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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

PUBLIC PROCUREMENT PRACTICES AND CHALLENGES IN
ETHIOPIA:

EVIDENCE FROM SELECTED PUBLIC ORGANIZATIONS

BY

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THESIS

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DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all sources of materials used for the thesis have been duly acknowledged.

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Statement of certification

This is to certify that Roman Legesse W/Giorgis has carried out a thesis on the topic “public procurement practices and challenges: in the selected public organization of Ethiopia” under my supervision. In my opinion, this thesis is suitable for submission in partial fulfillment of the requirements for the award of the MA Degree in Accounting and Finance.

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ABSTRACT

The objective of this study is to assess the regulatory framework, practices and challenges of public procurement in selected public organizations in Ethiopia, and to see the main procurement procedures in light of public procurement practices in some East African countries. The study used mixed research approaches: Survey, in-depth interviews and documentary analysis. The main findings include: some public procurement performances regarding need identification, selection of procurement methods and planning processes were not in accordance with the procurement rules and regulations, and lack of effective use of procurement budget. As the study revealed the causes for the problems were: failure to retain skilled manpower due to low government salary scale; only one agency (the procurement agency) is mandated to process all public procurement in all public organizations; and lack of transparency in the contract administration procedure. Moreover, the result shows that the main procurement procedures in the three East Africa countries are similar to that of Ethiopia in many aspects. However, some of the observed gaps should be filled. This needs commitment from responsible government authorities to improve the public procurement practices and resolve challenges for sound public procurement practices.

Key Words: Public procurement, procurement procedures, procurement planning, procurement specifications

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ACRONYMS

FPPA	-	Federal Public Procurement and Property Administration Agency
INTOSAI	-	International Organization of Supreme Audit
FDRE	-	Federal Democratic Republic of Ethiopia
OFAG	-	Office of Auditor General
RQ	-	Research question
CIPS	-	Chartered Institute of Purchasing and Supply
OECD	-	Organization for Economic Co-operation and Development
GDP	-	Gross domestic product
PPA	-	Public Procurement Agency
EMBA	-	Executive Master of Business Administration
MoFED	-	Ministry of Finance and Economic Development

CHAPTER ONE

1. INTRODUCTION

Procurement encompasses the whole process of acquiring property and/or services. According to Waters (2004), it begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters, 2004). Thai (2001) indicated that procurement encompasses acquisition, contracting, buying, renting, leasing, and purchasing, to include functions such as requirements, determination and all phases of contract administration. There are two types of procurements: private procurement and public procurement. Public procurement is continuing to evolve both conceptually and organizationally. The evolution accelerated during the 1990s as governments at all levels came under increasing pressures to “do more with less.” Indeed, all governmental entities of rich and poor countries are struggling in the face of unrelenting budget constraints, government downsizing, public demand for increased transparency in public procurement; and greater concerns about efficiency, fairness, and equity (Thai, 2009). The report further indicated that irrespective of variations in the existing political, economic and legal environment peculiar to a specific country, an efficient and effective system of public procurement is ultimately built upon four basic pillars: procurement laws and regulations, procurement workforce, procurement process and methods, and procurement organizational structure. Ideally, procurement laws and regulations should be clear, consistent, comprehensive, and flexible (Thai, 2009).

World Bank (2002) indicated that even rules and regulations have been enacted, successive review of the public procurement regimes in Ethiopia reveal a lot of shortcomings such as procurement laws and regulations are not based on recognized international models, absence of clearly defined central oversight and public bodies at all levels, shortage of experienced management and procurement staff, lack of transparency in the procurement processes, absence of procedures for modern form of procurement activities and unclear institutional and organizational arrangements required in the management of the public procurement process.

Based on the abovementioned comments, Ethiopia has already begun implementing major reform programs since 2009. The Federal Government of Ethiopia Procurement and Property Administration Proclamation No 649/2009 was enacted by parliament replacing the previous law. The law led to the establishment and operation of the Federal Public Procurement and Property Administration Agency (FPPA) and the independent Complaints Board. The law also emphasizes best practices including value for money, non-discrimination, transparency and accountability as the major principles of public procurement in Ethiopia. However, still many sources such as audit reports and newsletters, indicate that there are different challenges to ensure sound procurement practice in Ethiopia. Some of these challenges include lack of evident assessment of the actual practices and the level of compliance with international best practices regarding procurement, lack of alignment of the practices of procurement processes with the procurement manual of the country (Office of Federal Auditor General(OFAG), 2016).

Different researchers have tried to address some of the problems of public procurement in some public organizations in the country. These include public procurement reform in Ethiopia: policy and institutional challenges and prospects by Yirga (2011); procurement planning and implementation effectiveness in Ethiopia by Anteneh (2015); procurement reform in Ethiopia: factors leading to effective public procurement implementation by Getnet and Tilahun (2014); accountability, responsibility, transparency and corruption by Gizachew (n. d), and evaluation of procurement process at Addis Ababa Water and Sewerage Authority by Yonas (2014). However, none of the above studies have adequately identified the challenges faced in the field of procurement in the public sectors; the implementation/practices of the legal frameworks (law, proclamation, manual) of public procurement were not adequately addressed; and the Ethiopian public procurement legal framework in light of other east Africa country have not been assessed.

This study assessed the practices and challenges of public procurement in selected public organizations and the procurement procedures in light of some East African countries' experiences. The study also reviewed the performances of the procurement units, procurement methods, and the limitations in implementing the procurement regulation in selected public organizations in the country.

This chapter is organized in six parts. Review of Ethiopian procurement system are presented in section one which is followed by statement of problems in section two. A discussion of research objective and research questions is shown in section three, Section four is for significance of the study, while sections five and six present scope of the study and organization of the thesis, respectively.

1.1. Review of Ethiopian Procurement System

This section will give over view about legal framework of the Ethiopian public procurement system. Having the objective to achieve better transparency, efficiency, fairness and impartiality in public procurement, and to enable the utilization of the large sum of public money spent on procurement in a manner that ensures greater economy and efficiency, the Federal Democratic Republic of Ethiopian (FDRE) government established a public procurement proclamation. The proclamation describes the basic procedures and methods of public procurement and has established an independent public procurement control and oversight Entity i.e. the Ethiopian Public Procurement and Property Administration Agency (PPA). As mandated in the Proclamation PPA issued Public Procurement Manual. The manual state that in the public procurement plan, the user department must raise the procurement needs; this need has to acquire specification/Terms of Reference of Requirements; it should be clear, precise, complete and well understood. The specification may further be refined and clarified, by the procuring department, as per the pertinent rules and regulation. Technical specification is prepared or will be prepared by end users (PPA, 2011). The Procurement also state that except otherwise provided in this proclamation, the procuring entity shall use open bidding as the preferred procedure of procurement. The selection of any procurement method other than Open Bidding should be recorded in the Records of procurement, stating the reasons and justification for the method selected (FDRE, 2003). The manual also states about contract administration as Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen (PPA, 2011).

1.2. Statement of the Problem

The procurement law can be very comprehensive, depending upon countries. Officials must ensure that public procurement is managed in accordance with the objectives, principles and procedures defined as conducted on the public interest and is open to public scrutiny (International Organization of Supreme Audit Institutions (INTOSAI, n. d)). According to Federal Democratic Republic of Ethiopia (FDRE), 2009), compliance is the key to the attainment of the objectives of the procurement such as transparency, competition, value for money, accountability and the efficient use of state resources. On the other hand, non-compliance to procurement laws is considered as a major hindrance to the effectiveness of the laws (Gelderman et al., 2006).

In a 2012 speech to business people, the late Prime Minister Meles Zenawi noted that the state "is fighting with rent seeking, while its hands are tied". The speech, largely an honest reflection of the level of spoilage within the state, identified land administration, customs and public procurement as the three pillars of the rent seeking political economy, an arch enemy of the developmental political economy the ruling EPRDF wishes to establish. Three years since that bold speech by Meles, the state, under the complete control of the Revolutionary Democrats, continues to struggle with the bleeding impacts of corruption in the three areas (Yonas, 2015). However, OFAG (2016) report after auditing 77 offices and five branch offices of public organizations in order to confirm whether the procurement processes were implemented according to the public procurement proclamation, regulation and manual or not indicated that procurements amounting about Ethiopian birr 546,059,763 were carried out in all offices and branch offices audited in 2007 E. C. without following the proper procurement legal framework.

The above issues in the public procurement system in Ethiopia together with the knowledge gap Different researchers have tried to address some of the problems of public procurement in some public organizations in the country. These include public procurement reform in Ethiopia: policy and institutional challenges and prospects by Yirga (2011); procurement planning and implementation effectiveness in Ethiopia by Anteneh (2015); procurement reform in Ethiopia: factors leading to effective public procurement implementation by Getnet and Tilahun (2014); accountability, responsibility, transparency and corruption by Gizachew (n. d), and evaluation of

procurement process at Addis Ababa Water and Sewerage Authority by Yonas (2014). However, none of the above studies have adequately identified the challenges faced in the field of procurement in the public sectors; the implementation/practices of the legal frameworks (law, proclamation, manual) of public procurement were not adequately addressed; and the Ethiopian public procurement legal framework in light of other east Africa country have not been assessed. shown in chapter two necessitated the conduct of this study.

1.3. Research Objective and Research Questions

The general objective of this study is to assess the regulatory framework, practices and challenges of public procurement in Ethiopia and Ethiopian regulatory framework in light of the other East Africa countries.

Based on the above broad objective the following research questions (RQ) were developed:

RQ 1. How do public institutions identify their procurement needs?

RQ 2. How are plans for procurement developed and communicated to the concerned bodies in the selected organization?

RQ 3. How is the quality of the specifications set for goods to be procured in terms of clarity, and accuracy?

RQ 4. How are the methods for procurement determined?

RQ 5. How are the contract administration works performed?

RQ 6. What are the challenges that public institutions and suppliers face in relation to public procurement?

RQ 7. How do the legal framework related to identification of procurement needs, contract administration, methods of procurement look in light of the experience in selected East Africa countries?

1.4. Significance of the study

The intention of this study is to contribute to the existing body of knowledge about public procurement practices and challenge. The study is expected to shed-light on challenges of public procurement implementation practices, this can have an immense advantage for different stakeholders; for the managers to make corrective actions, for policy makers to revise the policy and review the practices, for researchers to serve as a facilitator for further detail investigations,

and particularly, if the management admits the problems and take corrective measures, the study will contribute a lot to enhance organizational performance.

1.5. Scope and limitation of the Study

Procurement encompasses the whole process of acquiring property and/or services, and also extends to the ultimate disposal of property at the end of its useful life. Though it will be important to include all these areas because of infeasibility from resource and time perspectives, the focus of this study was only assessment of the practices and challenges of procurement procedures in sample public organizations. The study used eight public organizations viz. the Ministry of Agriculture, Ministry of Health, Ministry of Education, Ministry of Transport, Ministry of Trade, Sugar Corporation, Ethiopia Electric Power Corporation and the Ethiopian Rail-Way Corporation. These organizations are highly budgeted and the government identifies them as among the major economic development sectors. Ministries and corporations were selected in order to see procurement practices in these different organizations which are under different administrative and management structures. This study compared the procurement procedures in these organizations in light of three East African countries: Kenya, Uganda and Zambia. According to Nagabiran and Karungi (2014), these countries have recently undertaken important initiatives to make their public procurement systems more efficient and transparent in line with international procurement guidelines. Although the current East African Community (EAC) Treaty does not explicitly address issues related to public procurement, the long history of co-operation among the three countries and similarities in the institutional framework for public procurement would make it worthwhile to explore possibilities of joint regional actions in this area. This, however, crucially depends on the extent to which policies, laws and regulations and the institutional frameworks in the three countries can be harmonized in the coming years.

1.6. Organization of the thesis

The thesis is organized in five chapters. The first chapter presents the introduction of the study, the second chapter presents review of literature, the third chapter outlines methodology of the study and chapter four presents the results, analysis and interpretation. The last chapter contains conclusions, major finding and recommendation.

CHAPTER TWO

LITERATURE REVIEW

Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives. Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organization, its stakeholders and customers. Procurement applies the science and art of external resource and supply management through a body of knowledge interpreted by competent practitioners and professionals (Chartered Institute of Purchasing and Supply (CIPS), 2013).

This chapter presents the review of both theoretical and empirical literature. The first section reviews the theory while section 2.2 presents the empirical evidence on public procurement. The conclusion and knowledge gaps are presented in section 2.3.

2.1. Theoretical review

There are different types of theories. Flynn and Davis (2014) examined the types of theories to be used and found that theory of auctions and competitive bidding is the most singularly used theory in public procurement. The next most used theory is principal-agency theory followed by transaction cost economic theory, contract theory and general systems theory. Each of these theories are described in brief as follows.

2.1.1. Theories in public procurement

2.1.1.1. Theory of auctions and competitive bidding

Philip, et. al. (2011) indicated that auction throughout the community is the generic name that is assigned to the procurement procedures, represented by direct purchase, direct negotiation, request for bids and the actual auctions through which goods are procured in the public sector. For the science of public finance, auction is the key element through which is formed the value of public assets to be acquired. This value is the result of competition between suppliers of goods and services, which intends to provide public assets at the lowest price and best quality. According to Philip et. al. (2011), auction rules are established by public authorities, which set the values of public assets that are expected to be purchased. These estimated values of public

assets are seen as the market values or fair values that values that will be allowed by the public authority. Over any of these estimated values, the bidders cannot deliver the goods and services in the auction organized. Hence, the first rule of auctions, namely that the values of goods and services provided for the needs of public authorities cannot exceed their estimated value. Therefore, auctions are those that generate competition among bidders of public assets. Auction rules are established by public authority, which sets the estimated value, eligibility criteria and the criteria for awarding tenders. Estimated value is often market value, which the public authority considers it can pay for goods and services that are expected to be delivered. No bidder may bid values over the estimated value. Estimated value in turn cannot be higher than the approved budget appropriations. This rules of the game created competition among bidders, are leading eventually to the purchase of public assets whose value is between the estimated and the specific cost of each bidder (Philip, et. al., 2011).

2.1.1.2. Principal-agency theory

Hezheng-Qing (2008) stated that the related parties in the government procurement mainly are: the taxpayer, the government, financial department, state institutions and supplier. Under centralized purchasing operating mechanism, these parties have formed a principal-agent chain in the process of government procurement management: (1) Taxpayer is the supplier of government procurement fund, commits the public funds to the government through the legal process. So, the first agent relation of the taxpayer and government formed. (2) Since the public administrative field of the government is very broad, it is impossible that government will do everything. Under the authority of the functions, financial functions will be further delegated to the financial department. So, the second agent relation of government and financial department formed.(3) Financial departments work out law and regulation, supervise the implementation, work out standard of supplier's qualification and so on. It is impossible that financial department takes on everything. So, financial department sets up a special organization (purchasing center) in its internal. Such the third agent relation of financial department and purchasing center formed. (4) The concrete government procurement activity is expertise by official, such the fourth agent relation of purchasing center and purchasing official has formed.

According to Hezheng-Qing (2008), the agency chain like “the taxpayer-the government-the financial department-the special purchasing organization-the purchasing official” is formed in the process of government procurement. The taxpayer is the initial consignor, and the purchasing official is the ultimate agent. However, in fact the taxpayer who is the initial consignor do not manage authority in the process, cannot make purchasing decision and gain profit in the progress. So, the purchasing official who has professional knowledge is responsible for purchasing activity, and plays the decisive role in the chain. But the purchasing official is a rational economic man, he runs after the maximization of self-interest. It is difficult to execute government procurement law and realize the target of government procurement while conflicts are occurred between his benefit and the consignor’s benefit. The principal-agency problem is happened in the agency chain because of the inconformity of interests between the consignor and the agent. In government procurement activities, asymmetric information, incomplete contracts and opportunism, led to the dysfunction of principal-agent theory (Hezheng-Qing, 2008).

2.1.1.3. Transaction cost economic theory

According to Jurcik (2011), effectiveness is the main objective of the institute of public procurement and should be managed by providing better services to the public at a lower price than it is possible to achieve by the public sector. Comparably, Williamson (www.mendelu.cz) indicated that the amount of transaction costs which is relevant when deciding on ways how to ensure certain activities is influenced by three factors: specific activities, measurability of output and input frequencies. The above described assumptions have serious implications for the analysis of the relationship between government and market actors in the implementation of public procurement. The key assumption for the “rational” decision making of public entities is the ability to realize the contracted goods and further quantify or at least estimate the size of the transaction costs associated with the implementation of the contract (Jurcik, 2011).

2.1.1.4. Contract theory

What is contract? ‘A speciation of actions that named parties are supposed to take at various times, generally as a function of the conditions that hold’ (Shavell, 2004).An example is insurance contract under which (risk-averse) insured's pay premiums and are covered against risk by an insurer. Some party might have incentive to behave opportunistically at the expense of

others. In an ideal world, people can write a complete contingent contract that induces all the parties to take the 'right' actions in every possible state of world, which leads to a Pareto efficient outcome. Contract theory studies what will or should be the form of contracts in less than ideal worlds, where they exist;

- Hidden action (or moral hazard): when the involved party's behavior cannot be perfectly monitored by others.
- Hidden information (or adverse selection): when the involved party has private information which is not known to others.
- Contractual incompleteness: when contracts do not deal with all relevant contingencies.

According to the author, there are many applications of contract theory, among which the following are important: labor contracts, regulation, price discrimination, optimal taxation, financial contracts, and auctions (Shavell, 2004).

2.1.2. Public procurement and private sector procurement

Compared with the private sector, the public sector's procurement process differs in several respects. Fundamental differences exist between the public and private sector in reporting structure, regulating bodies, funding sources and operating motives (Larson, 2009). First, the public sector is governed by legislative bodies, laws, and untold numbers of state and federal regulations. The private sector is guided by boards of directors, business plans and the organization's purchasing policies. Second, the public sector funding sources are drawn from taxes and fees and carry with them innate external regulations regarding their use. Private sector organizations generate revenue through sale of goods and services and face no external requirements for use. Third, the scope of public procurement is broader than simply procuring required goods and services. Public sector procurement considers aspects such as the development of its local economy and small business therein, job creation, promotion of open equitable markets and strict adherence to clear procedures, fair competition, and transparency (Telgen, et al, 1997). In the public sector, transparency is critical to ensure appropriate accountability, minimize corruption in procurement and promote trust by allowing citizens to see

and judge the quality of government actions and decisions (Arrowsmith, 1998; Smith-Deighton, 2004).

Reed et.al. (2005) stated that the private sector is profit driven and though adherence to federal regulations is important in the private sector, public external transparency can be detrimental. Despite these differences, the mission of the procurement function, in public and private sector organizations, is to efficiently manage the forecast, procurement and delivery of goods and services through the supply chain in a cost effective manner. Notwithstanding the great potential that private sector strategy and practices hold for public procurement, a careful exploration of the differences between public and private sector procurement is essential before cross sector implementation (Reed, et.al., 2005).

2.1.3. Procurement procedures and its cycle

Shaw (2010) pointed out that the procurement process can be wrapped into three steps. These are need identification, planning and specification of goods or services required, and sourcing, awarding, and supplier management to facilitate timely delivery.

Need identification: Procurement is done to desire to accomplish a specific task. Given that resources are always scarce, the task to be accomplished should be important to an organization (Nakamura, 2004).

Planning and specification of goods or services required

Once the needs have been identified, the procurement department should develop or communicate a plan on how to deliver the service or goods required. The plan must be developed in collaboration with the other functions within the organization, so that it is integrated into the organization's strategy and therefore provided for adequately (Shaw, 2010). In order to be able to purchase the right goods or services, the specifications of what the organization needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is therefore important to have clear, precise and accurate specifications. Most organizations have standard specifications for the most regularly procured items and services such as medical and construction (Shaw, 2010).

Sourcing, awarding, and supplier management

Hinson and McCue (2004) stated that sourcing is the process of identifying sources of supply that can meet the organization's immediate and future requirements for goods and services. The sourcing process adopted will depend on the situation and on the time available to carry out sourcing. For instance, in a sudden on-set emergency the need to respond quickly to the emergency will mean there will be limited time to gather sourcing information and approve suppliers; therefore, an organization may make use of existing suppliers.

2.1.4. Laws and regulations

A sound public procurement system needs to have good procurement laws and regulations. In practice and theory, public procurement laws and regulations have been considered as one of the most important pillars of a sound procurement system, as the author evidenced in past research, publications, and practices. Procurement laws and regulations lead to procurement efficiency or inefficiency. There was a debate about a procurement legal framework that hinders or helps procurement discretion. Ideally, procurement laws and regulations should be clear, consistent, comprehensive, and flexible (OECD, 2006).

2.1.5. Public procurement organization structure

OECD (2006) indicated that in some countries there may be a central procurement office for the whole nation, such as Uganda, Kenya, etc. In other countries, public procurement organizational structure is very complicated. In the United States, at the federal level, although procurement regulations are applied to all federal agencies, the General Services Administration is a central procurement office for civilian agencies, except the Department of Defense that does have its dependent procurement office. According to Choi and Hong, 2002, cited by OECD, 2006), managers in the private sector simultaneously face three different forms of structural complexity in supply networks: vertical, horizontal, and spatial. Vertical complexity refers to the number of hierarchical levels in the whole system (i.e. the number of tiers), horizontal complexity refers to the number of different entities in the same level of the supply network (e.g. number of suppliers in each tier), and spatial complexity refers to the average distance between operating locations. This statement is particularly true in the government institutions.

An essential element of the role of the public procurement department in a government entity is the placement of procurement authority. This is not to be confused with the location of procurement personnel. Centralization occurs when all of the rights, powers, duties, and authority relating to public procurement are vested in a central procurement officer. That central authority often delegates some of these powers to others, but the point remains that they stay with that central figure. Such delegations are normally carried out within a regulatory or policy framework by means of specific letters or memoranda to those receiving the delegated powers; they very precisely delineate the delegated contract approval authority in terms of dollar amounts and commodities as well as whether or not the assigned authority may be further delegated. Decentralization occurs when procurement personnel from other functional areas can decide unilaterally on sources of supply or negotiate with suppliers directly (Dobler and Burt, 1996). Rarely is an agency fully centralized or fully decentralized; it is usually somewhere in between, often with very specific exceptions on a commodity basis such as contracting for specialized professional.

2.1.6. Public procurement workforce

A sound procurement system has to have a competent professional workforce equipped with defined skills and knowledge for specified procurement jobs (OECD, 2006). The procurement workforce “permeates virtually every effort within an agency, including successfully acquiring goods and services and executing and monitoring contracts” (United Government Accountability Office, 2005). Unfortunately, public procurement has been a neglected area of education. Not until 2007, was a college degree program in public procurement offered. Thus, public procurement personnel are mostly on-the-job training or from law schools. Moreover, countries such as the United States and Canada will face a major problem: the shortage of its procurement workforce due to retirement and job turnover, which could create an imbalance with regard to acquisition experience and skill sets. Thus, it is a challenging task for an agency to choose the right staff in the right numbers applying skills where needed to accomplish the mission effectively. Creating a procurement workforce with the right skills and capabilities can be a challenge, given changes to procurement processes, the introduction or expansion of alternative contracting approaches, and increased reliance on services provided by the private sector (United Government Accountability Office, 2005). Thus, governmental entities need to have a

comprehensive training program, a comprehensive strategic workforce plan to profile the current staff, and projects staffing needs for the future, to hire, develop, and retain talent.

2.1.7. Public procurement principles

Public procurement principles set the framework for managing public procurement requirements, and also within which procurement practitioners' must work. So, as practitioners it is important not only to have a clear understanding of public procurement principles, but to interiorize them so that they serve as guiding principles in our decision-making process. By integrating these principles into our work ethics, the outcome of our decisions will always be in line with public procurement principles. Being governed by and working in line with public procurement principles is especially important (Lynch, 2013). Public procurement principles are the foundation of public procurement and should be addressed in the public procurement rules. They govern the management of public procurement, and also set the framework for a code of conduct for public procurement practitioners and all other officials directly or indirectly associated with the public procurement process. Transparency, integrity, economy, openness, fairness, competition and accountability are some of the fundamental principles of public procurement. These are briefly discussed below.

Transparency: Transparency in public procurement is important. Information on the public procurement process must be made available to all public procurement stakeholders: contractors, suppliers, service providers, and the public at large, unless there are valid and legal reasons for keeping certain information confidential.

Integrity: In public procurement integrity is twofold. There is the integrity of the procurement process, and that of public procurement practitioners. Integrity of the public procurement process is essentially reliability. Bidders and all other stakeholders must be able to rely on any information disseminated by the procuring entity, formally or informally. The integrity of the procurement process assures confidence in the public procurement system. Practitioners working within procuring entities, and other government officials involved in the public procurement process, must display personal and professional integrity. Ideally there shouldn't be any inconsistency between the two.

Economy: Synonymous with efficiency, value for money, and commercially reasonable price, the principle of economy emphasizes the need to manage public funds with care and due diligence so that prices paid for goods, services and works are acceptable and represent good value for the public funds expended on them.

Openness: Public procurement requirements should be open to all qualified organizations and individuals. The public should also have access to information pertaining to public procurement requirements. Access to public procurement information is not absolute. Confidential and proprietary information belonging to organizations and individuals participating in process should not be available publicly, and the extent of their disclosure should be detailed in the procurement rules or other relevant regulation.

Fairness: There are different interpretations of fairness in public procurement, so rather than define fairness as treating all bidders equally, better to mention how fairness is achieved in public procurement. To achieve fairness in the public procurement process:

- Decision making and actions must be unbiased, and no preferential treatment should be extended to individuals or organizations given that public procurement activities are undertaken with public funds.
- All offers must be considered on the basis of their compliance with the stipulations of the solicitation documents, and offers should not be rejected for reasons other than those specifically stated in the solicitation documents and the procurement rules.
- A contract should only be signed with the supplier, contractor or service provider whose offer is compliant and best responds to the objectives of the requirement in terms of technical capability and price.
- Suppliers, contractors or service providers should have the right to challenge the procurement process whenever they feel they were unfairly treated or that the procuring entity failed to carry out the procurement process in accordance with the public procurement rules. Such challenges must be based on the solicitation documents and/or the public procurement rules.

Competition: The public procurement process should not be manipulated for the benefit of any organization or individual. Given that public procurement is funded primarily with tax payers' money, all eligible organizations and individuals should be allowed to participate by submitting offers in response to a specific requirement for which they are qualified.

Accountability: Accountability in public procurement means that anyone involved in the procurement process is responsible for their actions and decisions with respect to the public procurement process. As public servants, procurement practitioners, and others involved in the public procurement process, are accountable and exposed to sanctions as a remedy for any behavior that contravenes the public procurement rules. You also have an obligation to report and/ or answer to a designated oversight entity, and the public, on the consequences of your actions and decisions.

2.1.8. Challenges in public procurement

Krol (2012) indicated that the current economic crisis puts pressure on governments to cut spending and reduce deficits. With public procurement often accounting for 10-15 percent of a country's GDP and for up to 65 percent of public sector budgets, governments are faced with the challenge to keep adding maximum value while at the same time rigorously reduce their spending. This implies that many government organizations need to shift from a budget driven to a value driven way of thinking and acting, but this also means that there is an important role for the procurement function to fulfill. The public procurement function, however, is faced with a number of challenges such as:

- The fear for negative publicity has led to a growing emphasis on the legal aspects of the tendering process.
- Procurement acts in a reactive way and is often not involved until the specifications have been defined.
- Procurement is seen as an operational department and not perceived as an advisor or partner of the business.

- Procurement is organized around contracts rather than commodities. There are peak moments when contracts are about to expire, but there is no continuous process to manage internal and supply market developments and opportunities.
- Procurement does not feel it is responsible for the operational procurement processes; there is no focus on managing the end-to-end process and closing the procurement loop.

According to Thai (2001), there are also external factors public procurement practitioners have always faced challenges imposed upon by a variety of environment factors including market, legal environment, political environment, organizational environment, and socio-economic and other environmental factors.

Market factor: Market conditions have a great influence on public procurement practitioners' effort to maximize competition. Moreover, the market determines whether or not socio-economic objectives of procurement are accomplished, whether or not a governmental entity can fulfill its needs; the timeliness of fulfillment; and the quality and costs of purchased goods, services and capital assets. As there are different levels of economic growth among countries in the world, market conditions are very favorable in industrialized countries, while they may be unfavorable in developing countries

Political environment: In a democracy many individuals, groups, and organizations in the private sector including trade associations, professional associations, and business firms or companies (commonly known as interest groups) are actively involved in all aspects of the public procurement system. Having various interests, objectives and beliefs, interest groups are involved in the public procurement system in several ways such as lobbying legislative bodies to pass or alter procurement statutes, influencing implementation of these statutes, and influencing budget authorization and appropriations processes. Normally, a government program that is eventually adopted is a compromise among different views of interest groups, policy makers and management. In this democratic environment, there are cases of a strong coalition of policy makers, bureaucrats and interest groups in their effort to get their programs adopted.

Social, economic and other environmental force: While some countries impose social policies on their public procurement practices (such as a policy placing a fair proportion of government acquisitions with woman/minority-owned small business, or economically disadvantaged areas), most governmental entities -be it a developed or developing country or federal, state, and local governments- use their large procurement outlays for economic stabilization or development purposes by preferring national or local firms over firms from other countries or other geographic locations. Public procurement practitioners may be in a favorable economic environment or market (with many competing tenderers in their country or local areas) or an unfavorable economic environment (where competition hardly exists). This environment would have a great impact on their practices as they may face an imperfect competitive market.

Organizational structure: Organizational structure may be very simple or very complicated, depending on the size of government organization. Most state and large local governments have procurement divisions either within their finance or administrative services departments; and very few departments, except perhaps transportation or public works departments, have a procurement function or officer. In the federal government, there are different procurement sub-agencies within each executive agency, depending on each agency's missions.

2.1.9. Public procurement and corruption

Public procurement has been identified as the government activity most vulnerable to corruption. As a major interface between the public and the private sectors, public procurement provides multiple opportunities for both public and private actors to divert public funds for private gain. For example, bribery by international firms in OECD countries is more pervasive in public procurement than in utilities, taxation, judiciary and state capture. According to the Executive Opinion Survey of the World Economic Forum of 2005, public procurement is also a major economic activity of the government where corruption has a potential high impact on taxpayers' money. In the European Union, public procurement equaled approximately EUR 1.5 trillion in 2002. In OECD countries, existing statistics suggest that public procurement accounts for 15 percent of Gross Domestic Product. The financial interests at stake, the volume of transactions on a global level and the closer interaction between the public and private sectors make it particularly vulnerable to corruption Organization for Economic Cooperation and Development (OECD) 2007). Mushagalusa and Mushagalusa (2013) stated that corruption in public

procurement, which is a global phenomenon affecting countries at all stages of development, has tremendously negative effects, leading to projects which not only exploit taxpayers' money or donated funds, but which may also pose a danger to the health and safety of users. Public procurement is particularly susceptible to corruption because of the vast sums of money governments spend on such projects, the relatively high degree of discretion public officials and politicians typically have in such matters in comparison with other areas of public expenditure, and the difficulty in detecting and investigating cases of corruption. Specific examples of corruption in public procurement may be as varied as the procurements and individuals involved. Generally, corruption in public procurement may involve complicated procedures and detailed planning; technical complexities; numerous persons; and at times an international dimension. These characteristics should be duly considered in detecting, preventing and deterring corruption in public procurement. Because of the complexities of corruption in public procurement, comprehensive preventive measures are necessary. Clear regulations and transparent procedures in public procurement, including e-procurement, establishment of procurement boards, education and public awareness of corruption in public procurement are examples of effective preventive measures. Despite these measures, corruption in public procurement still persists.

2.2. Empirical Literature

This section reviews empirical studies on public procurement. The first section presents studies conducted on Ethiopia; this is followed by a review of empirical studies conducted on other countries' public procurement systems and procedures.

2.2.1. Studies in Ethiopia

Yonas (2014) conducted a study on procurement process of Addis Ababa Water and Sewerage Authority. The study used descriptive research design and quantitative and qualitative data analysis. The findings of the study showed that the authority has no any procurement strategy and policy. As a result, the researcher recommended that senior managers 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. 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.

Yirga (2011) conducted a study on public procurement reforms in Ethiopia. The objectives of the study were giving a better insight about the challenges and prospects of the public procurement system and assess the nature and system of public procurement practices and the underlying factors that hinder public procurement activities in Ethiopia. The study was designed as descriptive unstructured interviews have been conducted with different stakeholders. In addition, the researcher uses different secondary data. Consequently, the results of this study showed that a significant achievement has been made in reforming the Federal Government's procurement system. Recommendations in the study are suggested including strengthening the capacity of the Public Procurement Agency's workforce, making the legislation more comprehensive; work with different stakeholders like the civil society organizations and the media on insuring transparency and combating corruption.

Getnet (2014) in his paper on public procurement reform in Ethiopia to identify factors leading to effective public procurement implementation in the country with particular reference to Amhara Regional Bureaus and other government institutions found in Bahir Dar town. The data had been analyzed using multiple linear regression method. The findings indicate that familiarity in public procurement rules and regulations, transparency in public procurement processes, ethics in public procurement and efficiency in public procurement processes have a positive and statistically significant impact on effective public procurement implementation. The accountability in public procurement, though have positive associations with effective public procurement implementation, did not have a significant impact on effective public procurement implementation. Gizachew (n. d) conducted a study on how public procurement is actually practiced in terms of efficiency, accountability and transparency. The findings of the study suggested that the level of efficiency, accountability and transparency observed in public procurement was low, although the legal and institutional frameworks including detailed procedures of public procurements are more or less laid down. The researcher recommend that African countries in general and Ethiopia in particular to (1) recognize the importance of continuously ensuring efficiency, accountability and transparency in public procurement through

establishing procurement monitoring and evaluation unit; (2) improve the level of compliance with best standards; (3) assure the cooperation of all stakeholders through taking the initiative and the leadership; (4) undertake complete procurement transformation through business process reengineering and change management; (5) aggressively implement human capacity development programs through training, system development and changing ethical behaviors; and (6) develop and assign women employees in all procurement activities.

2.2.2. Similar studies in other countries

Musnzikwa (2013) conducted a study on public procurement system challenges in developing countries: the case of Zimbabwe with the objectives to provide an overview of the public procurement system challenges in developing countries identified a number of challenges in public procurement that included delays in decision making, corruption, political interference, incompetence, and a high level of corruption activities in the public procurement. The researcher recommends that professional procurement practices must be adopted in public institutions for the benefit of the country.

Kusi, et. al. (2014) conducted a study on assessment of public procurement policy implementation in educational sector with the objective to review the key principles, accountability and structure of budgeting system in Thailand. Descriptive survey design was adopted in the study. The findings of the study proved that Takoradi Polytechnic uses the Ghana Public Procurement Act 663/2003 in its procurement of goods, works and services from suppliers through the established procurement unit of the institution. However, there were some major challenges such as excessive bureaucracy, cumbersome documentation processing, inadequate storage facilities and others; and it is incumbent on the public procurement authority to intervene to curtail some of the challenges even as the polytechnic performs certain internal interventions to counter such challenges in the procurement cycle.

Murray (2014) studied on improving the validity of public procurement argue that the fundamental difference between private and public procurement, that of politicians, has been largely overlooked in public procurement strategy and management research. The research was based on a critical literature review of public procurement strategy and management literature,

examining the methodologies used and roles of politicians. The findings suggest that there was an in-built bias through over reliance on procurement managers as the key respondents, tendency to focus on private sector procurement research attributes and questions, and a tendency to focus on operational as opposed to strategic public procurement decision making.

Amemba et.al (2015) on identifying the challenges facing public procurement performance in the Kenyan public sector study found that the most prevalent challenges in the public procurement process are the selection of the most suitable procurement methods, with appropriate justifications and record keeping. The paper recommend that public procurement performance in Kenya can only be improved through review of existing legislations to encourage extensive use of technology in the management of the procurement process, fostering of long term buyer-supplier relations and stakeholder involvement through trainings and sensitization on practicing ethical behavior when conducting procurements.

Gormly (2014) studied what are the challenges to sustainable procurement in commercial semi-state bodies in Ireland? provided the first complete insight into the use of sustainable procurement in Irish commercial semi-state bodies. It explores the extent and type of use of sustainable procurement plus identifies and examines the challenges to its use. A deductive approach is utilized to determine the barriers. The research findings show that sustainable procurement is being practiced in the majority of the commercial semi-state bodies.

Shaw (2010) assessed the City of Austin's procurement process and programs based on a practical ideal type framework developed through a literature review methodology for this study includes document analysis and structured interviews. The results of the case study revealed that quality ideal type model. He recommended that the department should establish a comprehensive process and performance measure to gauge the quality of their individual procurement products and the city of Austin should re-evaluate its current monitoring practices and work with departments to identify where the deviations in process occur.

The analysis of government procurement in the frame of principal agent theory Zheng-Qiang (2008) this paper uses the model of the principal-agent to analyze government procurement activity, and proposes some countermeasures to improve principal-agent in government procurement. The researcher found out the principal-agent dysfunction problem in the government procurement has three causes - asymmetric information, incomplete contracts, and opportunism in the supervision of consignors. The researcher recommend that according to the analysis of principal-agency model, problems can be resolved by the following three countermeasures: executing the government procurement laws strictly, building effective accountability mechanism, building perfect supervision mechanism. Pomázi (n. d.) in the study public procurement as auction theoretical models and practical problems showed how the theory of optimal auctions can be applied to modeling public procurement. The findings of auction theory can be applied to model public procurement, and takes a closer look at two practical problems, choice of the optimal type of procedure, and withdrawal from contracts. From this it was concluded that from a social viewpoint, it would be desirable for contracting authorities to be granted greater freedom in their choice of procedure types.

2.3. Conclusion and knowledge gap

In conclusion many scholars have agreed that procurement function is vital to any organization; procurement strategy have become a business success, in developed and developing countries spend much in the provision of goods and services that are needed to deliver public policy and business objectives. Good public procurement outcome is dependent on accurate implementation of procurement principles, methods and proper understanding of these by the public procurement practitioners. Different researchers have tried to address some of the problems of public procurement in some public organizations in the country. These include public procurement reform in Ethiopia: policy and institutional challenges and prospects by Yirga (2011); procurement planning and implementation effectiveness in Ethiopia by Anteneh (2015); procurement reform in Ethiopia: factors leading to effective public procurement implementation by Getnet and Tilahun (2014); accountability, responsibility, transparency and corruption by Gizachew (n. d), and evaluation of procurement process at Addis Ababa Water and Sewerage Authority by Yonas (2014). However, none of the above studies have adequately identified the challenges faced in the field of procurement in the public sectors; the implementation/practices

of the legal frameworks (law, proclamation, manual) of public procurement were not adequately addressed; and the Ethiopian public procurement legal framework in light of other east Africa country have not been assessed. However, none of the studies have identified the challenges faced in the field of procurement in the public sectors; and the implementation/ practices of the legal frameworks (law, proclamation, manual) of public procurement were not adequately addressed. Thus, in the current study, the researcher evaluated the practices and challenges of procurement in line with the procurement regulatory framework in selected public organizations in Addis Ababa. In addition, the study assessed the performances of the procurement units, procurement methods, and the limitations in implementing the regulation.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the methodology used to determine the practices and challenges of procurement in selected public organizations. This chapter is organized in three sections. Section 3.1 presents research approaches which is followed by methods adopted in and section 3.3 is about data analysis.

3.1. Research approaches

There are three types of research approaches, qualitative, quantitative and mixed approach. Quantitative method is a means for testing objective theories by examining the relationship among variables. Data collected is number and statistics. The data is based on precise measurements and the final report will be statistical report with correlations, comparisons of means and statistical significance of the findings. On the other hand, qualitative method is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The processes of the research involve emerging questions and procedures. The data typically collected in the participants setting and the researcher making interpretations of the meaning of the data. The final report is narrative report with contextual descriptions and direct quotations from research participants. The mixed method focuses on collecting, analyzing and mixing both quantitative and qualitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approach in combination provides a better understanding of research problems than either approach alone. It involves philosophical assumptions, the use of qualitative, quantitative approaches, and the mixing of both approaches in a study. A strong mixed methods study should start with a mixed method research question to shape the methods and the overall design of a study, because a mixed method study relies on neither quantitative nor qualitative method alone (Kothari, 2004).

In this study both quantitative and qualitative approaches were used, To minimize limitations attached to each of the approaches. According to Creswell (2003) each approach has limitations which are possible to be minimized using the combined research approach. For example quantitative approach may cause bias in reliability of findings because of the nature of research

problem, non representativeness of sample or the nature of questionnaires that predicts clue. In addition, it is difficult to minimize the impact of human behavior using quantitative approach. Joseph (2006) justified that qualitative techniques can increase a research's depth of understanding of the phenomenon under investigation. Qualitative approach is exploratory and flexible in nature to identify problems that are affected by human behavior. Regardless of the above advantage, qualitative research design has its own demerits: lack of standardized rules reduces the objectivity of the findings, the personal view and stand of the researcher may induce bias in the interpretation of the data, and the findings cannot be statistically generalized for a broader population under investigation (Creswell, 2003). Hence, the combined methods are aimed to complement one another and gather reliable information to draw representative outcome and conclusion.

3.2. Quantitative aspect of the study

As noted earlier a quantitative approach is one in which the investigatory primarily uses postpositive claims for developing knowledge, employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data. Survey research provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population. This study used Survey method because of advantageous for its merit of economy of design and it enables to gather enough information, which may not be available from other sources. The purpose of survey research is to generalize from the sample to the population so that inferences can be made about some characteristic, attitude or behavior of the population (Creswell, 2009). Also Fowler (1984) noted that the strengths of survey methods that result in their wider use included the value of statistical sampling, consistent measurement, and the ability to obtain information not systematically available elsewhere or in the form needed for analysis. Consequently for its merit of economy and enables to gather enough information, survey method had been employed in this study.

3.2.1. Sample Design

According to research scholars, sample shouldn't be too large to be economical and shouldn't be too small to keep validity of findings. Accordingly this study used two sampling stages. The first

one is to sample out the Ministries and Agencies and secondly the number of respondents within the selected Ministries and Agencies. According to the Federal Democratic Republic of Ethiopia Government portal, currently there are 19 ministries and 20 corporations. From the existing 19 ministries and 20 corporation in Ethiopia five ministries and three corporations were selected for they are highly budgeted and identified by the Government as development sectors and also audited by OFAG. The target populations selected were the departments or directorates in the selected public organizations which were 138. Of these 138 departments, 90 departments which are directly concerned with procurement were sampled. The target population and the samples taken for this study are depicted in Table 3.1; the data were obtained from the Human Resource Department of the respective ministries and corporations.

Table 3.1. Population of the study

No	Name of Public Organizations	No. of Target Population	No. of Samples Taken (Purposive)
1	Ministry of Agriculture	23	10
2	Ministry of Education	12	12
3	Ministry of Trade	20	16
4	Ministry of Health	20	14
5	Ministry of Transport	32	12
6	Ethiopia Rail Way Corporation	16	10
7	Ethiopian Electric Power Corporation	24	10
8	Sugar Corporation	11	6
	Total	138	90

Source: Human resources departments of the Ministries and Corporations covered.

3.2.2. Survey Instrument

The survey instrument contains closed ended questions. The study used self-administered survey to collect the primary data. The questionnaire was designed according to the objectives of the study with mostly close-ended questions the respondents on their degree of agreement or disagreement with each of the questions on a five-point Likert response scale that ranged from 5 “strongly agree (scored as 5) to “strongly disagree” (scored as 1). The expected mean for a sound

public procurement component is 5 or close to 5. However, the analysis is based on how the mean response of the respondents is close to this expected value. A large amount of researchers use this methodology, because it is relatively easy for respondents. For all questions a positive mean response more than 3 statistically suggests agreement with the statement/question, a positive mean response less than 3 implies disagreement and a mean response close to 3 indicates indifferent or offsetting differences. All of the questions are coded in such a way that a positive mean response of 4 and greater display that strongly agree with the statement or question. This method of data collection was considered appropriate because the information sought is not publicly available.

3.2.3. Qualitative Approach

The purpose of using qualitative research approach is because the study intends to have deep understanding about the legal framework, practices and challenges of public procurement in Ethiopia in light of the experience in other countries. The study used both in-depth interviews and documentary analysis. The subsequent sections present details about these two components of the qualitative study.

3.2.3.1. In-depth interviews

In order to understand the phenomenon under investigation, the study used in-depth interviews with key informants. The primary advantage of in-depth interviews is that they provide much more detailed information than what is available through other data collection methods, such as surveys. They also may provide a more relaxed atmosphere in which to collect information people may feel more comfortable having a conversation with you about their program as opposed to filling out a survey (Boyce and Neale, 2006).

Interviews were conducted with selected officials from eight selected public organization. In addition, to understand the issues in public procurement from the perspective of suppliers, the private sector in general, interviews were conducted with six private suppliers in Addis Ababa. Three persons from each of the eight public organizations, and one person from each of the six private suppliers were interviewed so the total sample size were 30 KI. The study used unstructured interviews.

In this study purposive sampling method was used. The idea behind qualitative research is to purposively select participants or sites that will best help the researcher understand the research problem and questions (Creswell, 2003). Three key informants from each of eight selected public organizations and one from each of six private suppliers were selected purposefully. These informants were managers, internal auditors, and purchasers. Each KI was interviewed using unstructured questionnaire prepared for the study.

3.2.3.2. Documentary analysis

Document analysis is one of the two research methods selected for this study. According to Yin (2009), the most important use of documents is to corroborate and augment evidence from other sources. Document analysis brings certain strengths to research. First, it is non-volatile information can be reviewed repeatedly (Yin, 2009). Documents are also broad and cover extended period of time. The documents analyzed for this study include procurement manuals, law, procedures and contributory enablers in implementing procurement practices in the selected public organizations. Hence, descriptive research approach was used for this study. This is because the researcher could not control the variables but to describe the phenomenon that exist at the time of the study. According to Marczy, et. al., (2005), descriptive research studies are designed to obtain information which concerns the present status of phenomenon. The use of descriptive research enabled the researcher to bring to light the factors that contribute to the effectiveness of sound procurement practices. It also describes the extent to which these elements stated above can affect the procurement processes in the selected public sectors.

3.3. Conclusion

This chapter has presented the methods appropriate to address the research questions. To sum up, based on the main research problem stated in the earlier chapter, seven research questions have been forwarded. With respect to methodology, the principles of qualitative, quantitative, and mixed methods research approaches were shown. Based on the underlying principles of research methods the mixed method approach were chosen as appropriate to this research. More specifically, to address the research questions, survey, in-depth interviews and documentary analysis were selected to be the appropriate methods of inquiry for this research.

CHAPTER FOUR

RESULTS AND DISCUSSION

The previous chapter discussed appropriate methodologies of evaluating public procurement practices and challenges. This chapter explains and discusses the results and findings based on the analysis done on the data collected. The results of the study are discussed by triangulating the different source results: questionnaire results, interview and document review results. The discussion attempts to accomplish the objectives of the study, and answer the research questions.

4.1. Results

In this section, first survey results are presented; this is followed by results of in-depth interview and review of documents.

4.1.1. Survey results

The survey was conducted with 90 respondents representing 65% of the population. The purpose of this section is to present respondents' profile and responses of participants on aspects of public procurement.

4.1.1.1 Respondents' profile

It is necessary to analyze the demographic profile of the respondents to validate reliability of data collected. Accordingly, the respondents were asked to respond to their gender category, year of experience, level of education and field of qualification.

Table 4.1 Gender

	Frequency	Percent
Female	23	25.6
Male	67	74.4
Total	90	100.0

Source; Survey Results and Own Computation

As indicated in the above table the gender proportion of female respondents is 25.6%, while the male respondents is 74.4%. Though the ratio of the respondents is not proportional and varied,

both category of gender participated in the survey. The age distribution of the respondent who participated in the study is provided in Table 4.2. The sample age categories were divided with a range of 10 years except the age category above 55. Accordingly, the results showed that 33.3% were aged between 26 and 35 years old and 33.3% were between 36 and 45 years of age while 27.8% were between 46 and 55 years. Respondents in the group of above 56 years old were 5.6% (Table 4.2).

Table 4.2. Age

Age range (years)	Frequency	Percent
26-35	30	33.3
36-45	30	33.3
46-55	25	27.8
56 year and above	5	5.6
Total	90	100.0

Source; Survey Results and Own Computation

The educational level of the different respondents is shown in Table 4.3. As summarized in the table, the respondents' educational levels were diploma, degree, Masters and PhD with the respective proportion of 7.8, 63.3, 25.6 and 3.3% (Table 4.3). This is an indication that the respondents are also at adequate education level to understand the concept of public procurement.

Table 4.3. Education level

Education level	Frequency	Percent
Diploma	7	7.8
Degree	57	63.3
Master	23	25.6
PhD	3	3.3
Total	90	100.0

Source; Survey Results and Own Computation

Public procurement is primarily the responsibility of management. The broader category of procurement is operational and accounting controlled. Obviously the respondents were with required knowledge of management and accounting to understand the concept of procurement system than others. Thus, the survey made to assess the positions of the respondents indicated that 22.2% of the respondents were directors, 22.2% were team leaders and 55.6% were experts (Table 4.4).

Table 4.4 Field Of Qualification

Position	Frequency	Percent
Directors	20	22.2
Team leaders	20	22.2
Experts	50	55.6
Total	90	100.0

Source; Survey Results and Own Computation

The other parameter considered was work experience. Experience is one of the competences to understand the procurement system in an organization. In this survey it was found that 22.2% of the respondents were with less than two years experience, 34.4% of the respondents were 2-5 years of experience, 20.0 % of the respondents were between 6-10 year and 23.3% were with over 10 years of experience (Table 4.5).

Table 4.5. Experiences of the Respondents

Work experience	Frequency	percent
less than 2 year	20	22.2
2-5 year	31	34.4
6-10 year	18	20.0
over 10 year	21	23.3
Total	90	100.0

Source; Survey Results and Own Computation

4.1.1.2. Survey results on aspects of public procurement

This section discusses the survey results of public procurement practices and challenge in respect of procurement procedures : need assessment, planning and communication, specification completeness, procurement methods, and contract administration. To accomplish this a total of about 90 questionnaires which dealt with procurement practices and challenges were distributed to selected public organizations middle level managers. All of the respondents were located in Addis Ababa.

Need assessment

The first step in the public procurement process is to identify requirements. All procurement requirements begin with the perception of a need. The survey made is based on those components of need identification and the result is scaled as shown in Table 4.8 below.

Table 4.8. Need identification.

	N	Minimum	Maximum	Mean	S. Deviation
Before you prepare your procurement need you must consider your need can not be met by using unused resources or property available in your organization	90	1.0	5.0	3.48	1.09
Goods and services be procured within approved budgets except in case of emergencies, which has to be approved by the executive director	90	1.0	5.0	3.77	1.03
Your department procurement needs should be raised on time	90	1.0	5.0	3.56	.97
Lack of qualified staff and the right number is problem for procurement need assessment	90	1.0	5.0	3.71	1.07
You should identify goods, works and or services to which the public body gives priority and special attention	90	1.0	5.0	3.62	1.07
It can be assumed that annual procurement needs are achievable (standard items which are widely available	90	1.0	5.0	3.34	1.02
You are sure that your department need does not involve items which shall be of no use to your organization and cause the organization to incur unnecessary cost	90	1.0	5.0	3.51	1.05
You consider that your need is not harmful to the environments (environmentally friendly)	90	1.0	5.0	3.67	1.02
The procurement unit properly prioritizes the departments procurement need	90	1.0	5.0	3.28	1.16

SD = standard deviation, Source: survey results and own computations

As indicated in Table 4.8 above, the mean value of the response computed based on Likert scale indicated the average agreement of respondents on existence and practice of each element of need identification. The overall mean of the need identification can be approximated to 3.5 which indicates an agreement within elements of the need assessment. The highest mean of 3.85 indicates that the majority of respondents agreed that goods and services be procured within approved budget. Lack of qualified staff and the right number is problem for proper need assessment. The result of the current survey is in line with this fact which is indicated by the mean value of 3.76. This means the majority of the respondents agreed that the clear line of responsibility enables achievement of objectives. The above table also indicated where the need identification is not effective. The least mean of 3.2 indicates that the majority of the respondents disagreed that the procurement unit properly prioritizes the departments' procurement needs. As the result spend the budget for purchase of items which are not of priority.

Procurement planning and communication

Procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. The result of the current survey indicated that the degree of agreement ranged from 1 to 5 by respondents in all criteria of procurement planning (Table 4.9). The overall mean of the planning activities for the six questions can be estimated at 3.6 which is good. The highest standard deviation of the responses was shown in question number one which is about in procurement planning. The highest mean of 4.4 obtained confirmed that the majority of respondents agree that procurement planning is important for the organizations. Moreover, the mean of 4.0 also indicated that majority of the respondents agree that the urgency of work programs is a challenge to procurement planning.

Table 4.9. Procurement planning and communication

	N	Minimum	Maximum	Mean	SD
You have been involved in procurement planning activities	90	1	5	3.54	1.15
Procurement planning is vitally important for your organization	90	1	5	4.43	.88
Urgency work program is a challenge to procurement planning	90	1	5	4.07	.91
A standard format to prepare procurement plan is used	90	1	5	3.53	1.05
Senior managers in all departments are involved in procurement planning in the organization	90	1	5	3.55	.86
Market or other source of data are used to estimate cost/price in the procurement plan	90	1	5	3.52	1.09

SD = standard deviation,
Source; Survey Results and Own Computation

Specification completeness

In the current study it was found that most of the respondents agreed on all items of questions with a mean of above 3 and standard deviations of about 1 (Table 4.10) which showed that the perception of respondents with regard to the elements of specification completeness are similar. It was found that mean 3.6 with 1.1 standard deviation shows the respondents, agreed and strongly agreed that preparation of clear and precise specification for goods to procure.

Table 4.10. Specification completeness

	N	Minimum	Maximum	Mean	SD
Specifications prepared for goods to be procured	90	1	5	3.68	1.10
Specifications are prepared unambiguously (clarity, precision and accuracy)	90	1	5	3.42	0.99
Specified source of information is used to prepare specifications	90	1	5	3.54	1.00

SD = standard deviation, Source; Survey Results and Own Computation

Procurement methods

The result of the survey indicated in the table below the degree of agreement ranged from 1 to 5 by respondents in all criteria's of selection of procurement method. The overall mean of the control activities for the three questions can be estimated to 3.6 which is good. The highest standard deviation of the response was showed in two questions about selects and indicates the appropriate procurement methods to be used and use open bidding as the preferred procedure of procurement. The highest mean (3.67) indicated in Table 4.11 confirms that majority of respondents agree that public bodies shall use open bidding as the preferred procedure of procurement.

Table 4.11. Procurement method

	N	Minimum	Maximum	Mean	SD
Your organization selects and indicates the appropriate procurement methods to be used in respect to each type of procurement methods	90	1	5	3.63	0.90
Public bodies shall use open bidding as the preferred procedure of procurement	90	1	5	3.67	0.90
Your organization record a statement of the grounds and circumstances on which it relied to justify the use of other procurement methods	90	1	5	3.57	0.89

SD = standard deviation, Source; Survey Results and Own Computation

Contract administration

For the survey 10 questions were distributed to assess the contract administration exercise in their organization (Table 4.12). All questions had a mean response of more than 3.00. The standard deviations of some questions were less than 1.00. This indicates that the respondents' perceptions were more or less similar indicating that all of the respondents agreed on the criteria of contract administration.

Table 4.12. Contract administration

	N	Minimum	Maximum	Mean	SD
Tender opportunities are advertised adequately	90	1	5	3.67	0.84
Your organization implements any procurement contract signed with supplies	90	1	5	3.54	1.00
Your organization identifies the duties of a supplier under a contract and insures for the performance	90	1	5	3.40	0.88
Tenders are awarded within the tender validity period	90	1	5	3.70	0.81
Your organization identifies the party responsible for following up the performance of the contract	90	1	5	3.82	0.77
Proper follow up is maintained and appropriate decision is taken in regard to securities and warranties.	90	1	5	3.36	0.94
Price fluctuation adjustment provisions are provided in the contract	90	1	5	3.24	0.97
Sufficient provision on delayed works or goods delivery is provided in the contract and implemented	90	1	5	3.36	0.87
There is monitoring mechanism that works are completed on schedule agreed in the contract, goods are supplied or services are rendered within the time	90	1	5	3.31	0.93
Adequate control provisions are provided for effecting payments to suppliers or contractors	90	1	5	3.52	0.83

Source; Survey Results and Own Computation

Public procurement challenges

The result of this survey indicated that the degree of agreement ranged from 1 to 5 by respondents (Table 4.13). The overall mean of the challenges of procurement for the six questions can be estimated to 3.6 which is good. The highest standard deviation of the response was calculated for question number 5 which inquires whether or not the procurement procedures are bureaucratic and has complex steps. The highest mean of 3.78 indicated in Table 4.13 confirmed that the majority of respondents agree that inadequate planning and linking the demand to the budget are among the major challenges of procurement; while the lowest mean of 3.31 indicated that the delegation of authority for approval does not delay decision making for

procurement. It was expected that delegated authority hesitate to make some sensitive decisions of procurement requests.

Table 4.13. Challenges of procurement

	N	Minimum	Maximum	Mean	SD
Inadequate planning and linking demand to budget are challenges of procurement	90	1	5	3.78	1.05
In your organization non-compliance with policies and regulations or unethical behavior is a challenge for effective procurement	90	1	5	3.54	0.88
Professionalism or quality of procurement workforce is a challenge of procurement	90	1	5	3.55	1.05
Delegate authority for approval delays decision making for procurement	90	1	5	3.31	0.96
Procurement procedures are bureaucratic and has complex steps	90	1	5	3.36	1.07
Endorsing committees give due attention in carrying out their duty properly, and where necessary, take corrective measures	90	1	5	3.51	0.95

SD = standard deviation, Source; Survey Results and Own Computation

4.1.2. Interview results and review of documents

This research includes results of interviews made with senior managers , procurement department heads, and internal auditors in selected governmental offices concerning the performance problems associated with procurement process. Senior managements are responsible to have knowledge of public procurement manual and procedures in order to apply the directive. When asked if they have sufficient knowledge of the directive or if they ever had took part in procurement training, their responses were similar underlined that they understood the need for the knowledge of procurement but admitted that they never had sufficient training in the field. The reason they have cited for missing the trainings, is the fact that they are usually assigned on a particular assignment during the training sessions and they tend to be busy. They have further noted that before decision is made on procurement, the concerned heads review whether a particular procurement is in line with the procurement manual by assigning employees which have better understanding of the manual and as such procurement decisions

fall mainly on such employees. On the other hand, some other managers stated that the procurement process of their office is a bit different from that of other public organization so for better performance they have requested permission to revise the procurement manual based on the official procurement manual of the government and applied the revised manual.

The other question asked to the managers was whether the procurement department is staffed with the required number and skill of staff. The response was unanimous among the respondents. They expressed there is a problem to retain skilled employees at a government office since the salary rate is low. Some of them indicated that failure to organize procurement department with skilled staff resulted in risk of exposure of corruption, here off the efforts were made to upgrade the employee's skill with short term trainings. Responses of some other offices stated that a committee, Nominated to director general of the organization, is formed in order to fulfill the skill gap of the department and increase performance efficiency. Concerning the procurement approval committee, the response of the supervisors is also unanimous. All of the respondents stated that all the offices have procurement approval committee consisting of employees that are believed to possess better skill and knowledge and they further noted that the committee has term of two years.

For the questions raised regarding the kind of problems they have encountered during the application of the manual, the respondents said that since the procurement manual of the country was designed based on practices of other countries with excellent track record it does not have any drawbacks in this regard. However, the main problem related to the application of the manual, accordingly to the respondents, is that most of the government's procurements are undertaken through the agency. However, concerning the local bulk purchase, which worth more Ethiopia's annual budget and involving participation of all juridical suppliers, it is only one agency that handles the process. As it is known the government procurement tasks should be completed within the budget year. Thus there are problems being observed in the agency overload work since it was quite recently that agency become operational. Moreover, when the supplier notifies that they could not supply requested items, the agency take more time to inform the public body to take other opportunity to use their budget timely. The agency also deals with such complaints arising between public organizations and suppliers as such there is delaines of

response. As the respondents state because of these problems our work is affected by not procuring the required items and services within the budget time.

The responses of department heads to the question related to procurement need identification and specification completeness were as follows, Concerning the need identification for procurement the problem associated with is requesting purchase for goods without checking in warehouse or other departments and delay to submit goods requisition form on time.

Concerning the preparation of specifications they responded that most of purchase requests are not describe the specification clearly or they have not attach perfect sample of goods to procure this has created a problem in obtaining the required goods. In order to resolve this problem they are trying to create coordination between the procurement committee personnel and the requesting department. Nevertheless, they provided that such kind of procedure entails wastage of resources.

Regarding the responses of auditors to the question on the problems they frequently encounter, they have indicated that lack of procurement plan and purchase requests for items already available in stores are the major problems. This was stated to be due to the reason that only the government procurement agency is mandated to purchase goods.

Concerning the responses of suppliers to the question of problems associated with performance of procurement, they indicated that there is lack of transparency in the specifications submitted from the government organizations, and the procurement process is tedious and frustrating. They noted that they face with difficult scenarios in order to deliver the items that they have won the tender for and this has and is still creating misunderstanding and dispute between the parties. The suppliers further cited that such process of procurement is causing them wastage of resources. The other response of suppliers was that there is a problem in contract administration and it takes some time to complete a certain procurement process. Although suppliers participate in the bid process for government purchase requests, the goods may ran out of store until the final delivery order is issued due to the lengthy process. Furthermore, they noted that the tenders are floated after a long time and this poses a problem for a company that imports materials with foreign exchange. They quoted that the government procurement manual does not consider this scenario.

In addition to interviews with key informants, the study reviewed the Ethiopian major procurement procedures in light of those of other East African countries. The review is based on comparing each significant step in the procurement procedures of the countries considered in this study as provided in the respective public procurement manuals. The results showed that most procedures are similar. Kenya gives more attention for multiyear procurement planning which is not found in the other countries, and Zambia states about publication of annual planning in one daily newspaper. More details are given in Appendix B.

4.2. Discussion

As it has already been indicated above, the broad objective of this study was examining public procurement practices and challenges in selected public organizations and Ethiopian main public procurement procedures in light of some other East African countries. This broad objective was systematically broken down in to specific research questions as presented in the previous chapters. This section presents the discussion based on data gathered from different sources.

Public institutions identification of procurement needs: As stated in literature review the first step in the public procurement process is to identify requirements. All procurement requirements begin with the perception of a need. At this stage it is necessary to clearly define the need, and this may be done by way of a study to determine the best. The study should include if the need can be satisfied in-house or contracted out, quantification of the initial budgetary estimate, and an idea of the procurement lead-time. At the end of the requirements definition stage, a clear determination of the terms of reference, technical specifications or statement of work should be articulate. in order to be able to purchase the right goods or services, the specifications of what the organization needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied (Shaw, 2010); and in the procurement manual before need identification is filed, the required item should be check whether it is stored in the warehouse or other departments. After confirmation of the unavailability of the item, need identification shall be filed. The survey result in Table 4.8 shows the overall mean of the need identification is approximately 3.5. However, the response given during the interview with the procurement supervisors indicated that a request for a particular item is made even though the

material is available in the store, and also that purchase requests do not reach them on time. The transaction cost theory which is stated in literature review state that effectiveness is the main objective of the institute of public procurement and should be managed by providing better services to the public at a lower price than it is possible to achieve. To give better service at a lower price need identification performance should be improved. Generally, result of the need identification processes assessment showed that to certain extent the need identification is consistent with the manual but there is a problem of considering unused resource during need identification processes.

Development of procurement plan and communications

To accomplish the organization's objectives, the most important tool is effective procurement plan. Procurement plan that aligns to the objective of the organization programs and budgetary process can expedite the accomplishment of the goals. It is one of the pre-requisites for the effectiveness and efficiency of the procurement function, thus leading to the ultimate success of the organization (Namusonge, *et. al.*, 2013). The Public Procurement and Property Administration Agency (PPA) guideline also proposes that effective planning allows requirements to be aggregated into larger purchases at lower unit costs, rather than frequent sourcing of quotations for identical items and issuing many individual local purchase orders. It allows the private sector to respond more effectively to the requirements and specifications of the Government (PPA, 2011).

Survey results showed that the overall mean of the planning activities for the six questions can be estimated at 3.6 which is good. The highest standard deviation of the responses was shown in question number one which is about need for procurement planning is in consistent with the procurement manual. The highest mean of 4.4 obtained confirmed that the majority of respondents agree that procurement planning is important for the organizations. Moreover, the mean of 4.0 also indicated that majority of the respondents agree that the urgency of work programs is a challenge to procurement planning.

The interview results showed that urgent and unplanned work programs which were not considered at the beginning of the physical year create problems for procurement planning. This is because it causes budget deficit since the unplanned work program was not budgeted.

Regarding the use of standard format to prepare procurement plan, the mean was 3.5 with standard deviation of about 1.04. This result shows that most of them prepare procurement plan using other format which is inconsistent to the government manual. As indicated in the result of the interview absence of procurement plan results in failure to use their budget effectively.

The audit summary of PPA (Public Procurement Agency) for the 2000 E.C budget year indicated that of the 59 government offices audited, eight have not prepared procurement plan. Similarly, in the 2008 E.C budget year, 26 governmental offices were audited and seven of them did not adopt procurement plan.

Despite the common belief that performing planned tasks along with utilizing budget timely helps to prevent wastage of public resources, data gathered and audit reports demonstrated that there are some public organizations which do not prepare and timely submit to their procurement plan. Additionally the review result shows, Kenya gives more attention for multiyear procurement planning which is not found in the other country and Zambia states about publication of annual planning in one daily newspaper. More details are given in Appendix B.

Quality of specifications

As indicated elsewhere in this paper, specifications are among the most important elements of the procurement process. As it is shown in Table 4.10, in this study it was found that the perception of respondents with regard to the elements of specification completeness is similar. The mean of 3.6 with 1.1 standard deviation shows that the respondents have agreed with requirements of specification but suggested that some improvement in the preparation of clear and precise specification for goods to be procured. Concerning specification completeness, the result of the interview showed that, most of the procurement request is not accompanied with specification and when it does, it is unclear and ambiguous creating problem like, less competition because potential suppliers may choose not to submit offers, a commodity that does not meet expectations create additional costs due to subsequent changes made to the

specification, poor relationships between the supplier, end user, and others involved parties on the procurement process of the organization. In order to prevent this problem, some government bodies have formed a committee comprised of professionals from the requesting department and conduct the purchase process together, but this in turn has created additional wastage of resource. The suppliers who responded on this issue stated that they don't receive clear specifications of the required goods from government bodies and that after winning a certain bid, there is often serious dispute over the quality and delayed delivery causing them additional costs. As stated in literature review Shaw, (2010) in order to be able to purchase the right goods or services, the specifications of what the organization needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is, therefore, important to have clear, precise and accurate specifications. Most organizations have standard specifications for the most regularly procured items and services such as medical and construction.

The information provided in the foregoing paragraphs, as gathered from various data, the suppliers and procuring organizations are at risk of incurring additional cost as specifications are not often clearly stated and perform against principal agent theory which is stated in previous section.

Determination of procurement methods

The purpose of identifying and selecting an appropriate procurement method is to find the best way to obtain the result to satisfy the needs of the end user for goods, works and services by obtaining the most advantageous pricing and contractual conditions. According to the survey results, there is some gap to justify when using procurement methods other than the preferred methods permitted by the government. As stated in literature review under theory of auction, for the science of public finance, auction is the key element through which is formed the value of public assets to be acquired. This value is the result of competition between suppliers of goods and services, which intends to provide public assets at the lowest price and best quality. Further the procurement manual, approved methods of procurement are open bid, restricted bidding, request for quotation and single source (direct procurement). Direct procurement as stated in the manual except provided in the proclamation and directives public bodies shall use open bidding

as preferred method of procurement, if they use other than open bidding, they shall record statement of the grounds and circumstances on which it relied to justify the use of that method.

Despite the clear statement of a directive, as provided in the finance audit authenticity report of the federal government bodies 2007 budget year, one of the audit findings indicated that there were some procurements conducted outside what is provided under the manual of the government such as procurements that were supposed to be performed through bid has been processed through other means that is with Performa invoice as well as direct purchase instead of Performa invoice purchase. In addition, the 2007 budget audit of the agency stated that there were some incidents where by some government bodies processed procurement on other methods other than the preferred method by the government. The overall result has shown the manner selection of procurement method and using preferred method is not consistent with the manual. The procurement methods used by the three countries are largely similar to Ethiopia with minor procedural differences. More details are given in Appendix B.

Contract administration

Contract administration involves all activities related to the monitoring of suppliers, contractors and service providers' performance in the fulfillment of their contractual obligations Table 4.12 shows all questions with a mean response of more than 3.00. The standard deviations of some questions were less than 1.00. This indicates that the respondents' perceptions were more or less similar indicating that all of the respondents agreed on the criteria of contract administration.

Contract administration phase is very important because it is where the results of the procurement process are obtained and the requesting entity is in a position to finally receive the expected benefits of their procurement request. hence, as stated in literature review public entities would usually appoint staff members or, preferably a team of qualified individuals, to take the responsibility of administering the contract. Although public procurement manual state that most government entities do not require a formal contract administration body , public procurement professionals are responsible for ensuring that the parties have complied with all terms and conditions of the contract. So at minimum, the procurement professional should therefore track receipt of the deliverable acceptance, performance of the service, or payment

under the contract this condition create difficulty for effective contract administration. The manual also state public bodies have to implement any procurement contract they have signed with supplier promptly. But the response of the suppliers concerning contract administration, expressed that due to items not clearly specified and shortage of foreign exchange they often encounter problem to effective performance of the contract.

The manual states that price fluctuation provision is to be included in the contract. During the survey for the issue whether price difference is included in the contract, the result was 3.24 mean with 0.97 standard deviation. However, some of the suppliers indicated that one of the challenges to perform according to the signed contract is price differences since the contract does not have provisions for such incidence. In general, the data obtained showed that there are difficulties in contract administration despite the encouraging performance in this regard.

Challenges of public procurement

In a developed or developing country, public procurement practitioners have and will face always many challenges. Each country has its own economic, social, cultural and political environment, and each country's public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts (Thai, 2007). The survey results showed that in adequate planning and lack of linkage of demand to the budget were challenges of procurement in the selected public organizations. The supervisors interviewed noted that a procurement that is not planned properly cause challenges in the procurement process. Most of the responses of the auditors showed that the main finding during conducting procurement audit is procuring more than what has been planned. Moreover, non compliance with policies and regulations and unethical behavior were also challenges for sound procurement performance.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The purpose of this chapter is to pinpoint the major findings of the study and indicate recommendations that can help in the improvement of procurement practices in the selected public organizations. Thus, presents conclusions, major findings of the study, and recommendations based on the findings as follows.

5.1. Conclusion

Public procurement is different from private procurement, Public procurement is governed by basic rules and guidelines that spell out what can be done or not done on certain procurement processes. Furthermore, public procurement must be transacted with other considerations in mind, besides the economy. These considerations include accountability, non-discrimination among potential suppliers and respect for international obligations. The government agencies engaged in procurement represent the interests of the society and must allocate budget funds with utmost efficiency in order to deliver high standard service for the public. The public, being the main consumer or the end user of the services and goods procured by the government, is interested in obtaining quality products.

The business, producing goods and services, is certainly motivated to sell them to the government and the public as the end users. now days public entities reduces its reputational because of uncivilized competition environment with its lack of transparency, clear-cut rules and procedures and sufficient time table comfortable for the business. The need to improve the public procurement system is important, all government stakeholders, business and general public should be participated in improvement work for better results.

- This study found a number of interesting findings: The process of procurement starts from need identification where users submit their input for the procurement plan. The procurement unit source through advertisement or request for quotation based on the threshold. The results show during need identification there is problem of request for particular item even though the material is in store and that the purchase need does not reach to purchasing department on time.

- Procurement planning is one of the most important steps in the public procurement cycle. The procurement plan is expected to list all the requirements that are under the responsibility of a particular procurement entity and that are expected to be procured over a period of time (usually one year, but could be longer when dealing with project procurement). In public organization, where the study was conducted procurement plan is not fully prepared and the plan is failed short to be presented based on the standard and on appropriate time.
- A precise specification of the physical characteristics, quality, or desired outcomes of a commodity to be procured should be formulated as accurately and precisely, which a supplier must be able to produce or deliver to be considered for award of a contract the study revealed that there is a problem in preparing clarified and complete specifications.
- Procurement methods are the procedures used by the procuring entity to acquire goods, services and works. These methods can be competitive and non competitive. There's a preference for using competitive methods of procurement given that they tend to promote transparency, economy and efficiency, and limit favoritism. The findings showed that the procurement performance is by other methods than the preferred method by the government.
- Systematically managing contracts can lead to significant cost savings and efficiency of the public procurement process, and reduce the risk of poor contract performance. This study showed that there is deficient contract management due to contract administration procedure, which are non transparent and not in line with current situation.
- The public procurement workforce so important to the work of government. The survey result manifested that there is lack of skilled manpower in the purchasing departments of the organizations studied because of low government salary scale.
- The procurement agency is the only agency mandated to process procurement of all public organizations of the government including compliant resolution from both party, procuring entity and suppliers.
- The regulation and manual of public procurement systems in the three East African countries are similar in many ways.

5.2. Recommendations

Based on the findings the following, recommendations are forwarded in order to improve public procurement practices and reduce some of the challenges:

- Procurement plan is important because it lists all requirements expected to be procured over a period of time and, It enhances the transparency and predictability of the procurement process. The procuring entity must: Plan, manage and fully document the process to acquire goods, works and services, and submit the plan to concerned party.
- Specifications are one of the most important elements of the purchasing process. Poorly written specifications may result in less competition, potential offerors may choose not to submit offers, a commodity that does not meet expectations, additional costs due to subsequent changes made to the specification, poor relationships with the supplier and end user, and others involved, Inappropriate contract awards and potential unfair competitive advantages, and protests. Consider this result of poorly written specification public organization gives caution when developing their specifications.
- The purpose of identifying and selecting an appropriate procurement method is to find the best way to obtain the result to satisfy the needs of the end user. A procuring entity should select an appropriate alternative method of procurement as provided in the regulation. In the case when open tendering would not be the most economic and efficient method of procurement, justification shall be given in sufficient time to enable the agency to make decision.
- Creating a procurement workforce with the right skills and capabilities leads to sound public procurement. The governmental entities need to retain skilled personnel by revising their salary scale, employment of qualified procurement practitioners, provision of short and long term trainings, development of an effective monitoring and evaluation tool, and the creation of incentive programs to motivate good performance.
- The operating decisions in a decentralized setting tend to be of higher quality. Decisions should be more appropriate, timely and quick because they are made nearest to the points

of the problem, information and actions. Decisions should also be democratic and acceptable as these are made by the people who are responsible for implementing them. So the public procurement agency is advised to decentralize their decision making authority to reduce the burden and facilitate public procurement processes for effective and efficient use of scarce public resources.

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APPENDIX A: QUESTIONNAIRE FOR PARTICIPANTS OF THE SURVEY

Addis Ababa University
College of Business and Economics
Department of Accounting and Finance

Questionnaires for MA Thesis Research Work

Dear respondent,

I am a student in the Addis Ababa University College of Business and Economics, Department of Accounting and Finance pursuing a Masters Degree in Accounting and Finance. As part of the requirement for the degree, I am carrying out a thesis research work entitled "public procurement practices and challenges: A case study in selected public organizations". Your organization is one of the organizations selected for this study. This questionnaire is, therefore, issued purely for academic purpose. Hence, you are kindly requested to cooperate by filling in questionnaires attached herewith. All the information you provided will remain strictly confidential and will be used for the intended purpose only. Your cooperation in ensuring that the questionnaires are answered is highly appreciated.

Thank you in advance.

Sincerely,

Roman Legesse
MA Student (2017)
Addis Ababa University

I . Background Information

Please tick your appropriate choice.

1. Gender of the respondent

Male

Female

2. Indicate your age group

25 year or less

26-35 years

36-45 years

46-55 years

56 years and above

3. Your educational level

Diploma

PhD

Degree

Other

Masters

(please specify).....

4. What is your job title (position)?

5. How long have you been in your current title (position)?

Less than 2 years

2-5 Years

6-10 Years

Over 10 years

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Before you prepare your procurement need you must consider your need can not be met by using unused resources or property available in your organization					
Goods and services be procured within approved budgets except in case of emergencies, which has to be approved by the executive director					
Your department procurement needs should be raised on time					
Lack of qualified staff and the right number is problem for procurement need assessment					
You should identify goods, works and or services to which the public body gives priority and special attention					
It can be assumed that annual procurement needs are achievable (standard items which are widely available					
You are sure that your department need does not involve items which shall be of no use to your organization and cause the organization to incur unnecessary cost					
You consider that your need is not harmful to the environments (environmentally friendly)					
The procurement unit properly prioritizes the departments procurement need					
You have been involved in procurement planning activities					
Procurement planning is vitally important for your organization					
Urgency work program is a challenge to procurement planning					
A standard format to prepare procurement plan is used					
Senior managers in all departments are involved in procurement planning in the organization					
Market or other source of data are used to estimate cost/price in the procurement plan					
Specifications prepared for goods to be procured					
Specifications are prepared unambiguously (clarity, precision and accuracy)					
Specified source of information is used to prepare specifications					
Your organization selects and indicates the appropriate procurement methods to be used in respect to each type of procurement methods					
Public bodies shall use open bidding as the preferred procedure of procurement					
Your organization record a statement of the grounds and circumstances on which it relied to justify the use of other procurement methods					
Tender opportunities are advertised adequately					
Your organization implements any procurement contract signed with supplies					

Your organization identifies the duties of a supplier under a contract and insures for the performance					
Tenders are awarded within the tender validity period					
Your organization identifies the party responsible for following up the performance of the contract					
Proper follow up is maintained and appropriate decision is taken in regard to securities and warranties.					
Price fluctuation adjustment provisions are provided in the contract					
Sufficient provision on delayed works or goods delivery is provided in the contract and implemented					
There is monitoring mechanism that works are completed on schedule agreed in the contract, goods are supplied or services are rendered within the time					
Adequate control provisions are provided for effecting payments to suppliers or contractors					
Inadequate planning and linking demand to budget are challenges of procurement					
In your organization non-compliance with policies and regulations or unethical behavior is a challenge for effective procurement					
Professionalism or quality of procurement workforce is a challenge of procurement					
Delegate authority for approval delays decision making for procurement					
Procurement procedures are bureaucratic and has complex steps					
Endorsing committees give due attention in carrying out their duty properly, and where necessary, take corrective measures					

APPENDIX B: ETHIOPIA PUBLIC PROCUREMENT PROCEDURES IN LIGHT OF EAST AFRICAN COUNTRIES

Procurement Planning

Table 4.14. Planning procedures of some East African countries

Kenya	Zambia	Uganda	Ethiopia
<p>- procurement planning mandatory. The procurement plans are prepared as part of the annual budget preparation process as they are necessary to inform the cash flow preparation.</p> <p>-The annual procurement planning is an integral part of the budget processes. It can be based on indicative or approved budgets, as appropriate.</p> <p>-In the case of the Medium term Expenditure framework, it does not provide an approved budget but an estimate that is a sufficient basis for planning</p> <p>-procurement with multi-year incidence. It is important to appropriately plan multi-year procurements and to integrate them into the medium term budgetary frameworks.</p> <p>-Plan should be deemed sufficient for initiating multiyear procurement requirements.</p> <p>-For allowing sufficient time to integrate all procurement plans into the budget, the Heads of Procuring Entities are required to submit their signed annual procurement plans to their Accounting Officers at least thirty days before the close of each fiscal year.</p> <p>-A procurement plan is not static. Each Procuring Entity will need to revise and to update their procurement plans.</p>	<p>-A Procurement Unit shall, in consultation with a user department, prepare a procurement plan for the procuring entity, for each financial year, containing the information required .</p> <p>- A procuring entity shall integrate its annual procurement planning with the budget processes and shall base the plan on the indicative or approved budget of the procuring entity, as appropriate.</p> <p>- A procuring entity shall revise or update its procurement plan, as appropriate, after the approval of the budget during the course of each financial year.</p> <p>- A procuring entity shall publish, in at least one daily Newspaper of general circulation in Zambia or post on the procuring entity's website and on the procuring entity's notice board, certain information relating to the procurement plan.</p>	<p>-Act requires Procurement Entities to prepare a procurement plan for each fiscal year, and prepare quarterly updates for approval by the Tender Committee.</p> <p>-The Regulations require that the procurement planning process is fully integrated with applicable budget processes and circulars issued by the Public Procurement Board and the budget preparation instructions of the Ministry of Finance.</p> <p>-Adequate procurement planning and prioritization of needs by each Procurement Entity is an essential prerequisite to effective purchasing</p> <p>-Procurement Plan will be undertaken with the assistance of the Procurement Unit.</p> <p>-Preparation of the Annual Procurement Plan should be commenced at least four months before the start of the Financial Year to allow sufficient time for a realistic and accurately coasted plan to be compiled.</p> <p>-If insufficient budget funding is available following notification of the approved Annual Budget, instruct the Procurement Unit to review the Procurement Plan according to service priorities.</p> <p>-Receive notification of the final approved Annual Procurement Plan and budget and use this as an essential guideline for all procurement processes to be undertaken in the new Financial Year.</p>	<p>-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.</p> <p>- This plan shall be updated on an annual basis and in a rational manner having regard to expected flow of funds.</p> <p>-The Procurement Plan shall be incorporated into the Project Performance of the capital project.</p> <p>-For procurement under the recurrent budget a public body shall prepare an Annual Procurement Plan.</p> <p>-Preparation of Procurement Plan is mandatory for all public bodies. Any procurement object irrespective of value and/or methods should be included in the Procurement Plan.</p> <p>-At the beginning of each financial year all public bodies shall prepare Procurement Plans reflecting both updated annual plan for the capital budget and annual plan for the recurrent budget.</p> <p>-The head of a public body or an officer authorized by him/her shall approve the Procurement Plan.</p> <p>-A public body shall publish on their Notice Boards and, where applicable in their website, at the beginning of the financial year the estimated total procurement by category of goods and related services and works.</p>

Specification

Table 4.15 Specification procedure Touchstone

Kenya	Zambia	Uganda	Ethiopia
<p>-Specifications are so crucial to the success of procurement and the following points should be noted:</p> <p>(a) Specifications must be prepared by qualified staff.</p> <p>(b) The responsibility for preparation of the specifications is shared by the user and technical departments and coordinated by the procurement unit.</p> <p>(c) Specifications must be updated and based on adequate market trends.</p> <p>(d) A procurement agent or consultant may be engaged to prepare complex specifications.</p> <p>(e) Specifications form a very critical part of the bidding documents.</p> <p>(f) The evaluation criteria which must be disclosed in the bidding documents shall be partly based on the specifications.</p> <p>(g) Specifications must include packing if necessary.</p> <p>(h) Preparation of the bidding documents should not be commenced before the specifications are ready.</p> <p>(i) Specifications should take into account total cost of ownership.</p>	<p>procurement of goods shall be accompanied by a complete, precise and unambiguous description of the goods required, in the form of a statement of requirements.</p> <p>The specifications referred shall include, where appropriate:</p> <p>(a) the purpose and objectives of the goods;</p> <p>(b) a full description of the requirements;</p> <p>(c) a generic specification to an appropriate level of detail;</p> <p>(d) a functional description of goods, including any environmental or safety features;</p> <p>(e) the performance parameters, including outputs, time scales and any indicators or criteria by which satisfactory performance can be determined;</p> <p>(f) the process and materials descriptions</p> <p>(g) the dimensions, symbols, terminology language, packaging, marking and labeling requirements;</p> <p>(h) the inspection and testing requirements; and</p> <p>(i) any Zambian or other applicable standards.</p> <p>A statement of requirements for goods shall not include any reference to a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue or numbered item, unless there is no other sufficiently precise or intelligible way of describing the requirement, in which case the words “or equivalent” shall be included and the description shall serve only as a benchmark during the evaluation process.</p> <p>Notwithstanding sub regulation where a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue or numbered item is required for reasons of technical compatibility, servicing, maintenance or preservation of warranty, such description may be used, subject to written justification.</p>	<p>The description of goods to be procured shall accompanied by a complete, precise and unambiguous description of the goods required. The Specifications shall include:</p> <p>(a) the purpose and objectives of the goods;</p> <p>(b) a full description of the requirement;</p> <p>(c) a functional description of the goods, including any environmental or safety features;</p> <p>(d) performance parameters, including outputs and any indicators or criteria by which satisfactory performance can be judged;</p> <p>- process and materials descriptions;</p> <p>- dimensions, symbols, terminology language, packaging, marking and labeling requirements;</p> <p>- inspection and testing requirements; and</p> <p>-any applicable national or international standards required.</p> <p>(e) Use of Brand Names</p> <p>Descriptions of goods shall not include any reference to a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue or numbered item, unless there is no other sufficiently precise or intelligible way of describing the requirement, in which case the words “or equivalent” shall be included and the description shall serve only as a benchmark during the evaluation process.</p> <p>Notwithstanding the above, where a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue or numbered item is essential for reasons of technical compatibility, servicing, maintenance or preservation of warranty conditions, such description may be used, subject to inclusion of the words “or equivalent”. The requirement needs to be fully identified with detailed technical specifications.</p>	<p>a) Public bodies shall be required to draw up detailed technical specification specially for complex and high cost procurements in accordance with article 29 of the Proclamation</p> <p>b) A technical specification shall be prepared in accordance with the need of end users and in such a manner that it allows wider competition on the basis of performance, function, technical or design characteristics depending on the type of the procurement.</p> <p>c) Being an integral part of the contract, the technical specification shall be used to verify the conformity of the supply with the stated technical requirement.</p> <p>d) The technical specification of goods, consultancy service, works or services shall be drawn up by the department which has identified the need or by the staff of the Public Body who have adequate knowledge of the procurement in question. For the procurement of high cost and/or complex goods or services, public bodies may seek the advice and assistance of experts outside the Public Body or higher consultants.</p> <p>e) A specification shall not prescribe a particular product, brand or service provider. However, where it is difficult to draw up a specification giving an accurate description of the requirement, where the procurement is for spare parts for a particular item of proprietary plant or equipment, or where there is known to be only one manufacturer or provider of the goods or services in question, the name of the manufacturer or service provider and the term “Or Similar” may be incorporated in the specification.</p> <p>f) The technical specification should be prepared in such a manner that it incorporates use values needed to satisfy the current and future demand of the Public Body in question and should avoid the inclusion of non value adding features.</p> <p>g) When preparing technical specification, public bodies may incorporate standards set by Ethiopian Quality and Standard Authority or by other similar institutes depending on the type of procurement and as appropriate</p> <p>h) Technical specification shall form part of the bidding document and shall be sufficiently detailed and comprehensive to provide a complete and exact basis for the formulation of bids by those suppliers wishing to participate in the bid.</p>

Procurement methods

Table 4.16. Procurement methods in some East African countries

Kenya	Zambia	Uganda	Ethiopia
<p>The following procurement method is shall use in procuring entity in Kenya:</p> <p>(a)Open Tendering Method (b)Restricted tendering method (c) Direct procurement method (d)Request for quotations method. (e)Request for proposals Procurement method Procedure for low-value procurements Specially permitted procurement procedure</p> <p>The Open tender Method is the preferred method of procurement and alternative Procurement methods are used only if specific conditions are met. The Procurement Threshold Matrix has to be adhered to when using this method.</p> <p>Open Tender Method should thus be considered as the default method when no special circumstances permit the application of restrictions to the level of competition and when the estimated value is not below the thresholds permitting the application of a restricted competition such as Request for Quotation or Restricted Tender for efficiency purposes</p>	<p>A procuring entity shall use one of the following procurement methods, as specified in the Act and these Regulations, in undertaking the procuring entity's procurement activities:</p> <p>(a)open bidding, which may be national or international; (b)open selection, which may be national or international; (c)limited bidding; (d)limited selection; (e)simplified bidding; (f)direct bidding; (g)force account; (h)purchases from other procuring entities; or (i)community participation in procurement.</p> <p>(2) A procuring entity shall undertake public procurement under a selected method of procurement in accordance with the public procurement planning process, procurement process, contract award process and contract management process as specified under the Act and these Regulations.</p> <p>(3) A procuring entity shall not use any alternative procurement method unless such method has been approved by the Authority prior to its use.</p> <p>A procuring entity shall select the most appropriate method of procurement for each requirement, as part of the procurement planning process.</p>	<p>The procurement methods that can be used for the procurement of Goods are:</p> <p>(a)International Competitive Tendering (ICT) (b)National Competitive Tendering (NCT) (c)Two-Stage Tendering (National or International) (d)Restricted Tendering (National or International) (e)Single Source (Direct Procurement) (f) Request for Quotations (RFQ)</p> <p>Competitive tendering using ICT or NCT is the preferred method for Government procurement and the use of alternative methods is strictly limited to the provisions of the Public Procurement Act</p>	<p>The following are the choice of procurement methods applicable in Ethiopia.</p> <p>(a)Open bidding (b)Restricted bidding (c)Request for quotations (d) Single source/ direct procurement (e) Request for proposal, and (f)Two stage bidding</p> <p>Except as otherwise provided in the Proclamation and Directive, public bodies shall use open bidding as the preferred procedure of procurement.</p> <p>Public bodies may use a method other than open bidding only where conditions for use of such other method stipulated in the Proclamation and Directive are satisfied.</p> <p>A Public Body using a method of procurement other than open bidding, pursuant to article 33/3 of the Proclamation. Shall record a statement of the grounds and circumstances on which it relied to justify the use of that method.</p>

Contract administration

Table 4.16. Contract administration in some East African countries

Kenya	Zambia	Uganda	Ethiopia
<p>-In a procuring contract the contractor has the responsibility of performing the contract as per the terms and conditions of the contract.</p> <p>- The procuring entity has the responsibility of meeting its obligation of paying the contractor as per terms and conditions of the contract.</p> <p>These are the basic</p>	<p>- A controlling officer or chief executive officer may appoint a contract manager, or members of the contract management team, from the Procurement Unit, the user department, a stores department or any other relevant part of the procuring entity, except that the contract manager or a member of the contract management team may be external to the procuring</p>	<p>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 or the Technical Department concerned must ensure that</p>	<p>-Unless faced with a situation preventing or postponing the execution of a contract, public bodies have to implement any procurement contract they have signed with suppliers promptly.</p> <p>-A Public Body has to fulfill conditions established in a contract to expedite the implementation of the contract as provided in article . These</p>

<p>responsibilities of the parties. For the purpose of ensuring that both parties perform and meet their obligations procurement</p> <p>-contracts must be managed. On the part of the procuring entity the procurement contract must be managed with an aim of obtaining goods, works and services as per contract and achieve value for money</p> <p>-For each contract entered into, the Procuring Entity must designate a member of staff, or a team of staff, as the Contract Administrator responsible for administering the contract .</p> <p>-The Procuring Entity must issue a signed letter naming and appointing the Contract Administrator that must be included in the procurement files and contract.</p> <p>-It is the responsibility of the Contract Administrator to perform the obligations and duties concerning contract. The Contract Administrator is responsible for:</p> <p>i. Monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the Procuring Entity in the event of obligations not being met;</p> <p>ii. Ensuring that the contractor submits all required documentation as specified in the bidding documents, the contract and as required by law;</p> <p>iii. Ensuring that the Procuring Entity meets all its payment and other obligations on time and in accordance with the contract.</p> <p>iv. Ensuring that there is adequate cost, quality and time control, where required;</p> <p>v. Preparing any required contract variations or change orders and obtaining all required approvals before their issue. Such variations or change orders must be clearly justified in writing backed by</p>	<p>entity, where the required skills or experience are not available within the procuring entity.</p> <p>- A contract manager, or contract management team, shall be of an appropriate level of seniority and experience for the contract to be managed and have skills appropriate to the contract to be managed and the deliverables required under the contract.</p> <p>A Procurement Unit shall, in selecting a contract manager, or contracts management team, take into account the need for—</p> <p>(a) user department or end-user representation, especially where the delivery of services involves the user or user training is required;</p> <p>(b) technical skills relevant to the goods, works or services, especially where technical supervision or inspection is required;</p> <p>(c) receipt of goods into stores or installation of goods at a particular location; or(d) contracting legal or financial management skills.</p> <p>- The procurement of an external contract manager or member of the contract management team shall be treated as procurement for consulting services and shall be done in accordance Regulations.</p> <p>- A contract manager shall be responsible for—</p> <p>(a) monitoring the performance of the supplier to ensure that all delivery or performance obligations are met or appropriate action is taken by the procuring entity in the event of obligations not being met;</p> <p>(b) ensuring that the supplier submits all required documentation;</p> <p>(c) ensuring that the procuring entity meets all its payment and other obligations on time and in accordance with the contract;</p> <p>(d) ensuring that there is adequate cost, quality and time control, where required;</p> <p>(e) preparing any required contract variations or change orders and obtaining all required approvals before their issue;</p> <p>(f) referring any required contract amendments to the Procurement Unit for preparation;</p> <p>(g) managing any handover or acceptance procedures;</p> <p>(h) referring any recommendations for contract termination</p>	<p>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.</p> <p>There are many post-contract issues that need to be dealt with, monitored and resolved before the contract reaches its conclusion including:</p> <ul style="list-style-type: none"> - Contract Effectiveness; - Delivery and Inspections of Goods; - Insurance Claims; - Payments to the Supplier; - Contractual Disputes; - Delays in Performance; - Claims for Damages; - Installation and Commissioning of Equipment; - Release of Performance Securities and Retentions; - Contract Closure. <p>Although the Contract may have been signed by both parties, the legal effectiveness of the Contract may be dependent on one or more of the following conditions:</p> <ul style="list-style-type: none"> - Receipt by the Procurement Entity of the Performance Security; - Receipt by the Procurement Entity of an Advance Payment Security; - Receipt by the Supplier of the Advance Payment; or - Receipt by the Supplier of an acceptable Letter of Credit. <p>The Head of Procurement Unit should ensure that:</p> <ul style="list-style-type: none"> -Any Performance Security specified in the contract is received by the Procurement Entity; -Any Advance Payment specified in the contract is paid immediately when the Advance Payment Security is received from the Supplier or Contractor; -Any Letter of Credit required is issued promptly. <p>Contract supervision and administration will be undertaken by the Procurement Unit and the Technical Department as appropriate. Supervision and administration is straightforward in most procurement of goods but monitoring delivery schedules, processing of documents</p>	<p>conditions may include the following:-</p> <p>a) If the contract provides for advance to be paid to the supplier, effect such advance payment to the supplier against advance payment guarantee in accordance with the provision of this article.</p> <p>b) Open letter of credit (L/C) promptly in respect of a procurement requiring the issuance of letter of credit in favor of a supplier.</p> <p>c) Fulfill such other conditions as are stipulated in the contract.</p> <p>- Public bodies have to identify the duties of a supplier under a contract and insure that the supplier performs such duties in due time.</p> <p>- Public bodies have to record the date on which the actual implementation of the contract has begun upon fulfillment of precondition set forth in the contract for the actual implementation of the contract and, if necessary, notify this to the supplier.</p> <p>-Payment for contractors in the performance of works contract shall be effected in accordance with the following procedure, based on the progress of the work to be performed under the contract.</p> <p>a) Payment for construction works shall be made on the basis of the progress of work against payment certificate to be verified by the consulting engineer supervising the work.</p> <p>b) For all construction works, in addition to what is stipulated under article 16.26 (9) of this directive, 5% shall be retained from payment indicated in each payment certificate. 97</p> <p>c) 50% of the amount retained pursuant to (b) above, shall be released up on completion of the works and issuance of provisional acceptance certificate. The remaining 50% shall continue to be retained for one year period of warranty. However, such sum may be released on condition that the suppliers submits unconditional guarantee valid for 12 month.</p>
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<p>supporting evidence;</p> <p>vi. Managing any handover or acceptance procedures;</p> <p>vii. Making recommendations for contract termination, where appropriate, obtaining all required approvals and managing the termination process;</p> <p>viii. Ensuring that the contract is complete, prior to closing the contract file including all handover procedures, transfers of title if need be and that the final retention payment has been made;</p> <p>ix. Ensuring that all contract administration records are complete, up to date, filed and archived as required; and</p> <p>x. Ensuring that the contractor and the Procuring Entity act in accordance with the Provisions of the Contract.</p> <p>xi. Discharge of performance guarantee where required</p> <p>In large procurement contracts the contract management plan should provide for review meetings. Review meetings are held periodically as found necessary for the purpose of face to face communications of contract performance and discussing the way forward and preparing status reports.</p>	<p>to the Procurement Unit;</p> <p>(i) ensuring that the contract is complete, prior to closing the contract file;</p> <p>(j) ensuring that all contract management records are kept and archived as required;</p> <p>(k) ensuring that the supplier and the procuring entity act in accordance with the Act, these Regulations and the contract; and</p> <p>(l) keeping the Procurement Unit informed of the status and progress of the contract.</p> <p>- A contract manager shall, in managing the contract, use existing systems, procedures and resources within the procuring entity and, in particular, the contract manager shall use existing disbursement systems for making payments to suppliers.</p> <p>A contract shall state that the procuring entity has the right to inspect goods, works and services at any reasonable time or place,</p> <p>.</p> <p>-A contract may, where appropriate, in order to facilitate adaptations to unanticipated events or changes in requirements, permit—</p> <p>(a) the contract manager, supervising engineer or other designated official to order variations to the statement of requirements for goods, works or services, the price or the completion date of the contract; or</p> <p>(b) defined compensation events to justify variations in the price or completion date of the contract.</p>	<p>and the inspection of goods are essential to ensure that the correct goods are delivered on time.</p> <p>The parties to the contract normally have the right to terminate the contract, but to protect the Procurement Entity, advice of the Legal Department should always be sought if the Procurement Entity is considering such action.</p> <p>Contracts should not be terminated without examining all possible alternatives, unless the termination is mutually agreed by all parties to the contract.</p> <p>Public Procurement</p>	<p>d) The consulting engineer shall complete verification of the payment certificate prepared and submitted by the contractor within seven days of its receipt</p> <p>e) The Public Body shall effect the payment within 14 working days of receipt of the payment certificate verified by the consulting engineer.</p> <p>f) The consulting engineer shall be responsible for any request made by the contractor to receive additional payment from the procuring entity due to the consulting engineer’s failure to verify the payment certificate within prescribed period stated in sub-article “d” above. However, the responsibility of the consulting engineer shall not exceed the service fee payable for its services.</p> <p>g) The Public Body shall be responsible for any additional payment request made by the contractor in accordance with the contract, due to its failure to effect payment within the period specified under sub article “e” above without any good reason.</p>
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