisition order which is not under the procurement plan</li> <li>-the supplier is not present their complain as per the formal procedure</li> </ul>
2	two stage bidding		
3	Request for proposal		
4	Restricted bidding		
5	Request for pro forma	Building items, electrical items, water tanker	<ul style="list-style-type: none"> <li>-Most supplier is not willing to offer their pro forma</li> <li>-Unwilling to enact as per the pro forma's terms and condition</li> </ul>

		- the suppliers' offer may differ significantly
6	Direct purchase	Pipe, water tanker, water pump, cleaning items -Purchasing staff unwilling to process thorough direct purchase -since supplier has high barraging power, reluctant to participate to the purchase - requisition order which is not under the procurement plan

**(Source AAWSA procurement report for MoFED 2006 E.C)**

As per the above table report, the researcher observes the following main points;

Firstly, some common items are purchased through more than one purchasing method which is a possible result of deviating from the procurement plan. For example cleaning material should not be purchased through direct procurement as it is used for routine case. Once it is purchased through open bidding, purchasing through direct procurement for the second time within the same year may not give sound. As per the procurement support team leader, such mater is happen because of wrong forecasting by the user department.

Secondly, those critical items for the authority are purchased through more than one procurement method. Besides, even for the direct purchase, there is no special agreement with the supplier to get special advantage. For instance, water tank are purchased through open bidding method and direct purchasing method. As per the purchasing officer response, it occurs because of the cost of the purchased item with

the procurement manual. As the price of the material is under direct purchase, they will process through direct purchase otherwise, it would process through bidding method.

Thirdly, some of the challenges are under the control of the authority. For instance, the purchasing staff should get the required knowledge of negotiation skill and the right level of negotiation power related with the right responsibility. Moreover, the management should try to stick with the procurement plan i.e. not to approve spontaneous purchase unless it is very critical to the authority. The purchaser also should properly and elegantly specify the request for pro forma method not to have very unlike quote.

Thus, it is possible to understand that procuring the same items with two or more procurement method is wastage of resource and artificial burden for the staff. Strategic and convenient items are purchased with the same method and this makes not to get the unique advantage for the strategic items. Authorizing the procurement department for the right negotiation, respecting the procurement plan and proper specification help the department to work smoothly and not be passive for each challenge. As per the procurement officer, most of the suppliers are present there complain emotionally for the senior manager without following the right complain procedure. Such enactment will have an indirect impact of the department staff as the senior manager may suspect there is misconduct. This is because such movement would not be forward to proper inspection and find out rather leads to gossip.

The procurement support team leader also agrees with such wrong complaining way and its consequence. He expect that such wrong enactments happen mainly by two reasons,

1. Even though there is a complaint procedure manual developed by PPA, most supplier are not willing to enact as per the manual with the two causes. Firstly,

the manual is too complicated and having may procedure to present their issue. As per the researcher observation to the manual, it is too technical and may not be understood by the supplier. The second possible opinion by procurement support team leader is that the manual is developed in English Version. The authority doesn't get the Amharic version and he supposes that the Amharic version is not yet published. Hence, it is difficult for uneducated (linguistic) person to understand the manual.

2. Secondly, the misperception towards the purchasing profession and purchaser makes the complaining procedure complicated. As per the purchasing officer understanding, several people assume that the role of purchaser is purchasing and bribe. This is thus, many bidder are not willing to communicate scientifically when they lose the bid rather they thought the winner is corrupted with the purchaser.

#### **4.7 Experience of purchasing capital items.**

A public body acquires fixed assets, uses it and when it is no more needed or when it is no more functional, the public body must be able to dispose it in an economic, legal and transparent manner GOFAMM(2007 pp 121). 100% (44) of respondents replied that they have no experience of purchasing used capital items. Besides, according to the procurement support team leader they have no any plan for the future to purchase used items.

Purchasing of used items has a number of advantages as stated in the literature review part. However, AAWSA has no any experience of purchasing used capital items for the organization. Each regional's administrative have their own Water Supply organizations and there is a possibility of having extra or used machine which can give more service during their subsequent life time. As well, other organizations may also have different capital equipment which can give better service for the AAWSA. Thus, the organization

has no precise awareness of purchasing used items and even the procurement officer has no any idea of purchasing used items.

Additionally, 75% (33) of respondent replied that the capital purchasing process is not treated in a technical manner. Most of the time such items are purchased through tendering method after specification has developed. As other type of purchase, after bid announcement, the technical and financial committee approves the purchase and the supplier is expected to enact as of the contract.

#### 4.8 Purchasing Performance Measurement

This part tries to assess the performance of purchasing department with the most common parameter, right quality, right time, right price, right place and right quantity. In order to have clear and better data for the above parameter, the researcher use questionnaire and the respective finding are presented below;

Thus, based on the questioners, the researcher tries to find out the performance of the procurement department with the stated 5R's.

Table 3.5 shows the performance of the department in terms of purchasing with the 5R's

Sr no	Items	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Right quality	4(9.09%)	8(18.18%)	2(%)	24(54.54)	6(13.63)
2	Right time	4(9.09%)	9(20.45%)	2(4.54%)	18(40.90%)	11(25%)
3	Right price	9 (20.45%)	16(36.36%)	12(27.27%)	5(11.36%)	2(4.54%)
4	Right source	4(9.09%)	11(25%)	25(56.81%)	3(6.82%)	1(2.27%)
5	Right quantity	7(15.90%)	24(54.54%)	8(18.18%)	5(11.36%)	0(0%)

According to the above Table it shows that 68.17% of the respondents either disagree or strongly disagree with the purchasing department performance of purchasing the right

quality. This is about more than two third of the respondent unhappy with the quality of the material purchased by procurement unit and thus, it suggest that there is poor performance with the purchasing department. Having this in mind, the authority service is delivered to the public by using the procured material. Moreover, as per the researcher observation, enormous amount of procured material are stored in the authority store (either in the warehouse or stock yard) with minimum or no service year and frequent service failure during delivery of water. The procurement support team leader elaborate the situation as one of the main reason to accumulate many materials in the store is that the quality of the procured items does not fit for the intended purpose. As well, one of the reasons for the interruption of water supply to the public cause by material miscarriage is a result of poor quality material. He suggested that the main cause is the material are produced through open bid and close follow up and inspection of quality are difficult.

Thus, whatever strategy, process and goal are set, the right material and economic use of the resource is critical for the authority to deliver its service to the public. As previously state, more than 64% of the country budget is spent through procurement. This implies that significant portion of the authority's budget is not economically used. The authority service might not be as expected because of such materials poor performance. Thus, this problem has a direct impact for the authority's existence and needs the right immediate solution.

For the case of procuring with the right time, the respondent replied that 65.9 % of respondents either disagree or strongly disagree with the purchase of the right time. Conversely, 29.54 % respondents replied that the purchasing unit purchases the requested item with the right time. Hence, it is also possible to realize that there is a difficulty with regards to the time taken to procure the material. Besides, according to the procurement support process team leader, the main reason for the delay of purchasing is that most suppliers engaged in to a contract of purchase with having

minimum or no stock. After the contract, they may need additional time to supply the material. Beside the extended procurement work flow makes the time taken longer than it is expected.

Thus, it is possible to understand that the time taken to procure the material is too long. Since each department achieve their goal with the supplied material, the delaines of supplying the material makes them not to achieve as per their own time plan. Primarily, the public are not getting the authority's service on time. This might be also a big challenge for the authority which needs immediate solution.

Furthermore, the table shows that 77.26% of the respondents assume that the procurement department purchase the requested material with the right price even though 11.36% and 4.54 % of respondents disagree or strongly disagree with the price enactment. According to the procurement support process team leader and the procurement officer, since most of the purchases are made through open bidding, the question of fairness regards to the price has been tackled even though some limitation are raised regarding open bidding.

The response shows that the price spent for the material deserve most of the time. This may be right as most respondent and the procurement officer assume that open bidding is the factual procurement method to get the reasonable price as it is decided after fair and intense competition. However, the right price does not guarantee the right quality.

The above table also shows that more than half of the respondents are indifferent for the instance of right source which is 56.818 %. This may be either the respondents have no idea about each source or lack of comparison expertise regarding the sources. As per most of the respondents, who incline to the positive and negative, are from procurement unit. In any case, 36.09% of respondent assume that the procurement unit purchase from the right source and 9.09 assume that it is not purchased from the right place. The team leader and the procurement officer also assume that the procuring process tries to address every range of supplier and suggest that it is fair in addressing

the right source. Thus, it is possible to understand that the department has no significant problem regarding procuring the right source. Nonetheless, it needs further investigation regarding the procurement of the right source.

Finally, the table shows that the procurement department has no significant problem regarding the purchase of right quantity. 70.44% of the respondents replied that they are either agree or strongly agree that the procurement unit purchase the requested material with the right quantity. According to the procurement officer, even though some specific item may not totally found with the current market and few suppliers are not supplies as per the agreement, the department is purchasing the entire requested item. Only 11.36 % of respondents assume that the department is not purchase with the right quantity. To understand the main factors that challenge the procurement department, the following question has been asked the respondent. The researcher, based on his personal observation, it is assume that the entire factor may affect the procurement department. However, in order to find out the main challenges of the procurement department, the respondents are permitted to select only one factor. Also, the respondents are allowed to write their own factor if there is additional factor than the listed.

As per the questioner, to understand which challenges confront the department in highest rate, the following response is disclosed

Table 3.6 Foremost challenges by the procurement department

Factors	Rate
Suppliers Problem	4
Bureaucratic Rad Tap	26
Work load on Purchasers	12
Unqualified purchasing Staff	
Lack of Motivation	
Budget Problem	2
unwilling to take risk	

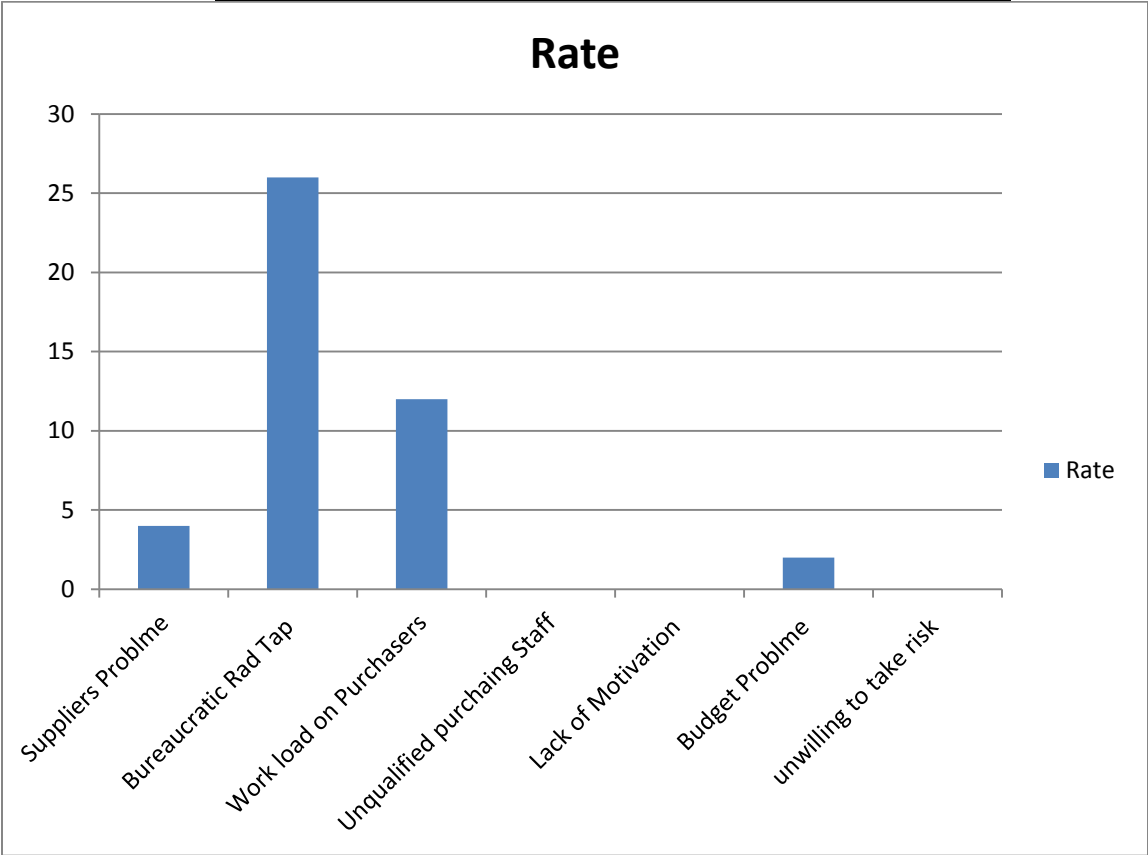


Chart 3.3 Foremost challenges by the procurement department

Based on the above graph, it is possible to realize that bureaucratic red tape takes the major factor that challenges the department. Almost all respondents did not write their own additional factor. However, most of them give additional comment that all factors challenge the department. Both the procurement support team leader and the procurement officer agree that the bureaucratic red tape is the most challenging factor for the department. The team leader replied that as the department is exposed to rent seeking activity, the senior manager believe that such rent seeking activity tackle by setting rigged rule and involvement of many decision maker through the procuring process. Besides, he assumes that the staffs are creative because of the adopted bureaucratic activity. The workload on the staff is the second major challenges for the department.

The procurement officer believes that the cost (resource) spent for hiring one additional staff is immaterial compare to the cost (resource) spent for the new comer with the current circumstance. Thus, hiring additional procurement staff makes the department workflow more efficient.

Thus, the department needs additional reform, with the involvement of both the senior manager and procurement staff to avoid the bureaucratic work follow and to make the staff more creative. Otherwise the workflow of other department and the authority may not be efficient as it is expected. Although hiring additional staff brought an absolute negative impact (salary, insurance, pension...) for the authority, it has an aggregate positive impact for the authority through tackling the challenge happen on the procurement staff through workload.

#### **4.9 Classification of Organizational Inventory**

It is known that inventory can be divided based on different distinctive character. The most important and fundamental way of classifying inventory for the purchasing activities has been addressed in the literature review part. It helps to facilitate the organization's primary activities and easy management of the supplier. Inventory can be

classified based on criticality to the business and annual purchase value. Based on this inventory classification supplier can be administered in to four category; approved supplier, strategic partnership, online catalogue and tendering process.

However, 100% of respondents replied that there is no clear classification of inventory for the purchasing department. Moreover, there is not vendor classification based on the above aspects. The only way of vendor classification is those who have permit and who do not have from PPA for participating government purchase. Any vendor has the right to participate for purchasing which are legally capable and having license.

Moreover, the procurement support team leader said that there is no clear classification of inventory for the procurement unit based on the stated parameter. As well, the senior manager may assume that classifying vendor may lead to rent seeking enactment. Thus, each inventory purchase are announce to the public and any vendor who are willing to compete can join the competition

However, as per the procurement officer referring the manual, based on the cost of inventory, the procurement method is selected and some selected inventories have slight procedural difference, even though every purchase should be done through open bidding unless justified reasons are stated.

Although the authority does not classify its inventory, most of the inventories are critical item, strategic items routine items or commodity items. Thus, approved supplier, strategic partnership, online catalog and tendering are the best mechanism for procuring the respective items. However, the classification lack by the authority leads to wastage of resource, missing the right vendor, and/or wrong buying process.

#### **4.10 Purchase Contract and Specification Management at AAWSA**

It is possible to understand that purchasing contract management is a vital aspect for the both the purchasing department and the organization as whole. According to Watt (2007, pp 67) having an effective contract management capability will assist entities to obtain value for money from its expenditure on contractors. As per pervious chapter

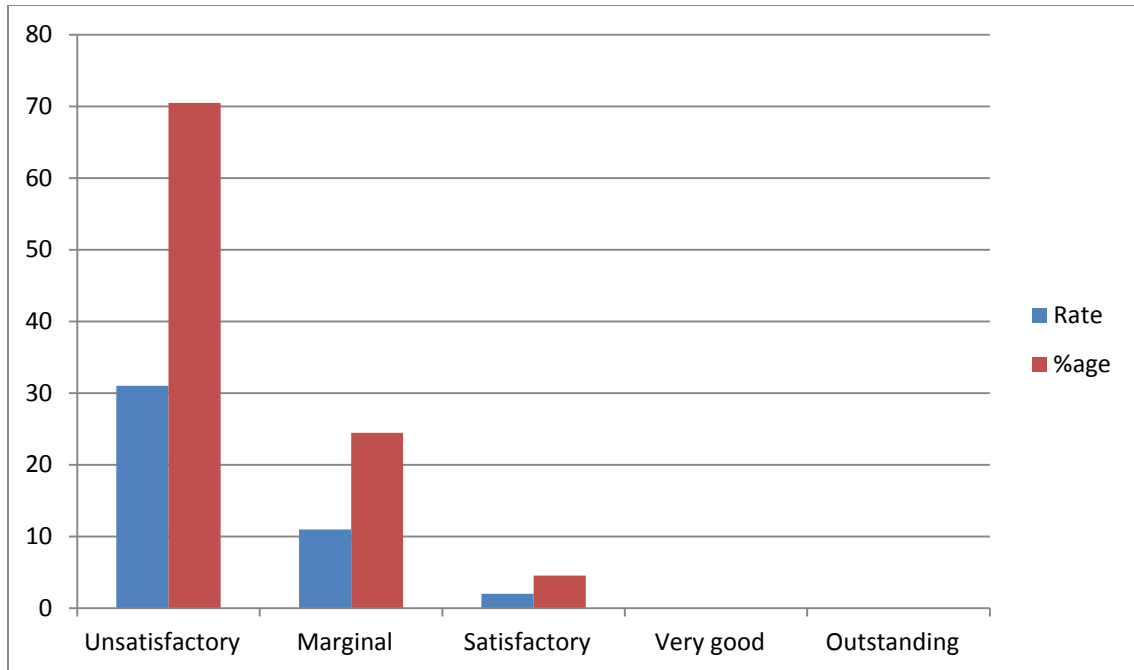
literature review part, which is about 64% of the government budget expend through procurement. Poor performance regarding contract management entails that the stated amount of money are endanger. It is common that the very aim of purchasing contract is to ensure that stated terms and condition are provided to the required standard, within the agreed time and achieve value for the paid money. It is also expected that around 64% of the total AAWSA budget are spent through procurement.

To understand the intensity contract management, the respondent rate the performance of contract management as follows

**Table 3.7 shows that the purchasing contract performance of AAWSA**

	Rate	%age	Cumulative result
Unsatisfactory	31	70.45	70.45
Marginal	11	24.44	94.89
Satisfactory	2	4.54	100
Very good	0	0	100
Outstanding	0	0	100

To understand more about the contract management, the above table illustrate graphically as per follows,



**Chart 3.4 The level of contract performance**

From the above table and graph, it is possible to realize that the purchasing contract management is deprived. 94.89 % of the respondent replied that the contract management is below satisfactory. This implies that the authority is not certain of getting the procured items as per standard within agreed period, best value of money and the like. According to the procurement support team leader, most of the time, when dispute happen, it is solved through utmost good faith. The authority is not confident to sue the supplier and the supplier also is not willing to collide with government. Furthermore, according to his experience and expectation, the late accomplishment of road construction, building construction, poor quality of government property and the like is because of lack of solid and clear contract management. Besides, he said that the Law department is not well organized to manage each procurement contract management.

As per Donald,F and et al (2002 pp 237) specification is a matter of quantifying and qualifying the firms need. As per the respondents, 77.27% (34) of respondent assume that the specification process is ineffective. However, 9.09% (4) of respondents assume

that the specification process is good enough and the rest 13.63% (6) of respondent are impartial. Similarly, 86.36% (38) of respondents replied that the negotiation process is ineffective. Conversely, 6.81% (3) of respondents assume that the negotiation process is effective and the rest 6.81% (3) of them are impartial.

As the procurement unit spent significant portion of the authority’s budget, poor contract management means wastage of significant portion of the authority’s budget. As well, poor specification creates a loophole for the vendor to supply shoddy material. The ineffective negotiation also makes the authority’s procurement unit not to get best value of money. Thus, the three constraint should be re assessed and design in a way that the procurement department to become more powerful than the supplier.

#### **4.11 Professionalism and Procurement**

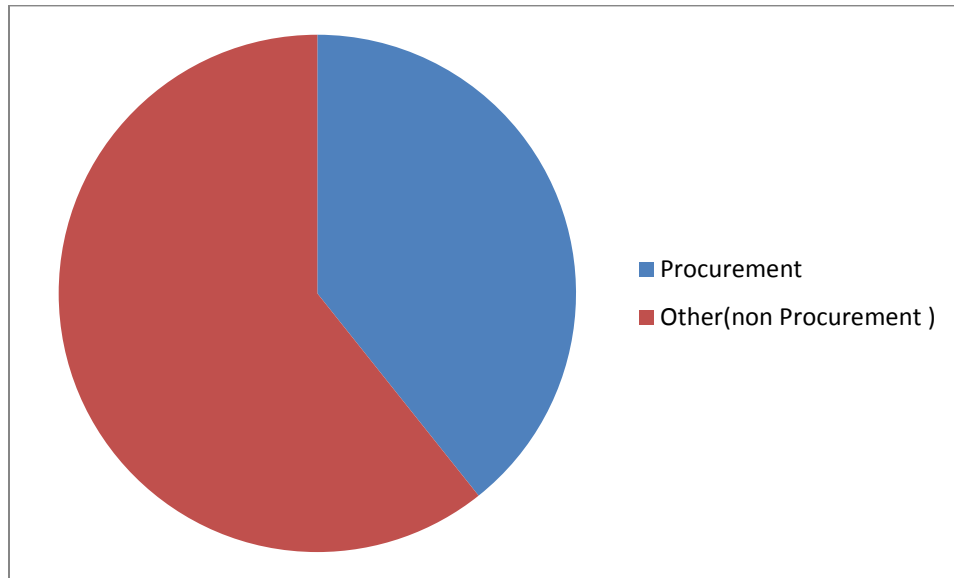
The research tries to analyze the professional of the employee, especially the procurement department. The AAWSA procurement department has 28units of qualified staff in procurement for the eight centers and Head Office. Previously, as per the procurement officer, the organization assumes and execute that procurement can be done by any of the staff. Through time, such activity was performed by committee. Currently, the organization has the following unit of qualified staff;

**Table 3.8 Number and qualification of procurement unit staff**

Field of study	Degree and above	Diploma	Certificate	Sub total	
Procurement (logistics )	6	5		11	
Other	10	3	4	17	
				Total	28

**(Source: the AAWSA Human Resource support process team employee staff data 2006 E.C)**

To compare the procurement support team's qualification of the staff, the following pie chart has been used for the procurement and non-procurement discipline.



**Chart 3.5 Staff qualification in the procurement department**

It is possible to realize that the department is not equipped with the right qualified staff. More than half of the employees are not qualified in procurement and suppliers management. Five of them are qualified in Accounting, three of them are qualified in Management, four of them are qualified in economics, again three of them are qualified in business management, and two of them are qualified in secretary\office management. 47.72 % ( 21) number of respondents rate the qualification of the procurement department below 5 out of ten. 36.36% (16) of them rate the department among 5 to 7 out of ten. Only 4.54 % (2) of them rate 8 out of ten. The rest did not reply for the case.

Thus, it is possible to understand from the above figure that almost half of the respondents rate the department's staff qualification below 50%. This means that that the department's employee is not equipped with the right qualification

According to Tesfahun (2011 pp 56) from the total 21 public universities in Ethiopia, only Addis Ababa University is graduating students in procurement. Other universities (only Jima and Adama) were educating the discipline in a Bachelor of Education Degree in Purchasing and Supplies Management. But now both Universities have stopped it.

It is also possible to realize that the produced qualified procurement staff from only Addis Ababa University School of Commerce is not large enough to fill the gap in the procurement area. Almost every organization involve in the purchasing process, both government and non-government.

Furthermore, to examine the qualified procurement graduate, the researcher tried to examine the nature of courses given at AAU school of commerce, totally thirty seven courses is given in Bachelor of Art procurement and supplies management. Out of which, 9 of them are PSMT (24.32%), 14 of them are BAIS (37.83%), and 4 of them are ACCT (10.81%).The other courses are general and related courses. This shows that the course highly resembles to business administration and information system. Besides, some courses which are highly related with the profession are missed. Some of them are also discovered at AAWSA as a problem.

One of the major areas during their day to day activities is specification, which is related to an engineering course. Such course, which is highly important, is not given at BA level of PSM. As demonstrated in the previous part 77.27% of respondents replied that the specification management is ineffective at AAWSA. According to the procurement officer at AAWSA, most of the times specifications are not prepared for each purchase as the purchase items are similar in nature; the department simply copies the previous purchase specification for current purchase use. Moreover, the procurement officer assumes that most of them are not professionally capable to prepare and identify the specification for each item to be purchase like machinery, vehicles, equipment .... However, the Addis Ababa City Administration has already prepared a specification

guide for common items and the procurement officers are also referring such specification for their need.

Besides, there is no procurement contract management course. Simply the BA program incorporates business law, which is also given for other field of study. To follow up the procurement process and to evaluate once the procurement is accomplished, it should be done based on the contract. Even some of the 5R's should be examined through the contract paper.

Likewise, they are also simply duplicating the previous contract paper for current purchase. Even though they are amending some of the terms, condition and price, most of the time the purchasing contract are copies of the previous purchase. As well, as per the procurement officer, the qualification of the staff is not competent to develop and administer the contract. According to Watt (2007, pp 41) the foundation for contract management is set before the contract is awarded. This means it is important to have the appropriate resources available for contract development.

According to the lecturer at AAU School of Commerce, negotiation is also missed in the program even though it is given as a part of some chapter in purchasing management II. Besides, the lecturer replied that the department has planned to include the three courses in PSM though it may not be adopt in the recent year. Nonetheless, the Logistics and Supplies Management BA program incorporate the engineering course.

Additionally, as per the procurement team leader and procurement officer at AAWSA, there is no stated or implied rule of law for negotiation. Besides, most of the staffs have no competent skill in relation with when to negotiate, right time to negotiate their bargaining strength during negotiation and the like. Even senior manger may not allow negotiation by assuming that negotiation may lead to bribe and corruption. Thus, most of the time, the transactions are highly stick to SBD, TOR and the like.

Nowadays, the technology is coming in a radical change and using the prior specification many not be a fair competition criteria. Besides, specification for one specific intended

use would not be exclusively applicable for another use. Similarly, the contract should be designed for each purchase to have effective procurement and follow up procedure. Conversely, according to the procurement officer, the staffs are not taking any training regards contract management, negotiation and engineering.

Thus, the procurement unit lacks significant skill to manage the procurement. Without having the three skills, it is difficult to acquire the best value of money. As the department is in short of staffs that are qualified with procurement, the result becomes more undesirable.

#### **4.12 The Procurement Work Flow**

It is understood that the commonly the procurement work flow starts from the point of user need arousal up to receiving to the requested material. According to the procurement support process team leader and procurement officer, the following chart show the procurement work flow at AAWSA.



From the above procuring process (stage) and discussion with the procurement officer and the team leader, the researcher realizes that the procuring steps have key limitation. Firstly, the process is too extended that cannot be finalized within short period of time. Thus, such process may have an effect on the purchase of the right time. Besides, according to the procurement officer response, the suppliers are always complaining on the time taken to purchase (finalize) the requested items. This is because the price inflation, hard currency shortage, stock out case and the like.

Secondly, since many other decision makers are involved through the purchasing process, the profession is assumed as clerical. The technical committee, the financial committee and the bid approval unit has better power in the process rather than the purchasing unit. Besides, the majorities of the personnel are from non procurement discipline and engaged in other department, like accounting, management, engineering and the like; this makes their decision subject to their profession rather than procurement. The competing parameters are highly depended on the bidding document. There is no experience of competing with past experience, reputation of the vendor and the like.

Thirdly, for the wrong purchased items, it is difficult to identify who made the wrong decision and this makes the remedial procedure to complicate. There is a possibility for the supplier to communicate and get its major inadequacy.

Fourthly, the procurement step involves a number of committee which may not be seen in other department. Commonly, there are there committees like technical committee, financial committee, quality inspection committee. Likewise, these committee members have primary responsibly of their job, and they may not be available for purchasing process as they are requested.

Thus, the workflow makes the procurement process too long and complicated. With this work flow it might not possible to get the right quality of material with the right time. It may also lead to wastage of resource and obstacle to get best value of money. Thus, it needs a reform with the involvement of senior manager and the procurement department.

#### **4.13 Make or Buy decision**

It is known that make or buy decision involve discovering either making the item at the origination or buying it from the market is cost-effective. However, according to the team leader, such comparison is not held during his carrier. Moreover, there is no plan to consider in the near future the make or buy decision. The team leader also replied that he has no idea by the authority to consider the make or buy decision.

Without considering the make or buy decision, it is difficult to conclude that the authority's procurement unit utilize the best value of money. Moreover, there may be a situation that better quality, short workflow, and dependable source entertain by the authority.

#### **4.14 Ethics in Public Procurement**

According to Dobler and Burt, (1997, 286) ethics are guidelines or rules of conduct by which we aim to live, organizations, like individuals, have ethical standards and, frequently ethics codes. The ethical standards of an organization are judged by its actions and the actions employees, not by pious statements of intent put out in its name. The character of an organization is a matter of importance to its employees and managers, to those who do business with it as customers and suppliers, and to those who are considering joining it in any of these companies.

Moreover according to Tesfahun (2011 pp27) The National Association of Purchasing Management, the major professional association has addressed this issue since its

inception. It published NAPM standards of conduct have been updated on a continuing basis over the years. The current version of this document Principles and Standards of Purchasing Practice was developed by an NAPM standing committee in 1992 E. C and addresses the matters of professional ethical behavior in the context of the current procurement environment.

However, according the procurement team leader and procurement officer, the authority has no any Ethical Standard or Code of Ethics. Even they do not have any idea regarding the NAPM standards and the procurement staff generally knows about the 14 ethical standards which is announced and posted in many organizations.

As it is stated previously, procurement is exposed to rent seeking activity, developing Ethical Standard and enact according to it helps the department significantly. According to the researcher observation, the code of ethics may not develop in the near future at AAWSA.

#### **4.15 Perception of Stakeholder towards the Procurement Unit**

Most of the respondent from the procurement department replied that other stakeholder, the staff at AAWSA, the Media, and the public; assume that the purchasing department run the purchasing process with full of corruption. 96% (24) from the total 25 respondent in the procurement department assume that most stakeholders have negative perception regarding corruption. According to the procurement support team leader, even though the department is highly venerable for corruption, he also assumes that the misperceptions from other stakeholder exist. Such misperception leads the manger to adopt complicated purchasing process. As previously stated, a number of decision makes involve during the procurement process and long procurement process is a result of trying to control the department from corruption. Moreover, the number of committee involve in the purchasing department may not be seen in other department. Then again, the procurement support team leader elaborate that the primacy given to tendering method is to avoid the expected corruption.

As per the procurement officer, the promotion launches by different media about corruption also create misperception towards the department and profession. Most of the authority's purchasing is administered through tendering method. If this is so, the question of transparency and integrity get answer. Thus, the promotion and procurement structure management to handle the corruption within the department may not have prolific yield. Rather it should focus on the decision maker like the technical committee, inspection committee and the like. The procurement support process team leader also agrees with the idea of incorrect promotion and media drama. As the government main principle is clearance of rent seeker, most of the senior manager activities in the department are towards rent seeking area. Individual in the procurement department are not motivated to bring a new idea or workflow. Besides, most of their activities to expedite the procurement process are seen abnormal. Whether individuals from the procurement department corrupted or not, the staffs are assumed as dishonored. This is thus; most of the staffs are not willing to continue with their job (profession).

Even the team leader recognizes that most of the staffs assume they may be in jail at any time. Moreover, as the government is busy in eradication of rent seeker, the team leader believes that the most significant issue, the value of money, time, quality, and professionals are overlooked. Also, the professional's psychology is not preserved properly. In the future, both the Authority and the City Administration are planning to purchase almost all the purchase through Tendering method to avoid the rent seeking activities but the plan is not including the adverse effect and related issue. Generally, both the team leader and the officer accept that the department is highly exposed to corruption and agree with the government activity. But they think that the adverse effect should be studied and considered.

Based on the above data, it is possible to realize that the procurement department is highly exposed to rent seeking activity. The energy spent to avoid rent seeking activity is not compatible and achieve its objective. As most purchase is managed through open bidding, the next step should be how to make the open bidding process more efficient and effective. Furthermore, the manager is better motivate the staff to become creative and finding another method which has fewer loopholes for corruption and higher advantage to makes the process effective. Unwillingness to stay with the job may brought another negative effect like making bribe and abdicate, loss of experienced purchaser, less participation with the professional activity and the like. As the media's promotion and drama always stress that corruption are happened by the purchaser, it develop negative perception by the society towards the professional and not to develop the proficiency as intended. Being busy towards eradicating the rent seeking enactment from the procurement department by the government, it makes the government to overlook very important instance.

#### **4.16 E-procurement**

According to Benton (2007, pp 136) E- Procurement will lead to higher transactional accuracy and cost reduction for the entire supply chain as

- ✓ Reduce the total cost of ownership
- ✓ Streamlining the purchasing process
- ✓ Business innovation

However, the procurement department at the AAWSA is not applying e-procurement for its day to day activities in the local purchase. The main reason for not applying the e-procurement, according to the procurement support team leader, is that the existing process is highly dominated by manual process. Moreover, to make the competition fair and confidential, properly sealed hard copy document are used. Besides, server

suppliers are not skilled to make the communication by electronics means. The senior managers also do not encourage using the electronic means of communication.

Thus, it is possible to realize that the department loss the advantage of using e-procurement. The department is using the available computer, fax and other electronics machine for minor communication manse.

#### **4.17 Procurement Audit and Internal Control**

As per Tesfahun (2011, pp 63) Performance audit is monitoring of the proper planning before tender; adequate transparency (advertisement); correct choice of procurement method; correct application of award criteria; presence of full procurement file and the proper use of bid documents, financial audit deals about monitoring of budget compliance; proper disbursement of funds; timely and correct delivery of funds and financial integrity. As per the procurement support team leader, the department is audited every year and sometimes interim audit are done one or two times within a year. As per the team leader except minor limitation, most of the time the audit reports are encouraging.

According to Johnson and Fearon (2006 pp 125) the following information should be included on a standard requisition; date, number, originating department, account to be charged complete description of material, any special shipping or service delivery instruction, the purchase requisitions hold all the standard information.

93.18% (41) of respondents replied that the purchasing requisitions and purchase order are only approved by authorized staff member. Besides, 88.63% (39) and 93.18 % ( 41) of respondents replied that the purchase order and purchase requisition are pre numbered and controlled properly. The rest respondents did not respond on the case. No one has replied that the purchase requisition, purchase order are treated in wrong way

Additionally, 93.18% (41) of respondents replied that there is a review of invoice during payment includes check of items, and quantities with those indicated on receiving

reports obtained directly from the receiving department. Only 2.27% (1) of them say no for the existence of the control. In the case of purchase return, 84.09 % (37) of respondents replies that the returned purchases controlled in a manner that ensures the refund or credit will be received. However, 6.81(3) of them assume that the returned purchase is not controlled properly. Both the team leader and the procurement officer stress that there is no possibility of processing purchase request without authorized person approval. As well, the two documents are always pre numbered and control properly. There is no time auditor complains with the two cases. The two staff also said that except a single transaction for the previous and this year, the entire purchase return is administered in an effective manner.

Nonetheless, 61.36 %( 27) of respondents assume that the internal controlling system is found satisfactory level. 22.72% (10) of the respondents assume that the internal control is found in an unsatisfactory level. Only 9.09% (4) of respondents assume that the internal control system is outstanding. The rest did not respond for the case. As per the team leader of the department, except minor documentation and communication failure, the department internal controlling system is good enough to regulate the procurement system. The procurement officer also assumes the internal controlling system is in a satisfactory level.

Based on the above data, the recurrent auditing on the procurement department associated with few limitations is an encouraging one. It is possible to realize that both the purchase requisition and purchase order are administered in the right way. Most of the respondents replied that the payment method is good enough to control the process. Then, it is most likely possible to say that the purchase return process is adequate for controlling the refunding and related process.

Even though majority of the respondents are satisfied with the internal controlling system, more than one fifth of the respondents are unsatisfied with it. Since the nature

of the procurement is exposed to significant amount of money movement, a small negative loophole for misappropriation may lead to a significant damage for the department as well for authority.

## Chapter Five

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter summarizes detailed conclusions with the possible recommendation. Conclusions are drawn based on the obtained results on the data presentation and analysis. Finally, the researcher recommendations for future research that may be of worth are put forth.

#### **5.2 Summary**

The purpose of this study was to assess the Addis Ababa Water and Sewerage Authority's practical procurement process. The Authority was examined through user department satisfaction level, perception and the procurement unit performance. Most of the demographic characteristics of the respondents are capable of showing the required data.

Based on the quantitative and qualitative data analysis, discussion of results with respect to the basic question, the following are the summary of major findings of the study;

The Authority has no any procurement strategy and policy. This makes difficult to indicate whether the department strategic objective is achieved or not. Lacking departmental policy also shows that there is no broad guiding principle for the department. Most of the time the training held did not meet its objective as it is not designed based on preliminary survey and the right time. Commonly, the Authority adopts five procurement method namely open bidding, restricted bidding, request for proposal, request for quotation and direct procurement. The Authority, as of other government organization, gives primacy for open bid to make the competition fair, transparent and free form rent seeking activity. Even though the intended purpose has

achieved at some extent, the disadvantage of the method is not clearly understand. Even though direct procurement is the least preferred method, significant amount of money are spent through it. Besides, the procurement unit is poor at in procuring with the right quality and time. The experience of purchasing used items and the procedure to buy capital items is also too poor. The procurement cycle is too long with many decision makers. The procurement unit has no any ethical standard. As well, the most stakeholders perceive the procurement unit and staff negatively. The internal control and the audit report are well enough.

## **5.2 Conclusion**

The broad aim of the study was assessment of procurement system and practice in the case of Addis Ababa Water and Sewerage Authority. To aid the attainment of the objectives of the study, a survey of the available literature that was undertaken is presented in Chapter two. The chapter therefore provides the theoretical grounding that forms the foundation of the study, procurement system. Based on the literature review, the empirical data are presented in chapter three. Thus, the researcher tries to conclude the following main points,

- I. The procurement department has no any departmental strategy and guiding policy. Even, the senior manager has no clear familiarity in developing the departmental strategy and policy. As well, the department could not have any departmental strategy and policy in the near future.
- II. The procurement department training is takes place spontaneously. There are no need assessment inquiries before the training has carried. It is not presented based on understanding the knowledge gap. Most of the time, it is done to present the government procurement policy, procurement method, and related issue. Besides, the training is carried based on the trainee schedule. The time

may be pick working time for most purchasers, some of them are busy in meeting, and some of them are in leave and the like.

- III. The procurement department has no full right to select which procurement method is applying for the requested items. Moreover, the adopted procurement method has its own advantage and disadvantage like;
  - a. Open bids are highly exposed to bid rigging and costly for management, though it is best to make the procurement process fair, transparent and equal. Also, as the amount of purchase through open bidding is coming increase with an increasing rate.
  - b. Direct purchase method is the easiest and highly exposed for corruption method. Even though, the Federal Government and the authority are discourage using direct procurement, substantial amount of money are spent through it.
  - c. Request for quotation is relatively fair in competition and less in cost. However, there are items purchased through RQF which can be purchased through open bidding. As well, RQF is used for unplanned purchase and thus, the amount on the report is the result of poor procurement planning.
- IV. Except staff's unwilling to administer the direct purchase and lack of specific skill by the staff, most of the challenges faced by the procurement department is beyond the control of the department. Shortage of manpower and spontaneous request can be tackled by the authority. The supplier and market related problem cannot be managed by the department or the authority, except trying to adapt with it.
- V. The authority has no any inventory and vendor classification to administer the procurement unit effectively. The department and user unit face difficulties because of lack of right vendor and material management.

- VI. Suppliers have not the right knowledge on the complaint management and the complaining manual is prepared in English Version. The suppliers also misperceive the procurement department.
- VII. The department has no any experience of purchasing used capital items and there is no any unique and upgraded method of capital purchase.
- VIII. The department perform well enough in the area of purchasing the right quantity, and price. However, the department enacts poor performance in the area of procuring with the right quality and time.
- IX. The department staffs lack critical skill in the area of procurement contract management, specification and negotiation to get best value of money.
- X. Significant portion staffs in the procurement department are not qualified in procurement management discipline.
- XI. The procurement stage at AAWSA (starting from requesting up to receiving) is too lengthy and kept under bureaucratic red tape.
- XII. The authority's procurement department has no ethical standard or code of ethics. Besides, the department is not using electronic means of communication to ease the purchasing process.
- XIII. The public in general, especially the media, has misperception regarding the procurement staff. This makes the department not to be inspired and engaged in bureaucratic process.
- XIV. The department did not get any significant problem during auditing. However, the internal controlling system lacks bit insight.

### **5.3 Recommendation for the authority**

- ✓ As departmental strategy and policy is crucial for the department and the authority to manage the process and evaluate the result, the senior manager of the authority with the involvement of the procurement unit, should develop the departmental strategy and the guiding policy. Moreover, the training should be prepared with the pre assessment of knowledge gap, readiness of the staff and suitable training schedule
- ✓ The senior manager should be responsive and flexible towards the departments. These include hiring the right unit and skilled staff, controlling the unplanned purchasing requisition, adopting the departmental work flow with the market situation.
- ✓ The authority senior manager should protect the department staff from the misperceptions of the procurement department and assist the department to avoid the corruption process with little adverse effect.

### **Recommendation for the department**

- ✓ The department should start and develop new ways of procurement process. These might be segregating vendors and inventory based on organizational consumed inventory, adapting the purchase of used capital items to get best worth, developing or adopting other's origination code of ethics.
- ✓ The department has satisfied most user department in the area of purchasing the right quantity and price. However, the department performance is poor in the area of purchasing with the right quality and time. This two measuring factor shows that there is wastage of resource and late achievement of the goal. Thus, the department should strive to perform well in the extent of procuring the right quality and time. As well, struggling to improve the

purchase with the right quality and time would also be fruitful for the achievement of the authority's strategic goal.

- ✓ The department with the involvement of the senior manager should revise the procurement process and evade the unnecessary stage and bureaucratic steps to make the organization material flow effective. Moreover, the internal controlling system should be revised to be more in effect.
- ✓ Contract management, negotiation and specification processes should be done in effective and efficient manner to get best value of money. This can be achieved through providing continues and practical oriented training for the procurement staff. Nonperformance by the supplier should take in to the court to perform as per the contract agreement. This may instruct other supplier for complete performance as per the contract agreement.
- ✓ It is recalled that around two third of the country budget are expend through procurement sector, several government university should open the procurement course at BA level. Further, the Addis Ababa University School of Commerce should revise its course content with experienced procurement officer from the public sector.

#### **5.4 Suggestions for Further Research**

The immediate benefit of this research study was in obtaining a better understanding of the procurement management system at Addis Ababa Water and Sewerage Authority. Recommendations for further research that could broaden the understanding of procurement management included below.

- ✓ The adverse effect of media promotion, stakeholder perception towards procurement process and corruption should be studied in-depth.
- ✓ The experience of others country procurement system and;
- ✓ Future researchers could consider performing a similar study using a population that had a higher percentage of senior manager and substantial suppliers.

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