



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

*Effectiveness of the Centralized Procurement by the Federal  
Government through Public Procurement and Property  
Disposal Service (PPPDS)*

By:

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Thesis Submitted to Department of Accounting and Finance, College of Business and Economics, in Partial Fulfillment of the Requirements for Master of Science in Accounting and Finance

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## DECLARATION

I, the undersigned, hereby declare that this thesis is my original work and has not been presented for other degrees or likes in any other University or College and that all sources of materials used for this thesis have been duly acknowledged.

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## CERTIFICATION

This to certify that Matewos Berhanu has carried out his thesis work on the topic entitled “Effectiveness of the Centralized Procurement by the Federal Government through Public Procurement and Property Disposal Services (PPPDS)” under my guidance and supervision. In my opinion, this work is appropriate to be submitted in partial fulfilment for the award of Master of Science degree in Accounting and Finance.

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# Acronyms and Abbreviations

|          |                                                              |
|----------|--------------------------------------------------------------|
| AA-PPPDS | Addis Ababa Public Procurement and Property Disposal Service |
| CSA-     | Central Statistics Agency                                    |
| FA-      | Framework Agreement                                          |
| FDRE-    | Federal Democratic Republic of Ethiopia                      |
| F-PPPDS  | Federal Public Procurement and Property Disposal Service     |
| EC-      | Ethiopian Calendar                                           |
| GDP-     | Gross Domestic Product                                       |
| ICT-     | Information Communication Technology                         |
| MoFEC-   | Ministry of Finance and Economic Development                 |
| OECD-    | Organization for Economic Cooperation and Development        |
| OFAG-    | Office of Audit General                                      |
| PB-      | Public Body                                                  |
| PPPDS-   | Public Procurement and Property Disposal Service             |
| PPPAA-   | Public Procurement and Property Administration Agency        |
| TOR-     | Terms of Reference                                           |
| UNCTD-   | United Nations Conference on Trade and Development           |

# *Abstract*

*This research was made with the general objective of assessing effectiveness of the centralized public procurement at PPPDS' through exploratory research and descriptive analysis and interpretation. In light of establishment objectives and relevant perspectives reflected in literatures, there is a need for assessing economic efficiency, timely delivery of goods and services and other expected outcomes. A threefold methodology was used that reviewed cost savings from federal and regional (A.A.) PPPDS along with CSA data for comparison, questionnaire responses to 10 user public bodies, and interview and questionnaire to 20 PPPDS staffs. Purchases of common user goods have generally witnessed economic efficiency with different rates of cost savings. Inadequacy of staffing, untimely procurement need submission, lack of enforcement of internal control procedures, non-existence of legal framework has been learned from the survey as mainly impeding effectiveness of the entity. In addition to that, PPPDS is short of the required technology and consultancy service on procurement. To boost effectiveness, PPPDS needs to improve cost saving on items that yielded low cost saving, upgrade its staffing in quantity and quality, initiate setup of legal framework and enforce internal control procedures to preempt corruptive moves. Apart from that, the entity needs to make necessary arrangements to deliver consultancy and generate income, scaleup technology use for greater effectiveness and ought to regularly assess its performance against regional and Eastern African counterparts.*

*Key words: effectiveness, efficiency, PPPDS, public procurement, public bodies*

# **CHAPTER ONE**

## **1. Introduction**

### **1.1. Background of the Study**

In developing economies like that of Ethiopia, government expenditures for public consumption and investment is huge in magnitude for which public procurement is a means of facilitating and coordinating this key role of government toward economic development. Public procurement is the acquisition of goods and services at the least possible cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of public entities, generally through contracts according to Breitman & Lucas, (1987). It is an important mechanism that helps hit targets of economic development like expansion of infrastructure, provision of basic services etc. with the central objective of poverty reduction.

In most African countries and some Asian and Latin American Countries the domestic market is dominated by public procurement, as indicated by OECD, (2007); and, Witting, (1999). Public procurement, for instance, accounts for 60% in Kenya Akech, (2005), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending Basheka and Bisangabasaija, (2010).

Economic growth and development of a country has a lot to do with government budget which mainly comprises public procurement expenditure embodying material investment that paves the way toward national development. The effectiveness of the public procurement can be determined by timeliness, cost-efficiency and quality and standard of the product or service. As government budget is seriously constrained, cost of procurement needs special emphasis in the utilization of scarce resources and adequate number of skilled manpower worthy to be engaged in the procurement process.

The performance of a country's economy is highly dependent on effectiveness of public procurement which plays crucial role in the provision of public services and can strategically be used to boost government's capacity in discharging its duties and responsibilities for the prosperity of all citizens.

The effectiveness of public procurement is not to be judged just by its compliant flow of activities with the laid rules and procedures but rather by the attainment of the general economic development goals. The main characteristics of public procurement include getting the right item at the right time, and at the right price, to support government actions. Most developing countries have public procurement that account for up to 50%-70% of imports (Wittig, 1999). Given the significant impact of public procurement on a country's economic activities, the importance of giving due attention to it can never be overemphasized. Public procurement links the demand for basic services, such as hospitals, schools, and roads and their provision by governments which accounts for an estimated 9-13% of gross domestic product in developing countries (UNCTD/WTO, n.d).

One of the areas of government activities which is highly exposed for malpractice in any country is public procurement, especially with respect to accountability and transparency. The over-extended procurement procedures usually affect the speed of government project implementations. Some of the factors for effective public procurement are careful and detailed procurement planning, laying down of clear specifications, sufficient communication of the detailed plan ahead of the procurement process

According to (OECD, 2007) public procurements is faced by major challenges of lack of sufficient demand assessment, inadequate procurement planning, unrealistic budgeting that ensue budget deficiency, insufficient use of open competitive tendering and absence of monitoring and evaluation. Thus, in order for public procurement practices to be effective these challenges have to be properly addressed so that economic development objectives set out by policy makers will be achieved in due time. The yearly procurement plan by each branch of the federal government needs to be carried out with due care at the beginning of the fiscal period in a feasible manner.

The federal Public Procurement and Property Disposal Service was established in 2010 GC under Council of Ministers Regulation No. 184/2010 with the following objectives:

- To enable the timely supply of goods and services, which are commonly used by public bodies as well as goods and services that have national strategic significance in the desired quality and at prices attributable to economies of scale resulting from bulk purchases;

- To enable speedy disposal by sale of properties of public bodies at fair prices
- To assist public enterprises in the procurement of goods and services and disposal of assets.

It is the interest of the researcher to evaluate the effectiveness of the centralized procurement by the Federal government of Ethiopia through its agency known as Public Procurement and Property Disposal Service.

## **1.2.Statement of the Problem**

The issue of how effective the centralized public procurement at PPPDS is with respect to the core establishment objectives of economic efficiency (cost saving) and timely supply of goods and services to public bodies has not been well addressed in prior studies. Additionally, investigating the entity's saving performance with respect to regional counterparts like Addis Ababa Public Procurement deserve attention for appraisal of PPPDS. Other relevant perspectives like adequacy of staffing, level of technology adoption and transparency that contribute to effective performance also require more investigation.

The centralized public procurement has been frequently blamed by user public bodies and many other stakeholders for delivering up to expectations especially on quality and timing issues. This necessitates the need to explore how the federal public procurement entity is doing and assess its overall effectiveness.

Even if it is difficult to fix single benchmark to evaluate the economic efficiency, there is a need to assess the savings by making comparisons between purchase prices of PPPDS against average market prices compiled by CSA, especially for common user goods. There is also a need to evaluate overall effectiveness in respect of user public bodies as well as PPPDS itself by gathering information from their staffs and surveying of relevant documents.

The researcher is, therefore, interested in examining effectiveness of the centralized public procurement at PPPDS in light of the above-mentioned statement of problem.

### **1.3 Research Questions**

The research questions that this study tries to address are the following:

- Is the centralized procurement cost efficient?
- Does PPPDS have the necessary man power for effective performance?
- How do user public bodies see effectiveness of PPPDS?
- How well is PPPDS applying technology to efficiently deliver the centralized procurement service?
- Is the internal control adequately preventing corruption?

### **1.4 Objective of the study**

#### **1.4.1 General Objective**

The general objective of this research is to assess the effectiveness of the centralized public procurement at the federal entity of the government of Ethiopia-Public Procurement and Property Disposal Service (PPPDS).

#### **1.4.2 Specific Objectives**

The following are the specific objectives of the study:

- ✓ To assess cost/economic efficiency of the centralized public procurement at PPPDS.
- ✓ To identify areas of effectiveness/ineffectiveness within and outside PPPDS.
- ✓ To investigate how well technology is being used to support effectiveness of PPPDS
- ✓ To assess adequacy of man power for its effectiveness.
- ✓ To assess how PPPDS is discharging its duties of consultancy and training on procurement.
- ✓ To evaluate how the internal control system is doing over prevention of corruption.

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

Given the importance of achieving the centralized public procurement in Ethiopia at such high time of government's endeavor to boost the economy and provide wide range of basic services, the significance of researches like this would be high to government and policy makers and PPPDS itself. This study has tried to assess the effectiveness of the centralized procurement

service and highlight key areas of focus for strengthening and improvement. The research is also expected to provide important inputs to PPPDS and other stakeholders on ways of improving effectiveness and enhancing performance by identifying and recommending areas of improvement. It is also expected to serve as input for future researches around the subject matter.

## **1.6 Scope and Limitation of the Study**

The domain of this paper has been the procurement side of the federal Public Procurement and Property Disposal Service and not on its disposal activities. Due to limitations of time, resource and data availability, this research was made by collecting data on common user goods rather than strategic items purchased by the federal PPPDS and in the fiscal years of 2007 and 2009 EC and comparison made with similar data from one of regional counterparts-Addis Ababa Public Procurement and Property Disposal Service. Data has also been collected from selected 20 PPPDS staffs and 10 user public bodies found in Addis Ababa through questionnaire and key informant interview. The main focus is also on procurement activities under framework contracts which consume big portion of PPPDS procurement arrangements.

## **1.7 Organization of the paper**

Five chapters built up the structural frame of this paper. The start-off is made in Chapter One dealing with the background of the study followed by statement of problem, research question, and objective of the study, significance of study, scope and limitations of the study, winding up with the organization of the paper. Chapter two sets the stage for related literature review by first presenting theoretical aspects and later giving space for empirical review. The research methodology consisting of research design, study population and sampling method, source and method of data collection; method of data analysis is presented in Chapter three. Chapter four takes up data presentation, analysis and interpretation by laying the ground for the conclusions and recommendations which are enshrined in the final chapter-Chapter five.

## **CHAPTER TWO**

### **2. Review of Related Literature**

Public procurement, generally speaking, is the process that public entities engage in for the acquisition of goods, works and services that will be used for discharging public or government obligations. It takes significant portion of the public spending represented by about one third of total expenditure in OECD countries. In developing countries, the public procurement sector is the largest domestic market and usually covers 50%-70% of imports in these countries. The need of the people for basic needs and infrastructures are catered for by governments through public procurement (OECD, 2007).

The ultimate objective of public procurement is to implement utilization of public financial resource on purchase of goods and services for intended purposes in an accountable, transparent and cost-effective manner by providing equal platform for all competitors. Along with ensuring the most value for money, the process should also have tools for preventing corruption and any form of unfair practices (Krasniqi, 2012). Public procurement needs to ensure acquisition of goods and Services of the desired quality, from the right source, with the least cost and to be delivered in the demanded quantity, to the needed place, at the right time. The ultimate need for efficient management of public procurements emanates from their taking large part of government expenditure budget and significant government investment (FDRE, 2011).

#### **2.1 Definition Public Procurement**

Public procurement is a process in which a governmental entity acquires works, goods and services from other parties Michael and Juanita, (2006). It includes buying small items like stationaries in bulk as well as huge items like contracting to build railways. According to Tony (2011) public procurement involves acquisition of goods and services by the public sector and it ranges from routine supplies to official tendering and contracts for sizable infrastructural projects. Purchase of commodities and contracting of construction works and are also included in public procurement and usually such acquisition is effected with resources from state and local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid and revenue received from the economic activity of state (AMBE, 2012).

Ethiopian Public Procurement Proclamation (No 649/2009) also states that procurement means “obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.” From the above definitions, the overall tasks of procurement is to obtain goods, works, consultancy services and other services at the right quality, in the right quantity, from the right sources, at the right time, place and price to achieve organizational objectives.

Public procurement can also be defined in general term as the function whereby public-sector organizations acquire goods, services and development and construction projects from suppliers in the local and international market, subject to the general principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. It includes many activities that support the service delivery of government entities, ranging from routine items to complex development and construction projects. It also directly or indirectly supports government’s social and political aims (AMBE, 2012).

## **2.2 Principles of Public Procurement**

The major principles in public procurement are described below which are embedded in the legal and regulatory rules while conducting public procurement activities. These principles according to Arrow, S. (2010) are needed to accomplish objectives of public procurement.

### **2.2.1 Economic Efficiency**

Acquisition of goods and services at the most favorable term with respect to economic efficiency is the major objective of public procurements, an idea usually described as value for money or economic efficiency. The main considerations here are suitability of the products purchased, reaching agreements of most favorable terms, and confirming ability of contractor to deliver obligations as per the requirements. Notwithstanding the priority given to suitability of supplies for the purpose being served, public procurements are expected to yield material cost advantage from bulk purchases mainly due to economies of scale.

## **2.2.2 Integrity**

It refers to carrying out of procurement activities in a manner that is free from corruption whether it is in form of bribes, collusion between government and bidders, awarding contracts for political or personal interest. Fair competition should be facilitated for the least cost and most benefit to the public.

## **2.2.3 Transparency and Accountability**

This principle ensures openness in carrying out public procurement duties and attaches accountability to individuals and groups under legal framework in meeting objectives. It is a tool to achieve many of the objectives of a procurement system, including value for money and integrity.

## **2.2.4 Equal Opportunities to All Stakeholders**

The principle of equal opportunity can be seen from different angles. For example, equal treatment may serve as a means to achieve other objectives of the public procurement system, such as value for money in obtaining goods, works and services, preventing corruption and opening up markets to competition. On the other hand, it can also serve as an objective of the procurement process in its own.

According to Proclamation No. 649/2009 of the Federal Democratic Republic of Ethiopia, Public procurement and property administration shall have to comply with the following principles:

- Ensure value for money in the use of public fund for procurement;
- Non-discrimination among candidates on grounds of nationality or any other criteria not having to do with their qualification, except in cases of preference specifically provided for in this Proclamation;
- Transparency and fairness of the criteria on the basis of which decisions are given in public procurement as well as of decisions in each procurement
- Accountability for decisions made and measures taken with regard to public procurement and property administration; and
- Careful handling and proper use of public property

## **2.3 Public Procurement Procedures**

A major undertaking of the national economy in which a large amount of the government money is spent through procuring goods, works and services is covered by public procurement entities. In that regard, they are required to ensure that prudent economic decisions are made to open up market opportunities to business entities (big, medium and small), to increase their participation in the domestic and competitive international markets (United Republic of Tanzania, 2012). Therefore, the practice of planning properly, identifying and mitigating risks will make public procurement effective. The main procedures in public procurement are discussed below.

### **2.3.1 Public Procurement Planning**

Basically, public procurement planning is an organized activity of scheduling what, how and when to purchase goods and services to public entities for a given period that streamlines the procurement process. This planning helps to do away with sudden purchases and minimize possibilities of emergency procurements which are likely to face cash flow shortages (Abada, & Muhindo, 2014). Public procurement planning clearly identifies the need for both the government entity and the supplier. It paves the way for a well-coordinated and integrated procurement process to fulfill a need for goods, works or services in good time with economic efficiency. It also avoids unnecessary rushing at time of need that might result in ineffective and non-transparent dealings. Furthermore, updating of the procurement plan ahead of time throughout the implementation process helps the public entity to cope up with the ever-changing economic environment. With the inclusion of contingency planning, public procurement planning ensures readiness for future uncertainties (UN,2006).

### **2.3.2. Need Identification and Specification of Goods and Services**

Public entities should clearly identify their needs in order to discharge their responsibilities. Upon identification of the needs, the procurement department then takes the next step of developing and communicating a plan that lays down how the needed goods and services will be acquired. Coordination with the other departments is crucial in developing the procurement plan to provide for organizational integrity, Shaw, (2010). Detailed and clear specification of items to be acquired is essential for effective procurement which will be given to the supplier. According to Thai, Araujo, Carter and Calendar (2005) a specification is a detailed description of the

design, the service, or materials. It describes in detail the requirements to which the supplies or services must conform. The basic requirement of a good specification is to clearly identify the service or product to stakeholders. The specifications must be clear to all parties. That is the user, procurement and the supplier. Specification of a product takes into consideration factors like physical attributes, technical specification, and intended use Thai et al, (2005).

### **2.3.3. Sourcing, Awarding, and Supplier Management**

Sourcing is the process of identifying suppliers that can meet procurement requirements of the public entity for goods and services, Hinson and McCue (2004). The process of the sourcing will differ from circumstance to circumstance on the time available to carry out sourcing. The steps in the sourcing process will include market enquiry which is the process of inviting and evaluating tenders or quotations depending upon an entity's own internal procedures, and evaluation and awarding with the process of determining the actual quality, reliability, delivery, of the goods and services.

The procurement department coordinates activities of analyzing and evaluating the bids against set criteria, specification requirements and presenting the analysis to an procurement appointed committee, verification of supplier capability and quality control, reviewing product inspection results, verification of technical evaluation reports, negotiates with vendors, placing orders and expediting the delivery.

After evaluating and awarding of tender, orders are placed for the goods or services with the supplier and the approval processes may be more detailed. The orders establish contractual relationships between the organization and the supplier Shaw, (2010). Once the order is placed and the supplier has confirmed receipt and agreed to the contract terms and conditions, the role and the amount of work that staff in procurement have to undertake will be affected by the performance of the suppliers Bovis, (2007). It is necessary therefore, for the procurement staff to monitor the progress of orders and the performance of the suppliers. The continuous monitoring enables the organization to pick out break-down points in the system and quickly identify solutions Shaw, (2010).

The physical receipt and inspection of goods takes place at the delivery point. Should there be discrepancies, the responsible person for accepting delivery and inspecting the goods should

understand the procedures to be followed. Upon receipt of the goods and services, the procurement department then facilitates payment by providing necessary documentation to Finance Department. Orders are normally generated in procurement, as the goods are delivered in the warehouses and transported to final distribution points; additional documents are generated in the process to support transactions. According to the proclamation (2009), public bodies shall maintain records and documents regarding their public procurement which include a brief description of the procurement, invitation to bid, name and addresses of suppliers, evaluation criteria, information on the proceeding of any decision rendered against a procurement process and the ground for using a procurement procedure other than open bidding

## **2.4 Major Challenges Surrounding Public Procurement**

- Inadequate procurement planning and poor drafting of specifications is among the main challenges affecting the public procurement performance. It is up to user government entities to plan lists of intended procurements for the forthcoming financial year with the necessary level of procurement details. The procurement schedule shall indicate the goods, services and works it intends to acquire within the allocated budget. This will allow the procuring entity to align its intended procurements with policies and the range of goods available, and at the same time enable suppliers and contractors to take preparatory steps to submit comprehensive bid and to ensure time and resources are available to undertake the contract (Jones, 2013).
- The other challenge in public procurement is that detailed procurement planning is not sufficiently advertised before the procurement. Detail planning of the projects includes establishing the need for the procurement, drafting relevant specifications and award criteria, choosing the appropriate procurement method, preparing the necessary tender documents, setting a budget ceiling and undertaking research on market prices and on the availability of goods and services required and of suitable suppliers and contractors. What should also be part of the plan is a system for monitoring, supervision, and cost control and for providing the necessary coordination where there are two or more departments or units which are to be the end users. However, not all agencies draft annual procurement plans (Jones, 2013)
- Even though open bid is the most competitive platform to ensure economic efficiency in public procurement, it is not sufficiently applied due to many excuses which render the

performance of public procurement somewhat inefficient. The impact is magnified especially in high value procurements for which direct contracting and negotiation are adopted. Direct contracting is likely to create opportunities for bribery and corruption.

- The other problem worthy of noting in the procurement process is the lack of adequate monitoring and evaluation that prevents failure by suppliers to deliver goods in accordance with specifications which result in the goods received being sub-standard and less useful than they should have been. The failure of procurement officials to issue purchase orders and of suppliers to issue invoices, which did not spell out the specifications. In addition, the goods received in some cases were not checked against the specifications required (Jones, 2013).

## **2.5. Framework Agreement in Public Procurement**

Framework agreement, according to Glover, (2008) is an agreement which is reached between two parties to cover a long-term collaborative arrangement. It is an agreement between one or more contracting authorities and /or economic operators it is often known as umbrella agreement that involves parties such as employer and contractor or supplier. It provides a mechanism for awarding in straight forward manner. Thus, the framework agreement is not intended for use with a single stand-alone contract; it is designed for use where a number of similar sets of works or services required. It allows public bodies to order goods or services throughout the term of agreement (it provides a mechanism for calling off purchase orders from catalogue of goods or services as and when PB needs to buy something within the scope of FA). However, the contract does not place any obligation on the PB to place future purchase order and not require to issue any minimum number or value of order. Issuance of purchase order to obtain the supplier's goods and services is wholly within the discretion of PB's. Call-off contract means individual contract between PB and supplier according to the terms and conditions of established in FA determining goods and services to be supplied by the supplier. The public bodies administering framework procurement undertake a full procurement (FPPAA, 2011).

Framework agreement uses terms that may be unfamiliar such as "call off"; task; enquiry; pricing document and provider among other. Call off is the act of awarding a contract awarded under framework agreement. It does not need to advertise and tendered. Task is the particular works or services to be carried out; enquiry is an invitation to tender made by employer to a

prospective provider to carry out a task and pricing documentation is the returned pricing document and provider is the contractor, consultant or supplier under framework agreement (Glover, 2008).

Public procuring entities face problem of increasing clerical and routine works in procurement process and other problem include: increased in price differences among procuring entities, long lead time, high inventory levels, recurring stock out situation and price rise during the period of contract coverage, which result in cost increase in tendering process. The use of frame work agreement is conceived as a solution to the problems. Framework agreements are contract which procuring entities enter into arrangements with suppliers or service providers to supply goods or services under agreed conditions for a specified period of time normally two to four years. The requirement under the framework agreements concern quality, quantity, price, precise price specifications and conditions for review of the contract requirements.

To ensure continuous and effective supply of regular goods and services under agreed public Procurement conditions; reduce procurement function workloads and ensure economical and better use of public money. To achieve this goal the government is required to ensure the use of Framework Agreements for all items and services specified as common use items and services as a way of benefiting economically and better use of public money, strive to reduce clerical and routine works, minimize price differences among procuring entities, shorten lead time and keep inventory levels of procuring entities low without facing stock out situation, and also promote the ability of procuring entities to implement their procurement plans as per flow of public procurement funds in line with regulations.

## **2.6. Information Communications Technology and Public Procurement**

ICT is an enabler for information sharing which organizations in the procurement system can use for eliminating bloated inventory levels caused by cumulative effect of poor information cascading up through a SC. Daugherty, Myers and Autry (1999) averred that information integration is also a key component in many automatic replenishment programs (ARP). Initiatives such as vendor managed inventory (VMI) and collaborative planning, forecasting and replenishment (CPFR) are based on an increased level of automation in both the flow of physical materials, goods and associated information between companies to improve the efficiency in the

entire system. It shortens information processing time and tremendously improves procurement performance. Process integration can enhance procurement performance. ICT provides new ways to store, process, distribute and exchange key information with customers and suppliers in the entire procurement system.

## **2.7 Empirical Review**

There were some empirical studies done on the subject of factors that contribute to effective public procurement in Africa. For instance, an empirical research was done by Kiage (2013) on Kenyan public procurement performance and concluded that procurement planning, coupled with sound contract management was the most crucial factor for its effectiveness. Same idea was reflected by others who conclude that lack of sound planning and management of public procurement is the main challenge where procurement requirements that are not well identified, crudely prepared budgets and insufficiency of the staffs' professional competence to handle such big job.

Another empirical research was conducted by Boniface (2014) on factors influencing public procurement performance in the Kenyan public sector pointed out the Management of procurement life cycle in Kenyan public sector was the main dimension enhancing positive procurement performance and the use of open tendering as the most preferred method of procurement. And also the researchers studied about ICT adoption that is one of the challenges of procurement performance concluded that procurement systems were still largely manual, neither streamlined nor automated. This resulted inefficiency and losses. CT enables systems integration, promotes transparency, accountability, reliability and enhancement of relationship management. Staff members are yet to benefit from attendant ICT use and adoption. This study concluded that the state law office was performing on the negative overall records management was the most significant driver in procurement performance followed by procurement procedures, procurement staff qualifications and ICT.

Abera Gelgelu, (2016) based on his study of public procurement planning and implementation assessment argues that limited capacity in conducting needs assessment, description of needs, and late submission of requirements, insufficient staffing of procurement unit in terms of number and skill required, limited quality training in planning activities and preparation of procurement

document at each stage, inadequate review procedure of requirement submitted by PB's, lack of practice in announcement of annual procurement plan, limited capacity in conducting market survey, costing and scheduling procurement activities, contract management, and monitoring; shortage and turnover of qualified professional, limited practice in periodic review of effectiveness in planning and implementation of public procurement are among major challenges of the public procurement. However, this paper was concentrated only on inputs from PPPDS staffs and did not touch area outside this entity which are main stakeholders like the user public bodies.

Roman, (2017), on the other hand, has shown in her study that some public procurement performances were found to be non-compliant with the public procurement rules and regulations due to inefficiency, non-transparent procurement processes, and lack of knowledge of rules and regulations and hence calling for commitment from responsible government authorities to improve those specific areas of deficiencies' in public procurement practice. But this study did not cover the important aspect of public procurements on cost saving (economic efficiency) and focuses more on regulation compliance.

## **CHAPTER THREE**

### **3. Research Methodology**

In this chapter, the frame and structure of the research methodology that has been adopted in the study shall be presented. Details of how the research has been conducted, how the data was analyzed and how the conclusions have been arrived are to be discussed here.

#### **3.1. Research Design and method**

The purpose of this study is to explore effectiveness of the centralized procurement at PPPDS with respect to accomplishing its objectives and other relevant perspectives. In this exploratory research, the mixed approach has been adopted by the researcher that minimizes the limitations of the other two approaches (quantitative and qualitative) and gives the advantage of complementing each other.

A three-fold methodology has been used in the study which is comprised of:

- Collection of cost/purchase data from F-PPPDS, AA-PPPDS and CSA on all common user goods for the purpose of assessing economic efficiency
- Gathering information from user public bodies on various aspects of PPPDS's effectiveness
- Gathering data from PPPDS and its staffs along with observational assessment to identify areas of efficiency and short comings.

The study has made use of descriptive technique to discuss and interpret data with statistical analysis on excel collected from primary and secondary data sources.

#### **3.2. Sample Design**

Secondary data for the survey study of assessing cost saving (economic efficiency) was collected on all the Two Hundred Fourteen (214) common user items purchased under framework agreements in the fiscal year 2007 and 2009 for sake of data availability in these years at F-PPPDS & AA-PPPDS and making relevant comparisons and inference.

Due to cost and time limitations and reasonable belief on similarity among the study population, this research has been conducted through questionnaires on purposive sampling from Ten (10) major user public bodies in Addis Ababa, Five Ministries and Five other public bodies, out of the One Hundred Eighty-Seven (187) budgetary public entities which use the service of PPPDS. Twenty (20) staffs from PPPDS working in the target population of the directorates of procurement, contract management and market Survey were also involved in this research through questionnaires. Key informant interview was also conducted with three senior management members (directors) who are believed to provide the required inputs for this study.

### **3.3. Data Source and Method of Data Collection**

Both qualitative and quantitative data have been collected for this study. With the objective of presenting a wide variety of information, both primary and secondary data sources have been used. Primary data was collected through questionnaire and key informant interviews. Secondary data has been gathered from contract documents and annual reports of PPPDS, and Central Statistics Authority (CSA).

#### **3.3.1. Questionnaires**

Semi-structured questioners with both open-ended and close-ended questions have been used in this study that avail help the researcher in collecting qualitative data by availing sufficient space for respondents to reflect their ideas. For ease of responding, yes/no, effective/ineffective, choices have been widely used along with additional Likert-type questions to express their degree of agreement or disagreement. The questioners have been distributed to the selected user public bodies and staffs of PPPDS working in the targeted directorates.

#### **3.3.2. Interview**

In order to conduct the key informant interview with selected Senior PPPDS staffs, semi structured interview questions have been used. That is believed to enable the researcher to gather more information about how PPPDS is working from planning to contract management through delivery of purchased goods and services and identify areas of effectiveness and ineffectiveness along with challenges that impede the practice of public procurement planning and

implementation effectiveness and explore factors that contribute for effectiveness of the centralized public procurement.

### **3.3.3. Documentary Analysis**

The other research method deployed in this study is document analysis. According to Yin (2009), the most important use of documents is to corroborate and augment evidence from other sources and document analysis brings certain strength to research. Important documents have been reviewed by the researcher while conducting this study for surveying the cost saving (economic efficiency) of PPPDS. Regulations, Proclamations, annual reports, contracts with suppliers for procurement of common user goods, and price data gathered by PPPDS from CSA are some of the documents reviewed.

### **3.4. Method of Data Analysis**

After collecting and sorting all relevant data using the data collection tools, statistical techniques such as frequency, percentage, figures and tabulations have been used to analyze the data. The data gathered are also presented using tables and figures. The analysis of data is followed by descriptive interpretation of findings. Additionally, the data which has been collected through the key informant interview is summarized and presented with descriptive report.

## **CHAPTER FOUR**

### **4. Data Presentation, Analysis and Interpretation**

This exploratory research was conducted with the aim of assessing how effective the centralized public procurement is at PPPDS by gathering survey data from survey documents, and from selected PPPDS staffs and public bodies. Thus, this section of the paper presents the results and findings of the study based on the collected from the sample population. First survey data on cost saving (economic efficiency) was gathered from the Federal PPPDS (F-PPPDS) and Addis Ababa City Government PPPDS(AA-PPPDS) contracts entered with suppliers and the corresponding CSA average market price data of the fiscal years 2007 and 2009 EC. These two fiscal years were selected as most recent with readily available data to take the survey and to make comparison. This is for the purpose of showing how cost saving of the centralized procurement for common user items looks like by making comparison with that of AA-PPPDS on all the Two Hundred Fourteen (214) items purchased under framework agreement. The findings are presented in tabular and graphic forms along with descriptive assessment.

Data was also gathered through questionnaire from selected PPPDS and user public bodies staffs with the addition of key-informant interview with three high level management staffs in PPPDS to collect information on how effectively PPPDS is doing and identify areas of its inefficiency. Both the questionnaire and the interview were crafted in a manner to address the objective of this research. Five-scale Likert type questions and open-ended questions were included to upgrade the quality of the data and enable respondents to enjoy wider room in expressing their level of agreement and results are analyzed using SPSS software. Tabular presentation has also been made of the gathered data followed by interpretation of the findings.

#### **4.1. Data presentation and analysis on Cost Saving**

One of the prime objectives for establishing the Public Procurement and Property Disposal Service (PPPDS) is to gain cost (economic) advantage from bulk purchases of both strategic and common user goods based on the principle of value for money. As much of PPPDS' activities are concentrated around procurement of common user items to public bodies (as per their requirement), survey data was gathered on contract price of each common user item of F-PPPDS

and AA-PPPDS purchases as well as average market price from CSA so that the estimated cost savings can be calculated for the fiscal years under consideration.

The common user goods that are purchased through PPPDS are categorized under Seven (7) lots which are:

- Tonners & Printers (Lot-1)
- Uniform Cloth (Lot-2)
- IT Materials (Lot-3)
- Stationary (Lot-4)
- Office Furniture (Lot-5)
- Sanitary Items (Lot-6)
- Tires (Lot-7)

Summary of the documentary survey on cost/price data for each lot is presented in the table below (detailed information is found in Annex-A)

Table 4.1 Summary of average purchases & cost saving (2007 & 2009 EC)

| Summary of Average Cost Saving |                            |                |                   |    |                |                   |    |
|--------------------------------|----------------------------|----------------|-------------------|----|----------------|-------------------|----|
| AA-PPPDS                       |                            |                |                   |    | F-PPPDS        |                   |    |
|                                | Description of Items       | Total Purchase | Total Cost Saving | %  | Total Purchase | Total Cost Saving | %  |
| 1                              | Tonners & Printers (Lot-1) | 187,807,090    | 74,577,196        | 40 | 271,692,017    | 107,887,454       | 40 |
| 2                              | Uniform Cloth (Lot-2)      | 28,878,892     | 3,066,785         | 11 | 68,728,099     | 10,754,316        | 16 |
| 3                              | IT Materials (Lot-3)       | 612,616,487    | 177,047,441       | 29 | 1,016,294,353  | 315,656,725       | 31 |
| 4                              | Stationary (Lot-4)         | 124,886,306    | 36,539,174        | 29 | 110,591,962    | 32,492,872        | 29 |
| 5                              | Office Furniture (Lot-5)   | 63,924,600     | 33,274,673        | 52 | 80,667,649     | 46,708,014        | 58 |
| 6                              | Sanitary Items (Lot-6)     | 50,999,432     | 12,959,012        | 25 | 105,523,621    | 35,269,644        | 33 |
| 7                              | Tires (Lot-7)              | 34,049,206     | 15,658,665        | 46 | 23,896,552     | 10,949,920        | 46 |
|                                | Total                      | 1,103,162,013  | 353,122,946       | 32 | 1,677,394,253  | 559,718,946       | 33 |

Source: Survey result and own computation

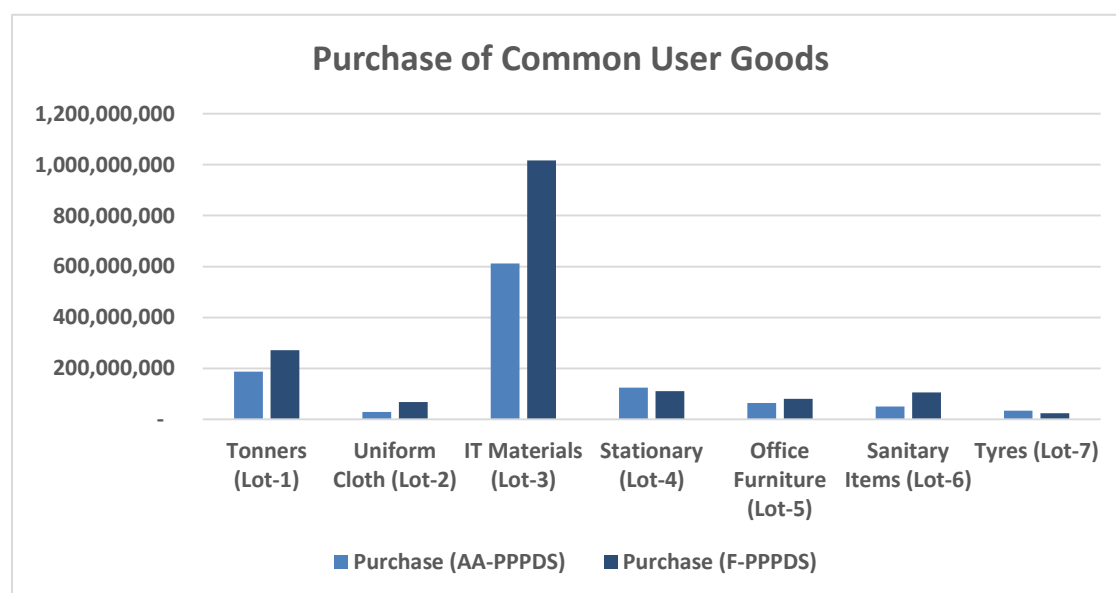
The table above shows that the percentage cost saving of the F-PPPDS is higher than that of AA-PPPDS on lots '2', '5' & '6' while having similar saving rate on the remaining lots. This indicates that the economic efficiency of the federal procurement is relatively greater than its local counterpart on purchase of common user goods.

In terms of magnitude of purchase, IT materials (Lot-3) take the lion's share among the purchased items with the greatest amount of cost saving in both years. This indicates the need to focus more on this lot so that an even greater cost effectiveness can be achieved. The greater percentage savings of 40%, 58% and 46% from purchases of items under Lot-1 (Tonners & Printers), Lot-5 (Office Furniture) and Lot-7 (Tires) indicate relatively higher price volatility and thus the need for PPPDS to be more cautious on the timing such purchases.

As depicted in the above table common user goods with average amount of Birr 1,103,162,013 and Birr 1,677,394,253 were purchased by AA-PPPDS and F-PPPDS in 2007 & 2009 EC respectively, while the average market price totals as per CSA were Birr 1,456,284,959 and Birr 2,237,113,199 (detail in Annex-A) thus yielding cost saving of Birr 353,122,946 and Birr 559,718,946 in those years.

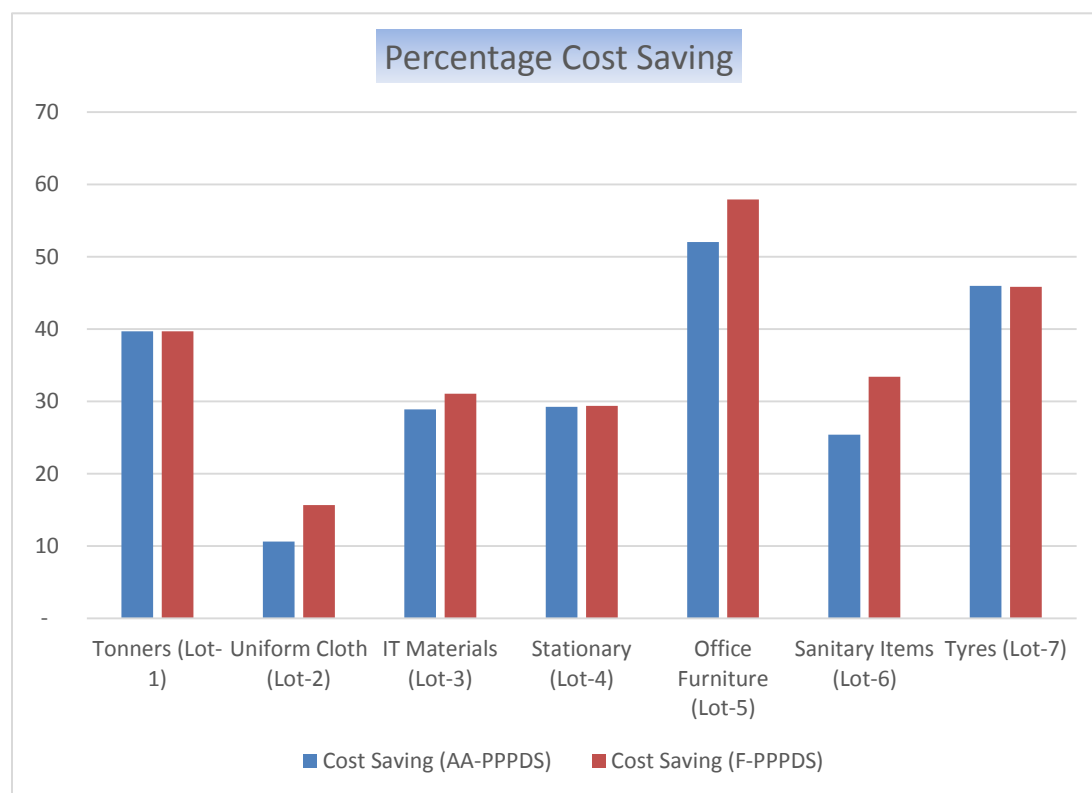
Graphic presentation of the purchases and cost saving summary:

Figure 4.1 Purchases of common user goods



Source: Survey result 2018

Figure 4.2 Cost saving percentage on common user goods



Source: Survey result 2018

Even if the survey data shows that there was significant amount of saving as a result of the bulk purchases of the common user goods at both the federal and AA level, it cannot be said that more could have been saved in those fiscal years. However, the data gives a general picture of cost efficiency of PPPDS on common user items with the remark for a need for a more refined market price data from CSA to have a sharper comparison and determine the cost saving with greater confidence.

## 4.2. Data Analysis from responses of questionnaires to PPPDS staffs

### 4.2.1. Questioners Response Rate

A total Twenty (20) questionnaires were distributed to Procurement directorate (ten), Contract Management directorate (five) and Market Survey directorate (five) who are the target population from which the researcher believes to extract adequate and representative inputs for

accomplishment of the objectives of this research. Out of the Twenty questionnaires, sixteen (16) were filled and returned to the researcher which shows response rate of 80%.

#### **4.2.2. Educational qualification of respondents**

Table 4.2 Educational qualification of respondents

| Highest level achieved | Frequency | Percentage |
|------------------------|-----------|------------|
| Certificate/Diploma    | 0         | 0          |
| Degree                 | 10        | 63         |
| Masters and above      | 6         | 37         |
| Total                  | 16        | 100        |

*Source: Survey result 2018*

The above table shows that the respondents have sufficient educational knowledge to provide necessary inputs to this research as they have achieved minimum of bachelor's degree with 37% of them having masters and above.

#### **4.2.3. Professional experience of respondents**

In any professional career, the number of years of working experience is a key determinant of the capacity of workers not only in successfully discharging their duties but also sharing their knowledge to others and contributing to evaluations and recommendations when researches like this are conducted. As can be seen in the table below, only 25% of the respondents have below five years work experience, the remaining 75% having more years of experience. Respondents with more than ten years of experience take up 37% of all the respondents' percentage which is a good indicator of the validity of the information gathered from the respondents.

Table 4.3 Professional experience of respondents

| Years of experience | Frequency | Percentage |
|---------------------|-----------|------------|
| Less than 5 years   | 4         | 25         |
| 5-10 years          | 6         | 38         |
| 10-15 years         | 4         | 25         |
| Above 15 years      | 2         | 12         |
| Total               | 16        | 100        |

*Source: Survey result 2018*

Table 4.4 Title/Position of respondents

| Title                 | Frequency | Percentage |
|-----------------------|-----------|------------|
| Experts               | 3         | 18.8       |
| Expert-I              | 4         | 25         |
| Expert-II             | 4         | 25         |
| Senior Expert & above | 5         | 31.2       |
| Total                 | 16        | 100        |

*Source: Survey result 2018*

As illustrated in the above table, 18.8% of the respondents are working at expert level and a quarter of the respondents (25%) are at the next higher level of expertise, Expert-I, with a similar percentage of respondents from the position of Expert-II. The remaining 31.2% of the respondents are currently working as Senior Experts and above in PPPDS. Involving all levels of experts from the target directorates is believed to enable gathering of sufficient information for the study.

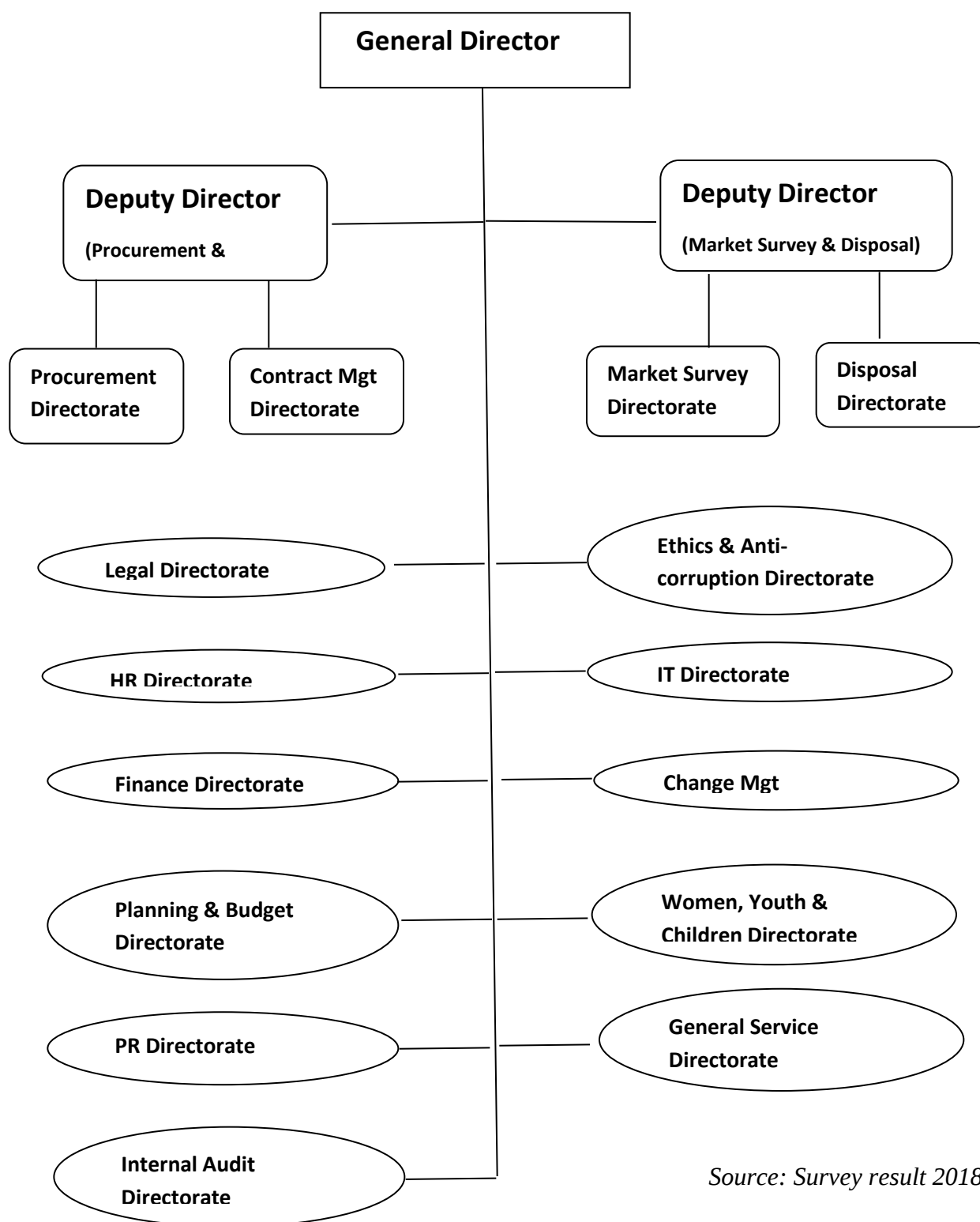
#### **4.2.4. Adequacy of Staffing**

In any organizational setups, availability of sufficient man power is crucial for effectively achieving organizational goals and objectives. The volume and quality of works to be delivered by an entity could be highly compromised if it does not hire adequate number of competent staffs. In light of the objective of this study, which is the effectiveness of PPPDS, adequacy of staffing especially in the procurement department is a very important consideration.

As per information gathered from the annual report, PPPDS is currently staffed with one hundred eighty-six (186) employees under Fifteen (15) Directorates and the organization structure of the centralized procurement entity is as depicted below:

Figure 4.3: Organizational structure of PPPDS

### Organizational Structure of PPPDS



Source: Survey result 2018

Coming to the findings of the study, PPPDS staffs working as Senior experts & above along with Experts-II have responded that the staffing of the directorate is not sufficient both in terms of quantity and competence, representing 55% of the respondents, while 25% of the respondents said they are not sure of sufficiency of staffing. The remaining 20% of the respondents believe that the procurement directorate is adequately staffed.

Table 4.5 Adequacy of staffing

| Response | N=16      |    |
|----------|-----------|----|
|          | Frequency | %  |
| Yes      | 03        | 20 |
| No       | 09        | 55 |
| Not Sure | 04        | 25 |

*Source: Survey result 2018*

The result shows that PPPDS, by and large, does not have the required level of staffing especially according to its most senior staffs. This has negative impact on effectiveness of the overall PPPDS activities which will affect timely delivery of procurement service to the user public bodies, ultimately affecting the general public who get the service of public bodies. It was explained in the interview presented in later section that turnover of employees is mainly to blame which could not be timely addressed to fill the gap created.

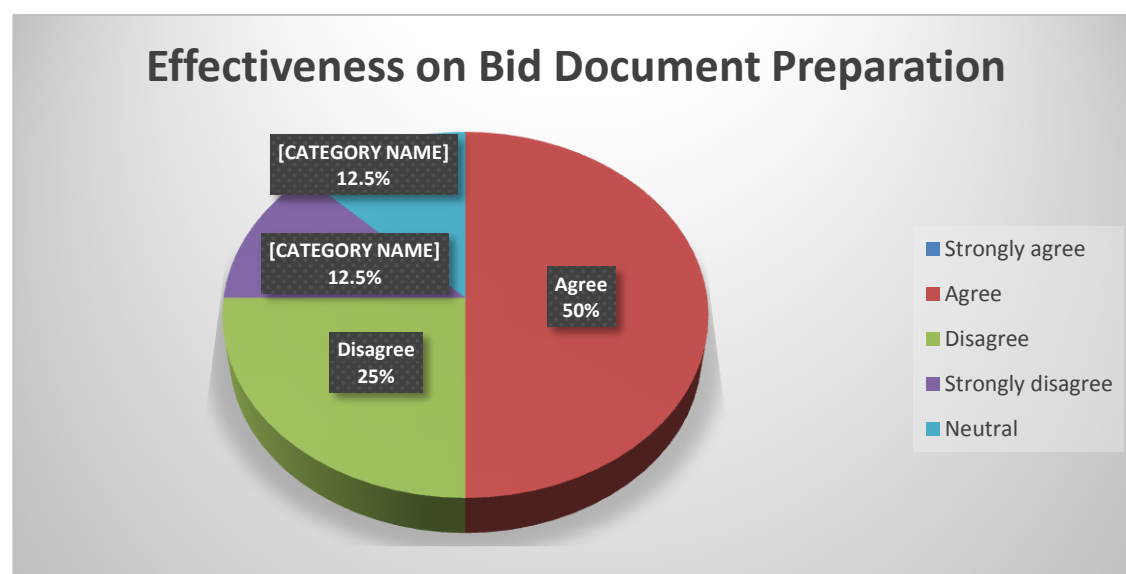
#### 4.2.5. Effectiveness in Preparation of Standardized Bidding Documents

In public procurements, or in any type of procurement for that matter, bidding is an essential avenue for selecting the best supplier in all the required aspects, and the central activity that facilitates the bidding process is preparation of the bidding document. It is a document in which buyers present their requests or invitations for potential suppliers in solicitation of their offer or quotation to deliver the demanded goods, services or works. Furthermore, bidding document serve like a library for the supplier to get all the necessary information to enable them come up with their ideal responsive bids to take advantage of the business opportunity and present themselves as the best candidates to win the contracts. On the other hand, it is a means of availing equal opportunity to all potential suppliers to participate in the competition and try their lucks.

In assessing effectiveness of the centralized procurement service by PPPDS, it is worth considering the bidding document preparation aspect of its activities especially how well the staffs who are in

charge of crafting the bid documents prepare them to the required standard and clarity. With that in mind, statements to agree or disagree were presented to respondents about whether PPPDS has qualified staffs for preparation of standard bidding documents for all needs in goods, services or consultancies.

Figure 4.4 Effectiveness on bidding document preparation



Source: Survey result 2018

As depicted in the pie chart above, results of the questionnaire show that 50 % of the respondents agree with the statement that PPPDS has competent staffs that handle the bid preparation works, while 25% of them disagree with the statement. The statement was strongly disagreed by 12.5% of the respondents and the remaining 12.5% of them have expressed neutrality on idea of PPPDS having competent personnel for bid document preparation. The wide range of responses in the findings imply that PPPDS needs to do more on capacity building of its bid preparing staffs or hire additional qualified staffs.

On the related issue of whether PPPDS bidding documents are prepared with clear and understandable criteria for evaluation to ensure impartiality and contain the required information for potential bidders to help them submit their responsive bids, the result of the survey indicates 43.7% of respondents are in agreement with the statement, parallel to 31.3 % of respondents who agreed in strong terms unlike the 19% respondents who disagree. That leaves the remaining respondents to

neutral attitude on the matter with 6%. By and large, the findings show that the contents of bidding documents are fairly adequate in clarity of evaluation criteria and presenting the requires pieces of information to the potential suppliers. But as only little less than full agreement is supposed to be reflected among PPPDS staffs on this important matter, some more improvements are expected to deliver the purposes of bidding documents with greater effectiveness.

#### **4.2.6. Timely submission of procurement requirements by public bodies**

In order for effective implementation of procurement processes, it is essential that there be submission of requirements ahead of time. PPPDS collects procurement requirements from user public bodies to prepare a consolidated procurement plan for the bulk purchases and go into action. But the timeliness of these requirement submissions does affect activities of the centralized purchases. In this regard the researcher wanted to find out through the questionnaire if user public bodies are timely submitting their procurement plans to PPPDS and the result is tabled below:

Table 4.6 Timely submission of procurement plans by public bodies

| Response | N=16      |      |
|----------|-----------|------|
|          | Frequency | %    |
| Yes      | 04        | 25   |
| No       | 10        | 62.5 |
| Not Sure | 02        | 12.5 |

As depicted in the above table, 62.5% of the respondents said that user public bodies are not timely submitting their procurement needs, i.e. there is delay in their reporting of their procurement plans to PPPDS. The other 25% of respondents said there is timely submission by public bodies of their needs to PPPDS which leaves the remaining respondents (12.5%) with a stand of neutrality on the subject. This shows that there is majority consensus on delay of the incoming procurement plans of public bodies which will consequently delay the overall consolidated procurement plan of the centralized procurement at PPPDS.

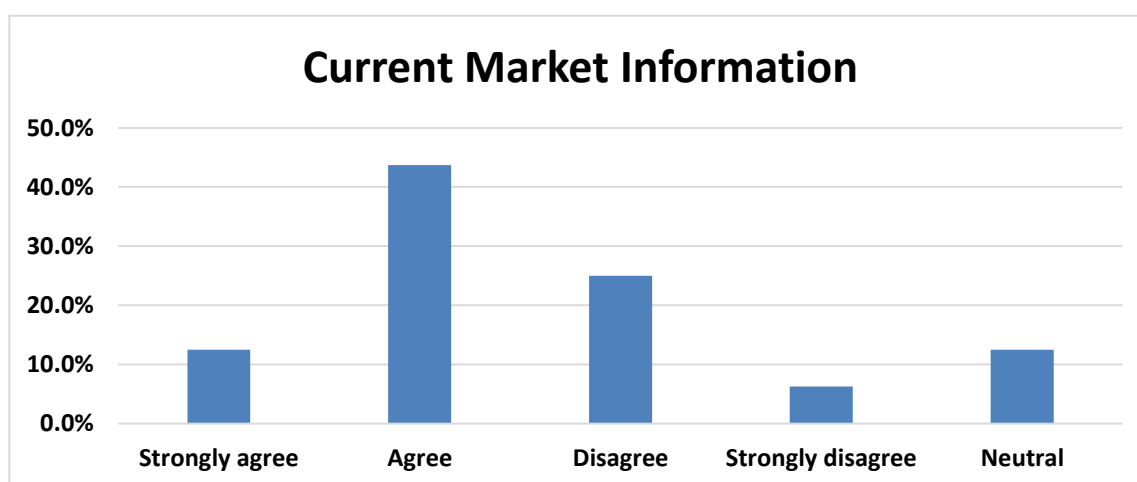
#### **4.2.7. Current Market Information**

In order to effectively implement the principle of value for money, information gathering and analyzing on the prevailing market dynamics is very essential. This activity provides necessary and sufficient inputs on market prices so that a procuring entity can take the best advantage of cost saving by buying goods and services at low or fair prices. Regular updating of market price

information ought to be practiced in an economic and business environment where the free interaction of supply and demand dictate transaction prices of particular items at particular time and place.

As this practice of gathering current market information by PPPDS plays significant role in its effectiveness, question on the issue was presented to respondents through the questionnaire to see how well the centralized procurement entity is doing with respect to conducting market survey and periodically updating the current market information. The result of the questionnaire is shown in the Figure below.

Figure 4.5 Current Market Information Updates



Source: Survey result 2018

As can be observed from the above figure, 43.7% of respondents agree that the procurement unit conducts proper market survey with 12.5% in strong agreement while 25% of respondents disagree with 6.25% of respondents in strong disagreement. The remaining 12.5% of respondents are neutral on the issue of PPPDS doing timely market survey. It can generally be said from the findings that there is satisfactory practice of updating current market information which will be used to assess fairness of prices by which contract agreements with suppliers for provision of goods and services will be entered. But there still needs to be done more to ensure greater efficiency in this aspect.

#### 4.2.8. Adequacy of technical requirements on bidding documents

One of the critical aspects of bidding documents in any public procurement processing is the level of sufficiency with which the document presents technical requirements. This has its own contribution to the effectiveness of the bidding process. A bidding document without proper narration of the technical requirements, however well prepared it might be on other aspects, will not succeed in achieving its objectives.

To find out how well PPPDS is doing with respect to technical requirements stated in the bidding documents, the questionnaire involved question for the respondents from PPPDS staffs to gather their reflection on this very issue. The result of the survey questionnaire on this specific matter is depicted in the table below with their level of agreement/disagreement to the statement that PPPDS provides adequate information on technical requirement in its bid documents.

Table 4.7 Adequacy of technical requirements on bidding documents

| Level of Agreement | N=16      |      |
|--------------------|-----------|------|
|                    | Frequency | %    |
| Strongly agree     | 02        | 12.5 |
| Agree              | 08        | 50   |
| Disagree           | 03        | 18.7 |
| Strongly disagree  | 01        | 6.3  |
| Neutral            | 02        | 12.5 |

*Source: Survey result 2018*

The above table speaks of the questionnaire result that 50% of respondents agree, with other 12.5% in strong agreement. 18.7% of respondents are in disagreement with 6.3% of other respondents in strong disagreement, the remaining respondents (12.5%) being neutral about the issue. By and large, this shows that the information on technical requirement revealed in the bidding document are sufficiently presented. But still there is more to work in this area to improve the quality of information on technical requirements to achieve an even greater degree.

#### 4.2.9. Effectiveness of Contract Management and Monitoring

One of the major causes of delays in project implementation (public procurements in our case here) in the country as agreed by many is the lack of efficiency in contract managements. Once the method of purchase of items or services is decided upon and the most favorable supplier selected,

the next crucial activity is management of procurement contract which begins with signing of a binding agreement. Efficiency in procurement contract management is so important to ensure timely and delivery of contracts by the suppliers to the satisfaction of user public bodies.

Table 4.8 Level of agreement on effectiveness of contract management

| Level of Agreement | N=16      |    |
|--------------------|-----------|----|
|                    | Frequency | %  |
| Strongly agree     | 00        | 0  |
| Agree              | 09        | 56 |
| Disagree           | 04        | 25 |
| Strongly disagree  | 00        | 0  |
| Neutral            | 03        | 19 |

*Source: Survey result 2018*

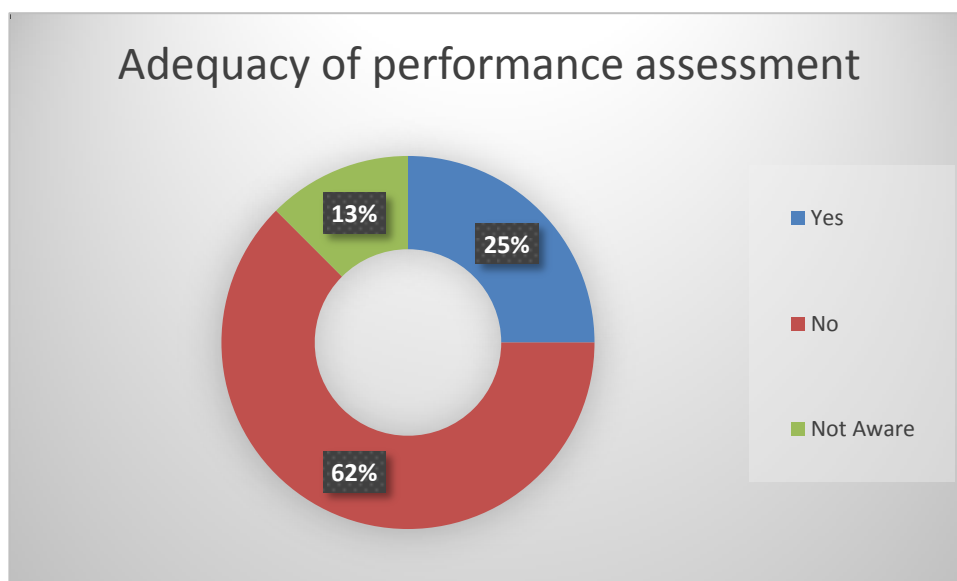
As such, the issue was one of the study's focus point and the result of the questionnaire shows that 55 % of the respondents agree with the statement that PPPDS is practicing efficient procurement contract management and monitoring while the statement is disagreed by 25% of respondents. The remaining 19% of them gave neutral response.

Once again, as greater consensus should be expected on such an important matter, the diverse responses indicate that there is more work that needs to be done by the organization for greater efficiency in contract managements by upgrading its employees' capacity. The results are demonstrated in the above table.

#### **4.2.10. Regular assessment of performance by PPPDS**

Any organization with clearly set goals and objectives is supposed to have a regular mechanism for assessing its performance and take necessary measures to correct deviations or improve weaknesses as well as strengthen the good qualities. This ensures that the entity is heading in the right direction and working with effectiveness. In this regard, the researcher has tried to gather information from respondents of PPPDS staffs about existence of regularly and adequate assessing of the organization's performance and the results are shown in the figure below:

Figure 4.6 Adequacy of performance assessment



*Source: Survey result 2018*

Accordingly, 62% of the respondents indicated inadequacy of the performance assessment of PPPDS activities against 25% of other respondents who believe that PPPDS is practicing sufficient assessment. The remaining percentage (13%) of the respondents said they are not aware. The responses loudly speak for the need in PPPDS to improve its existing assessment practices and have more mechanisms to work and report on its own performance especially in light of the objectives that the centralized procuring entity was established for.

In the open-ended parts of the questionnaire, respondents have indicated that PPPDS ought to search support from concerned government parties and external consultants on was of measuring its effectiveness in more regular and accurate terms.

#### **4.3. Presentation and analysis of data collected from user public bodies**

In order to achieve the objective of this research on the effectiveness of the centralized public procurement at PPPDS, data should also be gathered from the user public bodies which helps to see how effectively the entity is doing and identify areas of efficiency and inefficiencies.

Currently there are over One Hundred Eighty-Seven (187) public bodies that use the centralized

procurement service. As the very purpose of this study is to assess the effectiveness of the centralized procurement at PPPDS, in this section the relevant data collected is presented, analyzed and interpreted to that tune. The data is collected from the top Ten (10) beneficiary public bodies by including Ministries and Non-ministry public bodies (see table below) through questionnaire that incorporates variables of internal and external factors that have direct bearing on the effectiveness of the centralized public procurement at PPPDS. Internal factors include procurement planning & specifications, procurement procedures, contract management, whereas the external factors considered are right quality, right quantity, right timing, financial capacity of suppliers and availability of foreign currency.

Table 4.9 Respondent public bodies

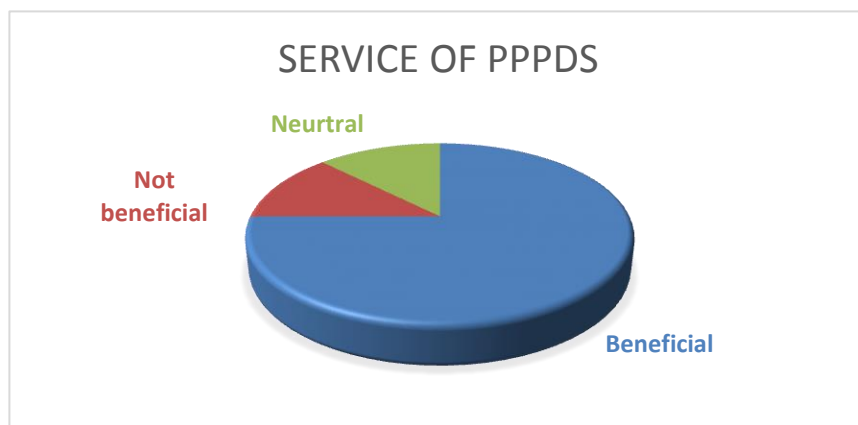
| SN | Name of Public Body                                    |
|----|--------------------------------------------------------|
| 1  | Ministry of Education                                  |
| 2  | Ministry of Health                                     |
| 3  | Ministry of Civil Service                              |
| 4  | Ministry of Finance                                    |
| 5  | Ministry of Culture and Tourism                        |
| 6  | Federal Housing Corporation                            |
| 7  | Federal Police Commission                              |
| 8  | Ethiopian Investment Commission                        |
| 9  | Ethiopian Geological Survey                            |
| 10 | National Educational Assessment and Examination Agency |

Semi-structured questionnaires were distributed to senior procurement directorate staffs of the Ten user public bodies out of which Eight (8) was filled returned to the researcher (not collected from the 2<sup>nd</sup> and 10<sup>th</sup> public body).

#### 4.3.1. Benefits from PPPDS

Asked in general if they believe the centralized procurement service is beneficial to public bodies, the selected public bodies responded as depicted in the figure below. (75%) of the respondents believe that the centralized procurement is in general beneficial against 12.5% of respondents who say that it is not beneficial. It can be readily seen that the services rendered by PPPDS in general is considered as beneficial by quite a good majority of the public bodies.

Figure 4.7 The service of PPPDS for pubic bodies



Source: Survey result 2018

Major indicators of the benefits derived from the centralized procurement were mentioned to the respondents to assess the specific benefits and the result is shown below:

Table 4.10 Indicators of benefits of centralized procurement

| Indicators of benefits |                                   | Frequency | %    |
|------------------------|-----------------------------------|-----------|------|
| 1                      | Cost Saving                       | 07        | 87.5 |
| 2                      | Helps PBs focus on main duties    | 05        | 62.5 |
| 3                      | Helps professional procurement    | 06        | 75   |
| 4                      | Avoids duplication of effort      | 07        | 87.5 |
| 5                      | Avails consultancy on procurement | 01        | 12.5 |
| 6                      | Shortens procurement period       | 02        | 25   |

Source: Survey result 2018

From the above table, it can be seen that regarding the economic benefits derived from centralized procurement, positive response was given by 87.5% of respondents on its cost advantage, 62.5% of respondents on enabling them focus on their main duties, 75% of respondents on enabling professional procurement practices, 87.5% of respondents on avoiding duplication of efforts on procurement activity, 12.5% on getting procurement consultancy from central source, and 25% on shortening the procurement process.

Interpreting the above result, PPPDS can be said well performing in terms of cost saving and avoiding duplication of effort (at a higher degree), as well as helping public bodies focus on their main duties and effecting professional procurement in procurement related activities among user entities (at a relatively lower degree).

With respect to national benefit derived from PPPDS, indicators listed below were presented to respondents to signal areas where the centralized procurement is efficiently doing and the findings are shown in the table below:

Table 4.11 National benefit indicators

| National Benefit Indicators |                                                | Freq. | %    |
|-----------------------------|------------------------------------------------|-------|------|
| 1                           | International procurement of consumption goods | 6     | 75   |
| 2                           | Procurement of heavy machinery                 | 5     | 62.5 |
| 3                           | Procurement consultancy at national level      | 1     | 12.5 |
| 4                           | Reducing corruption                            | 4     | 50   |
| 5                           | Reducing impartiality on bidders               | 7     | 87.5 |
| 6                           | Contribution to education and training         | 4     | 50   |
| 7                           | Contributes to economic growth                 | 6     | 75   |
| 8                           | Contributes to sustainable growth              | 5     | 62.5 |
| 9                           | Encourages local bidders                       | 6     | 75   |

Source: Survey result 2018

The survey result in the above table 4.11 expresses that on the benefit of the centralized procurement at national level, 75% of respondents agreed with respect to international procurement of consumption goods, 62.5% of them on procurement of heavy machinery, 12.5% of them on procurement consultancy, 50% of them on reducing corruption and on reducing impartiality of bidders, half of respondents on its contribution to education and training. With regards to contribution of the centralized procurement at PPPDS on economic growth, 75% of respondents have said yes and on sustainable growth 62.5% have positively responded. On the other hand, 75% have agreed on its encouragement of local bidders.

Summarizing the above finding, majority of the respondent public bodies agree there is substantial benefit from PPPDS with regards to international procurement of consumption goods, reducing impartiality on bidders, contribution to economic growth and encouraging local bidders to a greater

extent, and to a lesser extent from procurement of heavy machinery and contribution for sustainable growth.

With respect to corruption reduction, there is a half-half scenario among the respondents which show there needs to be much improvement on activities of the centralized procurement. Similarly, PPPDS's contribution to education and training is also agreed by only half of the respondents which again indicate a gap that is expected to be filled for effectiveness of its purposes.

#### **4.3.2. Implementation of procurement procedures**

There are both internal and external challenges that affect effectiveness of the centralized procurement at PPPDS in general and effectiveness on implementation of procurement procedures in particular. With regards to the former, the table below depicts result of the survey.

Table 4.12 Effectively implemented procurement procedures

| Effectively implemented procedures |                           | N=08  |      |
|------------------------------------|---------------------------|-------|------|
|                                    |                           | Freq. | %    |
| 1                                  | Transparency and fairness | 6     | 75   |
| 2                                  | Accountability            | 3     | 37.5 |
| 3                                  | Encouraging local bidders | 6     | 75   |
| 4                                  | Impartiality              | 6     | 75   |
| 5                                  | Value for money           | 7     | 87.5 |

Source: Survey result 2018

We can see from the above table that 75% of respondents agree that transparency and fairness is properly being implemented while only 37.5% feel same about accountability. With respect to encouraging local bidders, good majority (75%) of them believe that PPPDS is effectively doing with similar reflection on impartiality. Furthermore, the highest majority of respondents (87.5%) say the centralized procurement is doing very well on value for money.

In general, even though the above result tells that procurement procedures are being implemented with fair degree of effectiveness in most cases, it should be highlighted that lack of proper accountability has been reflected as serious challenge which means that whenever there are irregularities in the procurement process, it is hard to find the responsible party either on the supplier or on the beneficiary side.

### 4.3.3. Efficiency of Overall Procurement Contract Management

Efficiency in managing procurement contracts is a core activity that determines timeliness of procurement service and effective delivery of goods and services.

On the issue of how well the contract management in general is handled by PPPDS, which is among the critical elements of public procurement activities, 62.5% of the respondents have positively responded on efficiency of the contract management while the remaining 37.5% said that there is lack of efficiency as shown in the above table. One can see that the contract management at PPPDS is not very efficient and requires further improvement.

Figure 4.8 Overall efficiency of contract management



Source: Survey result 2018

#### 4.3.3.1. Efficiency of following up contracts

As part of assessing effectiveness on the specifics of procurement contract management, on the aspect of the practice of follow-up of contracts entered by PPPDS with suppliers, 50% of the respondents indicated that there is inefficient follow up of contracts while and equal percentage (50%) said to the contrary. The result is depicted in the table below which shows that there needs to be done more by PPPDS in closely following up procurement contracts.

Table 4.13 Efficiency on following up contracts

| Response    | N=08      |    |
|-------------|-----------|----|
|             | Frequency | %  |
| Efficient   | 4         | 50 |
| Inefficient | 4         | 50 |
| Neutral     | 0         | 0  |

Source: Survey result 201

#### 4.3.3.2. Efficiency on problem solving related to procurement contract

Contracts of any nature are not usually free from irregularities and require professional and efficient handling. Another important feature of the effectiveness in procurement contract management of the centralized procuring entity is the efficiency of problem solving. The selected public bodies, asked about efficiency of PPPDS in solving problems related to procurement contracts, they responded in the manner shown in the table below.

Table 4.14 Efficiency of problem solving

| Response    | N=08      |    |
|-------------|-----------|----|
|             | Frequency | %  |
| Efficient   | 2         | 25 |
| Inefficient | 6         | 75 |
| Neutral     | 0         | 0  |

Source: Survey result 2018

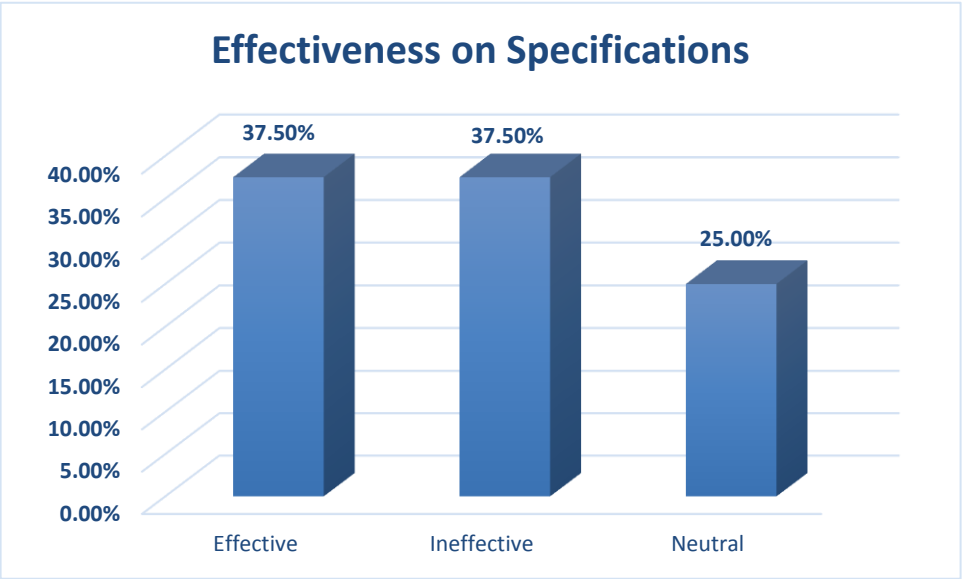
As shown in the above table, PPPDS's efficiency in solving problems related to contract management has been accepted by only 25% of respondents while the great majority (75%) have said that PPPDS is inefficiently handling contract management problems. This loudly speaks of the need for much improvement in problem solving capacity of the centralized procurement entity.

#### 4.3.4. Efficiency on works related to specifications

Appropriateness and clarity of specifications in any procurement process are important for

effectiveness. Taking a look at the findings of the survey, in the figure below we can see that PPPDS’s efficiency regarding specifications is acceptable to 37.5% of respondents against which its inefficiency is indicated by same proportion of respondents. A quarter of respondents have expressed neutrality on the topic. It generally shows that PPPDS does have some problems related to specifications. Some of the issues connected to specifications mentioned in the questions were availability of supplies to the exact specifications, lack of participation of user public bodies, and lack of alternatives for some items. Over half of respondents believe that issues related to specification is affecting PPPDS effectiveness.

Figure 4.9 Effectiveness on specifications



Source: Survey result 2018

**4.3.5. PPPDS Handling of Procurement plan from Public Bodies**

As PPPDS performs procurement duties in accordance with the procurement plan submitted by user public bodies, the selected public bodies were asked about whether PPPDS is efficiently delivering the procurement service in accordance with their plans. The response below shows that 75% of the public bodies addressed in this survey study replied positively while only 25% disagreed to PPPDS’s performance with respect to their procurement plans.

Table 4.15 Efficiency in handling procurement plans

| Response | N=08      |    |
|----------|-----------|----|
|          | Frequency | %  |
| Yes      | 6         | 75 |
| No       | 2         | 25 |

Source: Survey result 2018

It can be generally observed from the above survey result that procurement plans are adequately met in the centralized procurement service. But there is still gap to be filled to ensure a close to 100% performance.

#### 4.3.6. Quality, Quantity and Time of Procurement

Regarding PPPDS's efficiency with respect to the quality of delivered items, 75% of the selected public bodies have attested to PPPDS's efficiency while 25% of the respondents said it lacks efficiency.

Table 4.16 Effectiveness on quality

| Response    | N=08      |    |
|-------------|-----------|----|
|             | Frequency | %  |
| Effective   | 6         | 75 |
| Ineffective | 2         | 25 |
| Neutral     | 0         | 0  |

Source: Survey result and own computation

On the other hand, concerning the quantity of delivered items, only 37.5% of the selected public bodies agreed to PPPDS's effectiveness while 62.5% of the respondents said it lacks efficiency as depicted below.

Table 4.17 Effectiveness on quantity

| Response    | N=08  |      |
|-------------|-------|------|
|             | Freq. | %    |
| Effective   | 3     | 37.5 |
| Ineffective | 5     | 62.5 |
| Neutral     | 0     | 0    |

Source: Survey result 2018

However effective in quality and quantity procurement may be, it cannot be fully effective without the critical element of timing of procurement and delivery of goods and services. In that regard the selected public bodies were asked about effectiveness of PPPDS with respect to time and delivery of procurements. The table below tells the result of the finding on the subject. Half of the response was positive with the other half being negative (ineffective). This shows there is a gap that needs to be addressed by PPPDS which will be a natural result of effectively managing procurement contracts all the way up to delivery.

Table 4.18 Effectiveness on timing of procurement

| Response    | N=08  |    |
|-------------|-------|----|
|             | Freq. | %  |
| Effective   | 4     | 50 |
| Ineffective | 4     | 50 |
| Neutral     | 0     | 0  |

Source: Survey result 2018

Limited financial capacity of suppliers, mere profit orientation of suppliers, insufficient supply in the economy, and unplanned procurement requirements from the side of the user public bodies were expressed by the respondents in relation to the low quantity of items purchased by PPPDS

#### 4.4. Results of the Interview and Analysis

With the objective of gathering detailed information about effectiveness of PPPDS, discussion in form of interview was conducted with three (3) senior management members of the centralized procurement service. The findings of the interviews and analysis is presented below in a categorized manner.

- On the issue of how effective in general PPPDS is performing and how this centralized public procuring entity evaluates its own performance, there is consensus among the interviewees that the organization does not have a clear and accurate way of measuring its own performance. According to them, it doesn't give them comfort to say that the entity is performing well in light of the numerous incoming complaints from various stakeholders. This shows the need for PPPDS to establish and develop a mechanism for periodic

assessment of its own performance which would be used to take corrective actions as and when necessary.

- With regards to how well the organization is equipped with skilled professionals that are able to do the job from planning through implementation and delivery of both strategic and common user items, the result of the interview indicates that even if PPPDS is short of the required quantity of skilled man power especially in areas where technical knowledge is required. The respondents also stated that the organization is not working at its full capacity due to office space shortage which has restricted recruitment of the required number of manpower. This tells that there is a need for PPPDS to increase both quantity and quality of its human resources by finding ways of removing the obstacles.
- On the issue of corruption which is frequently raised by many stakeholders when talking about government entities among which PPPDS is at the front line, the respondents were asked in the interview how preventive of corruption the internal control system of the organization is. They generally agree on the existence of strong system on paper but with serious reservation on enforcing and implementing the internal control procedures. According to them one of the major problems in this regard is insufficiency of the staffing of this section of the organization which limits the entity's capacity to ensure corruption-free implementation of the procurement process. They have also indicated the existence of code of ethics especially for the procurement professionals but which are not still being strictly followed by the staffs.
- As effectiveness of the centralized procurement partly depends on entity's communication with user public bodies, the key informant interview touched base on how well the communication is between the two parties. The respondents have generally stated that there is frequent and satisfactory communication with user public entities from procurement planning through the implementation process. But they also expressed times of miscommunication especially at planning stages which affected PPPDS activities in the past. They stressed the need for timely communication by user public entities whenever unplanned procurement requirements come up which is usually a point of loose contact between them.
- In this twenty-first century, be it governmental or non-governmental, private or public, technology has a key role to play in achievement of objectives. Most of the activities in

almost all organizations nowadays can be supported with appropriate technology for greater effectiveness in delivering products and services. To the interview question of how well technology is being used in PPPDS, the respondents said that the level of technology use is not satisfactory by referring to the widely practiced paper communication both internally and with external parties instead of using electronic means of communication like emails. They have also indicated that many of the procurement processes are not sufficiently supported with technology while the need for same if the centralized procurement at PPPDS is to be more productive.

- Regarding PPPDS role in providing consultancy and training on procurement to public and other entities, all the respondents have unanimously been vocal that the organization has not been engaged in this area up to now and is not yet in a position to deliver these services mainly due to shortage of manpower for this activity. This indicates wide gap in the area of consultancy and training to be filled if PPPDS is to achieve one of its establishment purposes.
- In addition to the questions posed in the interview questions, respondents were also invited to give comments and suggestions of their own with the objective of gathering relevant information which may not have been covered therein. In response to that one of the main problems they raised that seriously affect PPPDS' effectiveness is the lack of legal framework that forces public bodies to properly do their parts, like timely preparation and submission of procurement plans, timely reporting of their relevant activities to PPPDS, etc. which leaves wide gap of accountability especially at times of irregularities.

#### **4.5. How PPPDS measures its performance**

Almost all organizations whether they are governmental or non-governmental, profit making or non-profit making prepare annual plan and measure their performance after end of the year against actual undertakings. As such, PPPDS has its own way of measuring its annual performance which however is very gross and lacks clarity to external stakeholders. According to the Director of Budgeting and Planning Directorate of PPPDS, some three years ago the procurement department used to prepare and present annual purchasing activities on common user goods along with the economic benefits derived and the challenges encountered. But that is not being practiced currently, even though they plan to continue in the previous pattern. Besides that, there is no

existing mechanism to evaluate procurements of strategic and other goods which in most of the cases take the lion's share of the public procurement in terms of the expenditure amounts. PPPDS prepares and presents to Ethiopian government House of Representatives a quarterly report on procurement performance which lacks specificity of comparison between actual performance against plan. The report provides gross insight but does not give full picture of how effectively the entity has been doing in the reported period of time, especially with regards to economic efficiency.

#### **4.6. PPPDS and Its Procurement Consultancy and Training Service**

One of the duties in the establishment of PPPDS, as stated on Regulation No. 184/2010 was provision of consultancy and training services on procurement and disposal activities to public entities and private organizations upon request which would also likely be a means of income generation to cover part or all of its budget in the long-run. To that end it can be learned from its long-serving staffs that at the time it was established, top-scoring and high performing employees were being recruited in the organization and had a far-reaching vision regarding centralized procurement in the country that fills the national gap on procurement consultancy and training over and above handling wide ranges of purchases that require mobilization of huge amounts of money. Unfortunately, the current status of the centralized public procurement service giving entity is far from witnessing the intended projections. In the interview conducted with the Director of Budgeting and Planning Directorate, she explained that mainly due to shortage of the required level of manpower, barely has PPPDS been able to provide consultancy nor training on procurement or disposal activities. Looking to the future, the organization intends to substantially build its capacity by recruiting the necessary manpower to effectively deliver the consultancy and training service.

#### **4.7. Capacity of PPPDS on Technical Evaluation**

One of the tall rising concerns expressed by PPPDS staffs in the key informant interview was the issue of technical evaluation. According to the result of the interview PPPDS was initially planned to have an organizational structure that incorporates sufficient number of professionals that can do technical evaluation of all the items it purchases. But that was not actually implemented to date and the entity solicits the service of other governmental bodies to do or at least help in doing technical evaluation before processing the financial evaluation which is manageable by internal staffs.

Due to this effectiveness of the centralized procurement is usually affected as the technical evaluation to be done by external professionals is at many instances exposed to delays and disagreements over payments between PPPDS and the other governmental bodies from which the professionals are delegated.

#### **4.8. Effectiveness of PPPDS on use of (Information) Technology**

In this 21<sup>st</sup> century with the level of technology deployment is at its highest around the globe, no organization can be expected to survive let alone thrive without adequate absorption of the available technologies offered by this era of science and technology. Especially the use of information technology is key determinant of communication efficiency and the consequent business success.

The existing practice at PPPDS with regards to use of technology is somewhat encouraging but still a lot more needs to be done. PPPDS currently makes use of its website to transmit information to the public in general and to potential suppliers in particular about new bid advertisements as well as the results of previous bids and related information. The other positive aspect is PPPDS use of social media for smooth, direct and effective communication with stakeholders. PPPDS is also currently using the software called IFMIS (Integrated Finance and Management Information System) for its Finance and Human Resource departments which is shared by many governmental entities. But the existing application is narrow in scope and does not cover all departments in the organization, especially the procurement directorate is not actively using this software due to its inadequate features to manage procurement activities.

Furthermore, the other important application of technology related to the electronic processing of all activities related to procurement commonly known as e-procurement has also not been applied in PPPDS. Apparently, majority of the work related to internal and external communication, authorizations, and contractual procedures is still going manually through hard/paper documentations which lag behind the modern way of doing business. This along with the above-mentioned limitations on use of technology is having its own negative impact on effectiveness of PPPDS performance.

Recently some good news has been heard from the government of Ethiopia through the Ministry of Finance and Economic Cooperation to which PPPDS is accountable whereby announcing

finalization of preparations for the launch of e-procurement project at the centralized procurement service which will be a huge step forward in boosting efficiency of PPPDS. But the researcher has learned that actual implementation has not started until the time this study was completed.

## **CHAPTER FIVE**

### **5. Summary, Conclusion and Recommendations**

This research was made with the objective of surveying effectiveness of the centralized procurement at the federal government entity-PPPDS. Following the detailed data analysis and findings of the survey presented and discussed in the previous chapter of this paper, summary of the major findings, the conclusions drawn and the recommendations forwarded by the researcher are presented in this section.

#### **5.1. Summary of major findings and conclusions**

- The documentary survey analysis of the cost saving (economic efficiency) of PPPDS has shown that the centralized procurement is saving substantial amounts from purchases of common user goods under the seven categories (Lots) with varying percentage gains from 16% up to 58% of purchase prices. Relatively higher cost savings were gained from purchases of tonners & printers, office furniture and Tires indicating higher price volatility. Lower rate of savings was reflected on items like stationary and uniform cloths leaving a lesson to work more on these items. Furthermore, IT materials take the lion's share of procurement demanding more effort to secure greater cost advantage. Though the cost savings are commendable in general terms, there is still need for more work on items with low as well as high saving rates to achieve greater cost advantage. As PPPDS does not compare its performance with any other comparable entity, it cannot make reliable assessment of its own effectiveness.
- The unavailability of sufficient staffs both in terms of quantity and quality was witnessed by majority of respondents which could have strong impact on effectiveness of the entity's performance as a whole. In fact, the limited office space in the organization has also been brought up by the respondents as part of the cause of this problem. This is an indication for Human Resource Directorate of PPPDS in coordination with other relevant directorates to tackle related problems and boost manpower of the organization which will in turn induce greater efficiency in accomplishing organizational objectives of PPPDS.

- One of the essential elements of the procurement process, Procurement planning was also discussed in this survey research and the results witnessed the existence of wide gap among public bodies in timely submitting their procurement plans to PPPDS which is affecting the centralized procurement effectiveness. This leaves a serious note to user public bodies as well as to PPPDS to address the problem by doing their respective parts.
- With regards to procurement contract management, the result of the survey study showed that even if in the overall frame PPPDS is doing well, there are deficiencies in areas of contract follow-up and problem solving on relates issues. As this can highly affect effectiveness of PPPDS, its directorate of Contract management has to take the responsibility to improve their practice around contract management.
- The other important issue addressed in this study for the purpose of assessing PPPDS' effectiveness was whether this centralized public procuring entity has a regular and effective way of assessing its own performance as to achieving objectives of its establishment. The results of the questionnaire and the interviews have shown that PPPDS is not adequately assessing its performance and that there is no reliable performance measurement system in the organizations. Thus, it can be inferred that PPPDS is not currently practicing an accurate mechanism of self-assessment and there is a need for the executives of the entity to give this issue a serious thought and fill the gap in coordination with stakeholders.
- Information Technology wise, PPPDS has encouraging practices like using the organization's website and social media to announce bids and communicate necessary information to stakeholders. There is also an integrated financial and management system which is serving very limited number of directorates. On the other hand, the study has found out that PPPDS doesn't have price data base and is not using the required level of technology that could highly enhance efficiency of service delivery by PPPDS. E-procurement is one about which the researcher has learned that government has announced readiness for launching it some months ago but no sign of action yet.
- The absence of legal framework to enforce rules and regulations as well as hold concerned parties with accountability and consequences was one of the issues raised by senior management team members of PPPDS which is seriously affecting effectiveness of the centralized procurement. This scenario has to change so that every stakeholder shall be legally bound to its own duties and responsibilities so that PPPDS can achieve its objectives

to the required level.

- Provision of consultancy and training on procurement, which is one of the duties stipulated in the establishment article of PPPDS is what this study has found being barely practiced mainly due to lack of the required manpower. This has rendered the entity short of accomplishing this important aspect of its establishment objectives and thus the problem calls for solution in the long-run.
- The limited capacity of PPPDS on technical aspect of specification and evaluation has also been found in this survey research. As the organization is not well equipped with skilled manpower for this purpose despite its original setup, PPPDS is dependent on other governmental entities to get external service and thus related works are being affected causing delays and inefficiencies.
- The survey study has shown that corruption preventive internal control systems and procedures, which impact PPPDS' effectiveness, exist in PPPDS on paper but implementation and follow up has been witnessed by participants of this research as being poorly practiced. This shows the need for enforcement of internal control procedures by the senior management of the centralized public procurement service which are already laid down in the policy documents the organization.

## **5.2. Recommendations**

Pursuant to the major findings and conclusions of this study, presented in the previous chapter, and in line with the objective of this study, the researcher would like to extend the following recommendations:

- Procurement of items which showed higher percentage savings should be implemented by PPPDS more prudently, esp. as to the timing and market surveying, by taking due note of their price volatility to achieve greater economic effectiveness. Procurement process of items which yield low cost-saving should be compared against the high yielding ones to improve overall cost effectiveness.
- Additional manpower needs to be recruited especially in technical and consultancy areas by alleviating the office-space shortages in coordination with concerned government offices. High level staffs (currently there is none) need to be recruited, be it on part-time or permanent basis, for such a big-tasked organization.

- PPPDS ought to take the initiative for establishment of legal framework to enforce timely submission of procurement needs by user public bodies and execution of the procurements by itself and other related parties.
- PPPDS being a federal entity needs to compare its economic effectiveness (cost saving) against performance of similar public procuring entities at regional states and even Eastern African counterparts. This comparison has the potential to identify areas that might yield greater economic effectiveness if handled regionally rather than federally.
- The level of information technology used by the entity should be improved by extending the existing integrated software (IFMIS) to all departments and should foster the tradition of using electronic means like emails for formal communications both internally and externally instead of the current paper-based practices. PPPDS should also push the concerned office for the immediate implementation of e-procurement which is already approved by government. Developing price database of its own is also beneficial for keeping track of prices.
- PPPDS should revive its duty of delivering consultancy and training on procurement by making necessary arrangement and building its own capacity in coordination with its regulatory bodies of Ministry of Finance and Public Procurement and Property Administration Agency (PPPAA). This has the potential to generate income to cover its own budget.
- Enforcement of the existing internal control procedures and codes of ethics should be highly strengthened by PPPDS in order to preempt potential corruptive practices that will suppress effectiveness of the centralized public procurement.

### **Suggestion for further study**

The researcher hereby puts forth suggestion for further study on the cost saving (economic advantage) of the centralized procurement's strategic goods. Additionally, study on comparison of performance between the federal procurement entity-PPPDS and the regional public procurement entities is also offered.

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## Annex-B: Survey Questioners to PPPD Staffs

*Addis Ababa University,  
School of Business and Economics, Department of Accounting and Finance  
(School of Graduate Studies)*

### Questionnaire for staffs of Public Procurement and Property Disposal Service (PPPDS)

Dear Respondent, thank you very much in advance for your kind cooperation. My name is Matewos Berhanu, a candidate for masters in Accounting and Finance currently doing research titled 'Effectiveness of the Centralized Public Procurement by the Federal Government through PPPDS' for partial fulfillment of Master Degree. One of the tools for gathering data is this questionnaire. The study will provide information on the effectiveness of the public procurement at PPPDS to the entity as well as to all stakeholders. This questionnaire mainly focuses on effectiveness of the centralized public procurement for academic purpose only and will have no negative impact on the respondents. As your genuine cooperation determines the effectiveness of the study, I would like to kindly request your honesty and openness, and hereby assure you of confidentiality of te respondents. I, therefore, request you to fill the questionnaire honestly and frankly. Once again, thank you for your cooperation.

If you have question about the questionnaire, kindly contact me at: [matew2444@gmail.com](mailto:matew2444@gmail.com)

#### **General Instruction:**

Please choose among the alternative answers for the questions below and circle the letter of your choice.

#### **Part-I General information**

1. How old are you?

- a. 18-25 years      b. 26-35 years      c. 36-49 years      d. Above 50

2. What is your highest educational qualification?

- a. Certificate/Diploma

- b. Bachelor degree
  - c. Masters and above
3. How many years of experiences do you have in your profession.
- a. Less than 5 years
  - b. 5-10 years.
  - c. 10-15 years
  - d. Above 15 years
4. What is the position you are currently holding?
- a. Expert I
  - b. Expert II
  - c. Senior Expert
  - d. Director
  - e. Other

## **Part II**

6. PPPDS has adequate number of staffs in your respective directorate and other directorates.
- a. Yes
  - b. No
  - c. Not aware
7. If your answer is 'No' to the above question, is it in terms of:
- a. Quantity
  - b. Quality
  - c. Both
8. PPPDS has competent staffs for preparation of bidding documents/Request for proposal
- a. Strongly agree
  - b. Agree
  - c. Disagree
  - d. Strongly disagree
  - e. Neutral
9. The bidding documents are prepared with clear and understandable criteria for evaluation to ensure impartiality and contain the required information for potential bidders to submit their bids.
- a. Strongly agree

- b. Agree
- c. Disagree
- d. Strongly disagree
- e. Neutral

10. Do user public bodies submit their procurement requirements in a timely manner?

- a. Yes
- b. No
- c. Not Sure

If your answer is 'no' \_\_\_\_\_

11. PPPDS updates market/price information on commonly user goods, services and works, and also maintains and regularly updates list of qualified suppliers.

- a. Strongly agree
- b. Agree
- c. Disagree
- d. Strongly disagree
- e. Neutral

12. Bidding documents are prepared with adequate information on technical requirement that enables responsive bids by suppliers.

- a. Strongly agree
- b. Agree
- c. Disagree
- d. Strongly disagree
- e. Neutral

13. There is efficient contract management and monitoring practice at PPPDS?

- a. Strongly agree
- b. Agree
- c. Disagree
- d. Strongly disagree
- e. Neutral

14. Is monitoring of delivery, verify quantity, quality and timeliness as per contract documents done based on adequate contract monitoring system and procedure in PPPDS?
- a. Yes                      b. No                      c. Not sure
15. Is effectiveness in procurement implementation of your organization regularly and adequately assessed in PPPDS?
- a. Yes                      b. No                      c. Not sure
16. Generally, contracts are completed on schedule and within the originally approved contract price and time.
- a. Strongly agree  
b. Agree  
c. Disagree  
d. Strongly disagree  
e. Neutral
17. Are contractual terms for product specifications including quantity, quality, and term delivery generally met?
- a. Yes                      b. No                      c. Not sure

Would you please briefly state matters that need to be raised on effectiveness of PPPDS activities that are not covered in the above questions?

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Thank for your time and cooperation!

## Annex-C: Survey Questionnaire to Public Bodies

*Addis Ababa University,*

*School of Business and Economics, Department of Accounting and Finance*

*(School of Graduate Studies)*

Questionnaire to be filled by Directors/Senior Experts of Procurement Department of Public Bodies who are beneficiaries of Public Procurement and Property Disposal Service (PPPDS).

Dear Respondent, thank you very much in advance for your kind cooperation. My name is Matewos Berhanu, a candidate for masters in Accounting and Finance currently doing research titled ‘Effectiveness of the Centralized Public Procurement by the Federal Government through PPPDS’ for partial fulfillment of Masters Degree. One of the tools for gathering data is this questionnaire. The study will provide information on the effectiveness of the public procurement at PPPDS to the entity as well as to all stakeholders. This questionnaire mainly focuses on effectiveness of the centralized public procurement for academic purpose only and will have no negative impact on the respondents. As your genuine cooperation determines the effectiveness of the study, I would like to kindly request your honesty and openness, and hereby assure you of confidentiality of the respondents. I, therefore, request you to fill the questionnaire honestly and frankly. Once again, thank you for your cooperation.

If you have question about the questionnaire, kindly contact me via: [matew2444@gmail.com](mailto:matew2444@gmail.com)

Your position in the organization \_\_\_\_\_

### **General Instruction:**

Please choose among the alternative answers for the questions below and circle the letter of your choice. Where there are boxes, please tick on those of your choices

1. In general, is the centralized procurement at PPPDS beneficial to public bodies?
  - a. Yes
  - b. No
  - c. Not sure
  
2. If “Yes”, is it advantageous with regard to points mentioned below?
  - Cost advantages from bulky purchase/large volume sales.....☐
  - Makes public bodies focus on major operations.....☐
  - Professional centered procurement processing .....☐
  - Minimizes duplication of efforts.....☐
  - Centralized procurement consultancy services.....☐
  - Saves procurement processing time .....☐
  - Other .....☐
  
3. In your experience, what benefits the country gained/gains from the centralized public procurement?
  - Procurement of consumption goods internationally (importing) .....☐
  - Procurement of heavy-duty machines for public service delivery.....☐
  - Consultancy at national level .....☐
  - Minimizes occurrence of corruption in procurement .....☐
  - Creates equal treatment and non-discrimination of the suppliers.....☐
  - Contributions to education, and training.....☐
  - Contributes to economic growth (financial savings) .....☐
  - Contributes to sustainable development.....☐
  - Encourages local suppliers.....☐
  - Others.....☐
  
4. Which procurement principle in your experience is effectively exercised by the PPPDS?
  - Transparent and fair procurement.....☐
  - Accountability in proper procurement performance.....☐
  - Enhancement of local suppliers participation.....☐

- Non- discrimination of candidates/bidders..... ☐
- Value for money..... ☐
- If others ..... ☐

5. What do you say about the efficiency of contract management of the PPPDS?

- a. Efficient                              b. inefficient                              c. Neutral

6. What do you say about the efficiency of following up of procurement contracts by PPPDS?

- a. Efficient                              b. inefficient                              c. Neutral

7. What do you say about the efficiency of problem solving related to contract management of PPPDS?

- a. Efficient                              b. inefficient                              c. Neutral

8. Is PPPDS effective related to working out specification of items to obtain & supply the right items?

- a. Yes                                              2) No                                              c. Not sure

9. If “**Yes**”, what problems you have encountered?

- Sometimes it is difficult to get the right supply..... ☐
- The user institution is not participating in specification preparation..... ☐
- For some items the specification is not flexible for the same quality..... ☐
- Sometimes the specification prescribed leads for the supply of a unit model. ☐
- Sometimes the specification does not fit its substitutes..... ☐
- Others ..... ☐

10. Is PPPDS delivering procurement needs in accordance with procurement plans submitted by public bodies?

- a. Yes                                              b. No                                              c. Not sure

11. In terms of quantity, is PPPDS effectively delivering to your organization’s requirement?

- a. Yes                                              b. No                                              c. Not sure

12. In terms of quality, is PPPDS effectively delivering to your organization's requirement?

b. Yes

b. No

c. Not sure

13. In terms of timing, is PPPDS effectively delivering to your organization's requirement?

c. Yes

b. No

c. Not sure

14. If your answer is "No" for questions 11 & 12, what problems are reflected there?

- Capacity problems of the suppliers (Financial) ..... ☐
- High profit motive of the suppliers ..... ☐
- Supply market shortage for the product..... ☐
- Unplanned order of the public bodies..... ☐
- Others..... ☐

15. In your opinion, what are the main factors affecting efficiency of PPPDS and what do you suggest to improve its performance?

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16. Any other issue you may want to raise on effectiveness of PPPDS?

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Thank you for your kind cooperation

## Annex-D: Interview questions to PPPDS senior staffs

1. How do you assess the general performance of PPPDS?
2. What mechanism does PPPDS use to measure its effectiveness or actual activities against annual plans?
3. How well is the organization achieving value for money to public resources, delivering right product, at right price, place and time?
4. Is procurement section equipped with the right professionals and to efficiently handle procurement of all types?
5. Are employees of the procurement section well familiarized with the necessary procurement knowledge from planning through implementation for both strategic and common user items?
6. Are procurement staffs experienced in handling import procurements including import planning, importation procedures, shipping and other trade documents?
7. With respects to preventive approach on corruption, how good is your organizations internal control system?
8. Does organizational code of ethics exist for procurement professionals? If so, what is the basis for the codes?
9. How effective is your communication system with public bodies? Is there formal communication procedure?
10. How well is PPPDS using technology related to procurements?
11. Does the procurement planning reflect prudent economic decision and sufficiently helps reduction/avoidance of emergency procurement?
12. Does the bid examination and evaluation process follow fair and transparent process that leaves little or no room for corruption?
13. Is there approval requirement at each stage of procurement process to ensure adequate internal control? Does the approval process cause unnecessary delay in the implementation of procurement?
14. How effectively is PPPDS discharging its duties related to consultancy and training on procurement upon request from public bodies and private organizations?
15. Do you have anything more to add?