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PROCEDURE, PRACTICE AND PROBLEMS OF PROCUREMENT IN THE
GOVERNMENT OFFICE: THE CASE OF ARADA SUB CITY

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**Procedure, Practice and Problems of Procurement in the Government Office: The Case of
Arada Sub city**

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This is to certify that the thesis prepared by Ambachew G/Wold entitled “Procedure, Practice and Problems of Procurement in Government Office: The Case of Arada Sub city” which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public management and Policy (MPMP), Complies with the regulations of the University and meets the accepted standards with respect to originality and quality

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Sample Declaration Page

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

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Abstract

Procurement is a means by which an organization acquires goods and services in a scientific manner. In Ethiopia, more than two-thirds or 64 percent of the organization's annual budget is spent through procurement (MOFED, 2011). Every activity of the organization, either service or goods provider, is highly attached with the procured product. Thus, failure of the procurement unit has a direct impact on the failure of all other departments. This thesis tried to study the procedure, practice, problems of procurement in government offices of Arad sub-city. It assessed the procurement department, the satisfaction of the user department, the challenges faced by the procurement department and the adverse effect of the perception towards the department. For the accomplishment of this, the study employed descriptive design in which the selection of respondents were carried out by using purposive sampling technique. 15 employees are considered as a sample unit. Furthermore, interviews were made with the procurement support team leader, from the procurement Core Process procurement head and procurement officer, who has more than 10 years of experience. Both primary and secondary data are used. The findings of the study reveal that the procurement department has its own procedure but it is not well practiced in accordance with stated principles. The findings reveal that ill planning, delaying and unplanned purchasing are the challenges that affected the practice and procedure of the procurement processes. Besides this, even if the department performed well in the area of purchasing based on specification with the right quantity and price, the department's poor performance is shown in the area of procuring with the right quality and time.

The researcher recommended that the planning departments should consider the mismatch between the plan and purchasing time. Besides this, coordination between planning, procurement department and other departments should be boosted.

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List of Abbreviation

FEACC = Federal ethics anti-corruption commission

SBD = Standard Bidding document

GJLOS = Governance Justice Law and Order Sector

UN = United Nation

FOB= Free on board

FOR= Free on rail

CIF= Cost of Insurance and Fright paid

TI= Transparency International

EEPCO = Ethiopian electrics power corporation

ETC= Ethiopian Telecommunication

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Procurement is defined as “obtaining by various means and its encompasses the purchasing function, store, traffic and transportation, incoming inspection, and quality control and assurance” (Quayle, M.2006).

According Datta,A.K.(1988) Purchasing and procurement comment functions in almost all organization. Purchasing implies the act of exchange of goods and services for money, whereas procurement is a generic term with a wider connotation for the total responsibility of acquiring goods and services.

“Public procurement refers to the acquisition by a government department or any government-owned institution of goods or services, ranging from bed sheets for hospitals and textbooks for schools to financial and legal services, as well as the commissioning of large-scale construction works, such as roads, bridges and airports” (Transparency International, 2014).

The term purchasing and procurement are often used interchangeably; however, there might be a distinction in that purchasing is more concerned with establishing and managing a commercial relationship, whereas procurement is more concerned with more physical material or service delivery control aspect after the contract has been let the order placed (Ballot, 1980).

To use Robert Ballot (1980) word material control has a control responsibility for ascertaining the required quantity of materials at the required time and for considering the minimum physical cost, purchasing supplies.

While purchasing function provides the required quantity and quality of materials and services at the required time at the minimal ultimate costs in line with corporate objective.

As elaborated by (Altekar, 2005) the fundamental goal of procurement is or purchasing function is to acquire optimum quality quantity of goods and services for the company in a timely manner and lowest total cost. This also means that the sale is not over when the item is delved by the

supplier. Additional items may be needed in the future along with the necessarily parts, services or even training in few cases. This all should be facilitated by purchasing function.

The acquisitions of goods and services, therefore, will ensure that, wherever possible, specification are written to provide for the expanded use of environmentally preferred products, such as durable products , reusable products , energy efficient products, low- pollution products(including those used and services) that contains the maximum level of post-consumer waste and / or recycling content , and products that in any other way have a minimum harmful on the impact on the environment (World Bank, 2012).

In line of this to achieve the procurement activities, work ethics and value- based moral virtue is expected. The transparency of the public procurement process is critical in order to ensure that the public funds are not squandered. This will include clear and consistent procedures for requisitioning, issuing bid for tender, selection criteria and post procurement monitoring (Garbis, 2003).

Arada sub-city is one of the sub cities of Addis Ababa that is established under the proclamation No 361/2003 allocated in accordance with the principle of decentralization, function as a municipality in accordance with central leadership that undertakes procurement activities since sub city indispensable role for the socio economic development. The purpose of this research paper is to provide an overview of procurement procedure, practice and its related problems.

1.2. Statement of the Problem

Arada sub city is one of the services rendering government organization and its established under Proclamation No. 361/2003.It performs huge procurement activities by following least cost of government procurement principle stated in the proclamation No 17/2009).Any authority and execution in proclamation must comply with the principle to achieve maximum value of many and to ensure economic efficiency and effectiveness. However, least cost doesn't guarantee for the quality of this organization. Even if there is a well prepared procurement principle, the procurement department and other sub city staff did not practice as stated in the procedure. Moreover, even though they have a plan which they prepared it, based on the proclamation, they are not appropriately implementing it, definitely they will be forced to undertake several piecemeal purchases which is against the plan; this trend is the major barrier so far to ensure

value for money in those organizations' Sub-City Annual report (2017). As stated in Thai (2005), every organization that purchases goods or services must have effective standard procurement procedures. Consequently, the work program of the sub city will be affected, and hence the organization will fail to achieve its objective in due time.

Practically in Ethiopia, there is a drawback in preparing and properly deploying a procurement plan in public institutions; most organizations have been undertaking too much unjustified and unplanned purchase in each budget year (Tsfahun, 2011).

Based on the information collected from the department of procurement in Arad Sub city, there is lack of planned purchasing requests and the requisite is made is unmet of the existed procurement budget this leads the organization for additional cost affect the working efficiency of the organization. Beside this the six month internal report of Arad sub city shows that there is a problem of procuring practice due to lack of knowledge and skill on the procurement policy and procedure. Other researchers like Getahun(2015), tried to Assess on Procurement Planning and Implementation Effectiveness in Ethiopia: The Case of Ministry of Urban Development, Housing and Construction, and also Tsegaye(2017), tried to Analyze the international procurement practices and challenges: the case of Addis Ababa University. Even though this problems occur, there is no study that is conducted on procedure, practice and problems of procurement in the government office in the case of Arada sub city.

Therefore, this study will fill the gap between procurement practices with that of the working procedures.

So, this study is tries to find out the link between procurement procedure withworking practices, which can then be taken up by management to make the required decisions for improving procurement practices.

1.3. Research questions

1. What do the current procurement procedures and implementation practices in Arada sub city chief Executive Procurement support department look like?
2. What are the problems and challenges with the existing procurement practices?

3. What are the possible and appropriate solutions in order to solve the existing procurement problems and challenges?

1.4. Objectives of the Study

The general objective of the study is to assess the procurement procedures and practices in Arada sub city. In order to meet this general objective, the study aims to meet the following specific objectives:

1. To explore the procurement procedures and practices employed in Arada sub city procurement support office.
2. To identify problems and challenges with the existing procurement practices.
3. To suggest possible and appropriate solutions for the identified problems.

1.5. Significance of the Study

This particular study will help researchers in the following aspects:

1. The institutions will take advantage of recommendation given so that the company will address the problems.
2. It will help other service giving public institutions to learn from the strength and weakness of the Current practices of procurement and take their own remedy in time.
3. Along with its primary intention required as a senior essay for the prospective graduate student researcher, this paper will also serve as a reference material.

1.6. Limitation and Delimitation of the Study

Ideally, one to have a better picture of procurement procedures, practice and problem on the issue but practically impossible to encompass all. It is considered that it may not be manageable in terms of time and cost to cover all procurement as it is defined in the proclamation No 17/2009 but the researcher highly focus on the local procurement process especially goods defined as stated on the proclamation No/17/2009 article one, and therefore, in order to arrive at sound conclusions on the procurement activities of the Arada sub-city entirely, it would be necessary to assess the issue broadly across the Sub city in general. However, the student

researcher is not able to do. Thus the scope of the research was limited to the assessment the Head Office Arad sub-city because it has large customers and huge procurement practices.

1.7. Organization of the Study

The study is organized in to five chapters. The first chapter deals with Background of the Study, Statement of the Problems, objective of the study, significance of the study, and limitation and Delimitation the study. The second chapter is concerned with review of related literature. The third chapter includes the methodological issues of the study such as research design, population, sampling issues, data sources, data collection instruments, data collection procedures, data analysis methods and ethical considerations. Chapter four incorporates analysis of data and interpretation of data while the last chapter winds up summary of findings, conclusion and Recommendations.

1.8.Operational Definition and Abbreviation

Procurement: mean obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means (The Addis Ababa City Government Procurement and Property Administration Proclamation No.17/2009).

Goods means raw material , product and equipment and commodities in solid, liquid or gaseous form, marketable software and live animals as well as installation, transport , maintenance or similar obligation related to supply of the goods and consultancy. (The Addis Ababa City Government Procurement and Property Administration Proclamation No.17/2009)

Procedures are operating Instructions detailing duties or tasks, and a procedure manual a ‘‘ how to’’ manual (Monczka, 2005).

Sub-City: means a second administrative stratum of the City (Addis Ababa city Administrating Charter Proclamation No. 361/203).

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1 Definition and basic concepts of Procurement

Procurement is the acquisition of goods or services. It is favorable that the goods/ services are appropriate and that they are purchased at the best possible cost to meet the needs of the purchaser in terms of quality and quantity/time, and location.

Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collusion (<https://wikipedia.org>).

The ultimate goal of public procurement is to satisfy the public Interest. Like any government action should be. In this sense, good procurement should satisfy the needs of the people, should be fair to businesses, should save (and avoid waste) of public funds. Good Public procurement is a good tool to implement public policy in all areas, and should be an instrument for good governance and therefore good government. In this sense, good procurement will contribute to the government's legitimacy and credibility (Transparency International, 2006).

On the contrary, corrupt (bad) public procurement will increase poverty and inequality by diverting funds away from the attention of social needs; it will engender bad choices, encouraging competition in bribery rather than in quality or price (Transparency International, 2006).

2.1.2 Characteristics of Government procurement

The concept of the government as a sovereign power distinguishes governmental procurement from the commercial contracting processes, while many complain that the public purchasing system is bureaucratic, these laws, rules, regulation, policies and procedures exist to separate a political process from the public purchasing process/ thus avoiding the perception that the Politician have influence over who or what company is awards business using public funds (Dobbler, 2003).

As a sovereign power, the government writes procurement roles through statutes, executive order, regulation, and policies and procedure. In theory, the government acts in the best interest of all the people. The government can change the procurement rules to its advantage. Policies and procedures provide for equitable adjustment, but the government reserves the right of contract change. It can write and require contract clauses, sometimes extraneous to the objective of the contract. Size, purchasing power, and sovereignty give the skilled government acquisition or supply management official great power (Dobbler, 2003).

2.1.3 General Principles of Government Procurement

According to Baily and etl, 2005 approach that has been taken for many years within the public sector can be summarized as follows:

- Purchasing should be based on value for money
- There should be clear definition of the roles and responsibilities of personnel involved in specifying, the need, giving financial authority, and making purchase commitments.
- There should be separation of the financial authority and the purchasing.
- There should be separation of duties between personnel who make contracts, those who receive the goods or services and those who authorize payments.

In Addition to this the Addis Ababa City Government public procurement directive indicates the public procurement and property administration shall have complied the following principles:-

1. Ensure value of money in the use of public fund for procurement;
2. Nondiscrimination among candidates on grounds of nationality of any other criteria not having to do with their qualification, except in case of I specifically provided for in this proclamation;
3. 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;
4. Accountability for decisions made and measures taken with regard to public procurement and property administration;
5. Care full handling a proper use of public property (Addis Negarit Gazeta, 2009).

2.2 Purpose of Government Procurement

2.2.1 Value for money

There is a widely held belief that government and public sector procurement decision-making is based upon 'the lowest price'. This is not the case. Purchasing decisions must be made on the basis of best 'value for many' criteria. This requires a consideration of many factors including, for example:

- ❖ Costs over the lifetimes of the goods or service.
- ❖ Status and standing of suppliers;
- ❖ Exact details of equipment, goods or services offered.
- ❖ Financial aspects including payment terms, basis of contractual price, transport.
- ❖ Operating costs.
- ❖ Extent support through life.
- ❖ Assistance with disposal. (Baily, 2005).

As Datta, A.K. (1988) states that Basic purpose of government to achieve the following principle:

Buying the right quality, buying the right quantity, buying from the right price buying from the right source. Buying at the right time and place.

Accordingly, certain procedures have to be followed, although actual practices may vary according to time and place.

Right quality

First for most, quality must be properly defined. No general description of the character of the material or desired attributes will be sufficient, like 'high quality' or poor or low quality etc. The definition must be greater detail and this must be described in the purchased order.

Significant elements like, dimension, physical, chemical and other properties, suitability and purpose all must be clearly stated.

Right quantity

It has a special meaning in this context, that is to say, what quantity should be purchased at a time .since quantity is mathematical measure, there has been many attempts to determine the optimum quantity which is the best economical. Beside this, there are many other considerations which have to be taken in to account.

Right price

Price is not just one of the terms and conditions of the purchase order, but it is an important economic considerate which is a guiding factor. A most equation used in this connection is that: -

Value= quality

Price

This is not just a mathematical formula, but expresses an axiomatic truth that value varies indirect proportion to quality and inversely to the price paid. But where quality is defined in a specification, it is a constant and the comparison of value can be made interns of price alone. And it follows, therefore, the price, the greater the value.

Right source

Source selection is also important factor. Besides the factor before, reliability and timely delivery, have to be re-conked with. Actually, there are four stages of source of selection.

- A) Survey stage
- B) Enquiry stage
- c) Negotiation stage
- d) experience stage.

In purchasing, the starting point is the recognition of the need for material or a product, and the exact specification may or may not fix. But its general nature and purpose are known. What is available on the market? Who makes such a product? Or who o can make it or supply It most economical or satisfactorily? All these questions must be answered first before a supply order is placed.

Right time

Right time implies that purchases should be made, in order to be effective, in such a way that stores and material are made available in time when needed and it is purchasing department's

Job to see that the delivery schedule is honored. As such timing is an important element in every purchase order, unless however such purchases are made for stock purposes. Even then, in order to get some price advantage when some seasonal purchase is restored to, timing plays its due role.

Right place

Right place means right place of delivery, every purchases contract, in addition to the time delivery, must clearly state the place of delivery, and such other terms as whether free delivery or ex-factory. Generally, F O B. (free on board), F O R (free on rail), CI F, (cost Insurance and freight paid) terms are a part of a price agreement.

2.3. The importance and fundamental concept of procedure for public procurement

Operating procedure must be developing to implement the policy. A procedure outlines in detail the specific action to be taken. In short, it establishes the way of doing things. Purchasing and material executives should develop their departments' procedures in accordance with four fundamental concepts.

First, procedures are not ends on to themselves. They are a means to an end. The objective is to develop is to minimum effort and 'red tape. This mean that procedures should be as simply defined as possible and should be placed in writing to ensure accurate communication.

Second, procedures must be designed to facilitate communication and coordination of the efforts of one work group with another. In developing procedure, it is essential that an executive look beyond the procedure It self's. He or she must consider its relationship to existing procedure particularly with respect to timing, and then design the new procedure to ensure efficient Integration with the other parts of the total system.

Third, effective operation requires that responsibility be assigned clearly for the accomplishment of each step of each procedure failure to do so results in gaps or the over lapping of effort in trouble some conflict between operating personnel.

Finally, procedures permit management by execution. A procedure should establish at the lowest possible organizational level the best method for conducting a routing activity. A procedure thus

enables minimum of direct supervision. Consultation with a manager is required only when conditions arise those are not covered by the procedure (Dobbler, 1996).

2.4. The main goals of public procurement as per (Altekar, 2005) Stated as follows:-

- i. Provide an uninterrupted flow of materials, suppliers and services required to Stock outs of raw materials to operate the organization.
- ii. Keep inventory investment and loss at a minimum.
- iii. Maintain adequate quality standards.
- iv. Find or develop competent venders.
- v. Standardize where possible, the items bought.
- vi. Purchase required items and services at lowest ultimate price.
- vii. Maintain the organization's competitive positions.

Achieve harmonious, productive and working relationships with other department within the organization.

Accomplish the purchasing objectives at the lowest possible level of administrative costs.

2.5. Major Types of Procurement Activities Stated by (Dobbler, 1996).

1. Coordination with used department's to identify purchasing needs
2. Discussion with sales representatives
3. Identify of purchasing potential Suppliers
4. The conduct of market studies for Important materials.
5. Negotiation with potential Suppliers.
6. Analysis of proposal
7. Selection of suppliers.
8. Issuance of purchase order
9. Administration of contracts and resolution of related problems
10. Maintenance of variety of purchasing records.

2.5.1. General Procurement Procedures

- A purchasing department buys many different types of materials and services, and the procedures used in completing a total transaction normally vary among the different types of Purchase. However the general cycle of activities in purchasing must operating

materials and supplies is fairly standardized. According to (Dobbler,1984) the following steps constitute the typical purchasing cycle.

- Recognize, define, and describe the need.
- Transmit the need.
- Investigate, quality, and select the supplier.
- Follow up the order including expediting and de-expediting.
- Receive inspect the material.
- Audit the invoice.
- Close the order.

2.5.2. Preparation of Procurement Plan

As it is clearly stated in the federal public procurement directive 2010, any Public Body and other entities accountable to such Public Body shall be required to prepare a procurement plan supported by action plan enabling them to execute in due time, the procurement necessary to implement their work program.

The procurement plan shall be prepared in such a way as to enable the attainment of the following objectives:

- a) To ensure compliance with principles of public procurement stated in article 5 of the Proclamation.
- b) To achieve the work program of the Public Body.
- c) To ensure economy and efficiency in the operation of the Public Body by discouraging piecemeal purchase.
- d) Exercise prudence and make the necessary preparation to forestall problems that might be encountered in the execution of procurement. (Addis Ababa City Administration Public procurement directive,17/2009).

2.5.3. Procurement Cycle

Procurement cycle contains the following main elements and steps of public procurement:

a. Requisitioning

Every organization needs a system by which a member of staff can notify the purchasing officer of a need for good or services. A simple and clear requisition form is all that should be necessary. There is a tendency to over simplify or overlook the repulsion stage/ but It provides a mechanism by which the purchasing officer can again an accurate description of the goods or service required. An end user may know what is the needed but may not have the technical expertise to describe it correctly. Accurately detailed repulsions ensure the supply of correct requirements and avoid wastage of money.

b. Financial approval

Financial approval must give before purchasing commitment is/and the purchasing should be designed to e ensure that this is done. A simple technique is to include a space for recording financial approval on the requisitioning form.

c. Market Assessment

Once the purchasing officer receives an approved requisition, a check should be made to ensure that the It is not already in stock. A market assessment should then be made/considering the following question:

- Is there a competitive market for the Item?
- Is the volume/ value of goods required is sufficient enough to warrant calling for quotations and tenders, If so, should prices and other details be obtained by telephone or In writing?
- If there is no competitive market, should the sole supplier be given an immediate order, or can a lower price be negotiated?
- Is it appropriate to call “Registration of Interest”, prior to Inviting formal tenders?
- Are suitable period contracts available?
- Is there a list “approved suppliers” for the Item, or is the establishment of an “approved suppliers” list warranted?
- Could there be scope for a bulk purchase?

d. Purchasing Decision

Having completed the market assessment and determined the method of purchase. The purchasing officer then decides on the suppliers or suppliers. This dissection must be well documented audit purpose but also to provide clear reasons Justifying the choice of suppliers in case there is a subsequent compliant or request under the official information Act.

e. Ordering

Every organization needs a good system of order tracking and follow up ordering legally means a contract and hence utmost care is required to be taken during its drafting.

f. Delivery

The method terms of and time of delivery need to be clearly establishment when ordering .it should be remembered that freight can form substantial part of the purchase cost ,but the very competitive transport market means that wise freighting decisions can achieve considerable cost savings

Clear procedures need to be established as this form the basic documentation for the bill passing as well as permanents.

The satisfactory conclusion of purchasing transaction depends upon both parties (buyer and seller) fulfilling their part of the bargain to maintained good supplier relations it is important that payments are made on the dates they are due.

g. Accounting system

All purchases of goods and services are inputs to the organization's business need to be correctly charged to the output or out puts to which they contribute. This requires close cooperation between the organizations purchasing and accounting sections to ensure that the input are correctly calculated or charged. All these tasks mentioned above are necessary to be performed to arrive at proper purchase decision.

2.6. Quality Suitability and Best Buy

a. Quality

The dictionary defines quality as “fitness: merit; excellence.” This is the definition most people have in mind when they think of quality. But in industrial and institutional purchasing, quality has an entirely different meaning. Here quality is related to suitability and cost (not price), rather than to intrinsic excellence. The best quality is that which can be purchased at the lowest cost to fulfill the need or satisfy the intended function for which the material is being purchased (Dobler, 1984).

Practitioners often use the term quality to describe the notions function, suitability, reliability and conformance with specification, satisfy actual performance, and the best buy (Leenders, 2006).

b. Suitability

Suitability refers to the ability of material, good, or service to meet the intended functional use. In a pure sense, suitability ignores the commercial consideration and refers to fitness for use. In reality, that is hardly practiced. Gold may be a better electrical conductor than silver or copper but is far too expensive to use in all but special applications. That is why chips are wired with gold and houses with copper. The notion “best buy” puts quality, reliability, and suitability into sound procurement perspective.

c. “Best buy”

The decision best buy involves more than balancing various technical considerations. The use of the most desirable technical feature or suitability for a given use, once determined is not necessarily the desirable buy. The distinction is between technical considerations that are matters of dimension, design, chemical physical properties, and the like, and the more inclusive concept of “the best buy”. Assumes, of necessity, a certain minimum measure of suitability but considers ultimate customer needs, cost and procurement, transportation and disposal as well.

The decision on what constitutes the best buy for any particular need is as much conditioned by marketing as by procurement and technical consideration it should be clear that to reach a sound decision on the best buy requires all relevant parties- marketing engineering, operations, and

supply to work close together. The ability willingness all parties concerned to view the trade off in perspective will significantly influence the final decisions reached.

2.7. Centralization versus Decentralization Purchasing

1. If a firm approaches purchasing on a decentralize basis, individual department managers will handle their own purchasing. The advantage to this approach is that the user probably knows departmental needs better than anyone else. Also it may be faster, since when a department needs something, the manager simply picks up the phone and order it. However, the advantage of centralize purchasing are so great in comparison with decentralized purchasing that almost all but the smallest of firms are centralized. In centralized purchasing, a separate individual or department is established and given authority to make, all except, perhaps, the very unusual buy, such as new company aircraft purchases. The advantages to be gained from centralized purchasing as mentioned by Landers (1985) are:
 2. It easier to standardize the Items bought if purchasing decisions go through on central control.
 3. It cut down on administrative duplication Instead of each department head writing a separate PO for light bulbs, the purchasing department writes only one PO for the firm total requirement.
 4. It is administratively more efficient for venders, since they need not call on several people within the company. Instead, they “make their pitch” to the purchasing manager.
 5. It provides better control over purchase commitment. Since a large percent of firm cash out flow goes for material purchases, A central control point is needed to monitor the aggregate commitment amount any specific in time.

2.7.1. Advantages of Centralization

- The advantages to be gained from the establishment of one central purchasing department revealed by Leender (1989) are as follows:
- Economies of bulk buying of items commonly used at each unit. The central department can negotiate cheaper prices on the basis of total consumption throughout the company.
- Avoidance of “competitive” buying by individual departments of materials in short supply.

- Opportunities for development of greater knowledge about products because buyers can specialize in a narrower range of commodities which can be handled more expertly (i.e., buyers place orders for the whole company for a small range of products), whereas local buyers have to handle a more general range of local requirements.
- Savings in operating costs. Fewer, but larger orders are placed and hence a reduction in administrative costs can be made.
- Development of common procedures, forms, standards, and specifications.
- Simpler relationship with suppliers as a result of single, direct contact.
- Investigations of new products and materials can benefit all units in the company.
- Centralization of stock control can reduce overall stock levels through greater flexibility and establishment of strategic reserves (i.e., flow of stocks between factories to meet shortages).
- Development of improved support services made possible (e.g., purchasing research and statistical information services).
- Enhanced importance of the supplies department and higher position of the supplies manager in management hierarchy.
- More scope for purchasing strategy and contribution to corporate plans.
- More scope for manpower planning in the function and development of training programmers.

2.7.2 Advantages of Decentralization

Quayle suggested (2006) that the advantages of decentralization can be seen as a remedy for the weaknesses of centralization. The main advantages are as follows:

- Closer coordination with local organization and buyers can build up close contacts with other departments.
- Buyer is in direct touch with the problems where they arise and can handle emergencies more easily than a distant office.
- Local buyers are better informed about local markets that may offer possibilities to a local customer which could not be offered on a national basis.
- Clear responsibility of buyers to local management.
- Local plants may need a different range of products, and thus a local buyer may have a more specialized knowledge of these.

2.8. Procurement Methods and their Application in Ethiopian Context

As pointed out in Ethiopia Procurement and property administration Proclamation number 17/2009 article 25 there are six methods of procurement. These are open bidding, restricted bidding, request for quotations, single source/ or direct procurement, request for proposal and two stage bidding. For the sake of clarity, the researcher had tried to present them independently as follow.

I. Open bidding

Open procedure: means the procedure whereby any interested supplier may submit a bid. Except as otherwise provided in the Proclamation and this Directive, public bodies shall use open bidding as the preferred procedure of procurement. According to Ethiopian federal government 2010 procurement directive 2010 of articles 15.3, Public bodies may use a method other than open bidding only where conditions for use of such other method stipulated in the Proclamation and this Directive are satisfied. A Public Body using a method of procurement other than open bidding, pursuant to article 33/3 of the Proclamation. Shall record a statement of the grounds and circumstances on which it relied to justify the use of that method.

II. Restricted bidding

Restricted bidding procedure means the procedure in which any supplier wishing to become a candidate may request to participate and where by only those qualified invited by the secretariat may submit a bid.

Conditions for use of Restricted Tendering

Public bodies may use restricted tendering as method of procurement only where the following Conditions are should satisfy.

1. it is ascertained that the required object of procurement is available only with limited suppliers;
2. the cost of procurement does not exceed the threshold specified in respect of restricted tendering in the directive to be issued by the Minister; or
3. Where a repeated advertisement of the invitation to bid fails to attract bidders in respect of procurement subject to the directive to be issued by the Minister.

2.9. Challenges and Impacts on Procurement practices

1. Corrupt practice means the offering, giving, receiving or soliciting, directly or indirectly, of anything of the value influence the action of the public official in the procurement process or in contract execution.
2. Fraudulent practice means a misrepresentation or omission of fact in order to influence a procurement process or the execution of contract;
3. Collusive practice means a scheme or arrangement between two or more bidders with or without knowledge of the procuring entity. Designed to established prices an artificial, noncompetitive levels; and
4. Coercive practices mean harming or threatening to harm directly indirectly, persons or their property to influence their participation in a procurement process. Or affect the execution of contract; (Standard Bidding Document (SBD) 2006).

2.9.1. Impacts on procurement practice

A. Financial Impact

Financial impact or damage can consist ofunnecessarily high cost of purchases, investments, services, or unnecessarily low income from licenses, permits, concessions etc.;• Sub-specification quality of supplies or works, not justifying the price actually; •Burdening government with financial obligations for purchases or investments that are not needed or are not economically justified at all or are oversized; and Burdening a government with early repair costs to repair and maintain investments, which are too recent to justify or explain such maintenance costs. For example, a study performed in 2005 by TI Czech Republic at the national and municipal level indicated that an estimated 32.4 Billion CZK (over 1.1 billion EUR) in public funds is lost per year to corruption.

B. Economic Impact

Economic impact can consist in burdening a government with operational, maintenance and debt servicing liability for Investments/purchases, which do not contribute positively to the economy of the country.

C. Environmental Impact

Corruption in procurement can engender bad choices, among them projects that have adverse environmental impact. In implementing an investment project which does not comply with the country's (or international) environmental standards, the damage may consist in unnecessary or increased environmental or health risks or actual damage, financial liabilities, or long-term adverse impact on the environment.

D. Impact on Innovation

Corruption inducted lack of competition leads to the neglect of innovation. Companies relying on corruption will not spend resources on innovation, and even non-corrupt companies will feel less inclined to make the necessary investments in innovation if they cannot access markets due to corruption.

E. Erosion of Values

When people observe lack of concern for integrity and the common good among senior officials and private sector economic Operators, and reckless and corrupt behavior is not being sanctioned, they easily reduce their own integrity standards, out of need and often out of greed. This applies also to other economic operators who realize that offering a competitive price and quality are not adequate requirements for obtaining contracts.

F. Erosion of Trust in Government

When people observe that reckless corrupt behavior among government representatives is not being sanctioned, they conclude quickly that government in general is not to be trusted and that cheating. Government is morally acceptable and not against common values (Transparency international, 2006).

2.10. Procurement Practice in East Africa

Tanzania

The current organization setup of the procurement function is prone to inefficiency and lack of accountability mainly stems from the current centralization system. The executive role of STV also leads to lack of accountability the ministerial accounting officers who are otherwise

responsible for the budget but not for procurement. Beside these the capacity shows that there is in property procurement is being handled by unstrained non specialist staff, the lack of capacity constitute a major weakness of the entire procurement system. Procurement function indicates that at local level there is lack of technical level is exacerbated by tender boards which are composed of politicians (councilors). (Country Procurement Assessment Report Tanzania, 2003).

Kenya

The reviews shows that the procurement regime of Kenya's first sector wide approaches aid program that is, the ministry of justice and constitutional affairs. According to governance, justice law and order sector (GJLOS), stated that in the context of ongoing public procurement regime is inefficiency and unlikely to be effective since it creates administrative structures that are not only unwisely but also run parallel to the national system. In addition to this procurement regime is not sufficiently democratic as it is not accountable to the Kenyan's people and does not facilitate the meaningful participation of key stockholders. (Country Procurement Assessment Report Kenya, 2003).

Practice on procurement In Ethiopian context

According to the study reported by FEAC in 2004 EC stated that there is a problem with related to purchasing. The study shows that there is lack of proper specification and quality inspection. Beside this, the unlimited responsibility given to the purchaser that affect the organization achievement and it cause a loophole of bad practice

The fact shows that more than 45 transformer purchased for the organization operational purpose using to work it became lack of quality and defective. In the other side EPPCO receive air freshener after the time passed without checking by professional controlling there is lack of quality inspection that leads corruption.

In relation to procurement of other service rendering organization, like ETC. According to the World Bank researched in July, 2007, allegedly dismissed 16 high level employees for corruption as a result of an audit that suggested irregularities in purchases from international suppliers. The contract allegedly was worth USD 54 million. In Jan 2008 FEACC brought charges against former ETC quality equipment to the company to be rejected on the base of

procurement regulations. The contract in question allegedly was worth USD 154 million. Considering risk corruption identifying there is absolute soon after procurement sole purchasing instead of competitive vender. (Diagnosing corruption in Ethiopia, 2012, World Bank)

2.11. Purchasing Ethics

Avoid the Intent and approach of UN ethical or compromising practices in relationships and communications. Demonstrate loyalty to the employer by diligently following the law full Instructions of the employer, using reasonable care only authority granted. Refrain from any private business or professional activity that would create a conflict between personal Interest and the Interest of employer. Refrain from soliciting or accepting and the acceptance of gifts, entertainment, favors, or services from present or potential suppliers that might Influence, or appear to Influence, purchasing decisions. Handle confidential or proprietary Information belonging to employers or suppliers which due care and proper consideration of Ethical and legal ramification and government regulations. Promote positive supplier relationship through courtesy and Impartiality in all phase of purchasing cycle (Benton, Jr, 2007).

2.12. Model Procurement Code

According to Benton, JR (2007) to simplify, clarify, and modernize the law governing procurement by the state as follows:

- ❖ To permit the continued development of the procurement policies and practices;
- ❖ To make a consistent as possible the procurement laws among the various Jurisdictions;
- ❖ To provide for Increased public confidence In procedures followed in public procurement;
- ❖ To ensure the fair and equitable treatment of all persons who deals with the procurement system.

To provide Increase economy the state procurement activities and to maximize the fullest extent practicable the purchasing value of public fund of the state (Leenders, 2006).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter explores the research methodology used in carrying out the research study by describing the research approach, research design, population and sampling, sources of data and types, and finally data collection procedure. Selection of research methods depends on the research objectives, nature of the subject and implementing facilities.

3.2 . Research Approach

In this particular research qualitative research approaches has been used to analyze the data. This approach is considered appropriate in answering the research questions.

3.3. Research Design

The type of research design adopted in conducting this study was the descriptive research. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. It was deemed appropriate because it involved collecting data in order to answer questions on the current status of the subjects of the study. Kothari, (2003) recommends descriptive research as it allows the researcher to describe, record, analyze and report conditions that exist or existed. Population, Sample Size and Sampling Technique.

Since this study is limited to the procedure, practice and problems of procurement in the Government office in the case of Arada sub-city, the population of the study is focused on staffs who directly or indirectly have relationship with the procurement process like: Requesting/end user, managers, and Procurement Core processes (Procurement Manager, Procurement expert, staffs from Planning and Budgeting department under Finance and Economic Development) and also other case team staffs of Arada sub-city. Because of the specificity nature of the study that needs knowledgeable persons in the procurement and related area of practices, purposive sampling, sometimes referred as judgmental, which is a non-probability sampling method, is implemented to select the respondents for this research purpose. Moreover, interview was used

to get additional information from procurement team leaders. Therefore, from the internal users 15 respondents were selected by using purposive sampling technique due to the nature of the study. Also, the student researcher believed from the specified district to make generalization made by Malhotra (2007: 200) on sample size determination.

3.4.Types of Data

As a source of data both primary and secondary data were used to make the study complete and accomplish its stated objective.

3.5.Data Collection Procedures

In advance prepared semi- structured interview and structured questioner has been ready in English. After official permission was secured from concerned officials, interview and or questioner was conducted in order to collect the required data from respondents in a face to face interview sessions arranged with the schedules of the respondents. Secondary data was also collected from reports, manuals, published and unpublished materials.

3.6.Data Analysis Techniques

The data analysis is managed in a proper and systematic manner of the research methods. This is done using qualitative data analysis technique. Descriptive data analysis method also employed for feedbacks obtained using questioners and interviews conducted.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

This chapter deals with data analysis, presentation and interpretation of the findings. The information's made available for this purpose were collected using questioners and interview. Besides, some secondary sources were also accessed. The data presented includes response rate, brief background Procurement practice of presentation of findings and interpretations. The data analyzed and presented are based on the responses to the items in the questionnaires and interview.

4.1. Demographic characteristics of respondents

Table 1: demographic profiles of respondents

No.	Characteristics	Respondents	
		Frequency	Percentage
1	Sex		
	Male	9	60
	Female	6	40
	Total	15	100
2	Age group		
	19-25	3	20
	26-35	8	53.33
	36-45	4	26.67
	>45	0	0
	Total	15	100
3	Education status/level		
	Below grade 12	0	0
	Grade 12 complete	1	6.67
	Certificate	0	0
	College Diploma	4	0
	Degree	14	93.33
	Masters& above	3	
	total	15	100
4	Work experience		
	Less than 1	0	0
	1-5	1	6.7
	6-10	5	33.33
	11-15	1	6.7
	>15	8	53.3
	Total	15	100

In the above table question Number 1 stated that 60% users department is male and 40% are female. This indicates that the number of males is dominant in this department. The table (Table 1) also shows that out of the total sample 15 of them (53%) are employees that are under 25- 35 age group. This shows that the average percent of employees are youngster.

Again in the above Table 1 Number 4 Question, indicates that majority of the respondent from the total of population 33 .33 have working experiences of 6-10 years. This clearly tells us that the users are well experienced on the area of professional occupation.

4.2. Procurement Practice in Arada Sub City

Table 2: Questions related to Procurement practice of the sub city

No.	Question	Responses	
		Frequency	Percentage
1	The role of procurement management in achieving overall factors objective can be rated		
	Very high	5	33.33
	High	6	40
	Average	2	13.33
	Low	2	13.33
	Very low	0	
	Total	15	100
2	How do you rated interdepartmental relationship specially procurement department with other departments?		
	Smooth relationship	6	40
	Just enough to run service	4	26.67
	Full of barriers	2	11.2
	Not satisfactory	3	20
	Total	15	100
3	The transparency in the procurement department can be rated as	Frequency	Percentage

	Very high	3	20
	High	7	46.66
	Average	5	33.33
	Low	0	0
	Very low	0	0
	Total	15	100
4	Does the Organization have a supplier's performance evaluation system?		
	Yes	6	40
	No	8	53.33
	Don't Know	1	6.67
5	There is an accountability System that makes the employees for their misdeeds?	Frequency	Percentage
	Strongly agree	5	33.33
	Agree	7	46.67
	Moderate	0	0
	Disagree	2	13.33
	Strongly Disagree	1	6.67
	Total	15	100

From the above table 2 Question Number 1 with regard to the role of procurement achieving the overall objectives,40% replied high and also 33.33% replied average this indicate that user have appositve attitude with regard to the role of procurement achieving the objectives.

The next question in Table 2 number2 revealed that regarding about procurement staff relation and with other departments 40% respondents responded smooth relationship, 26.67% replied just enough to run service,20% replied not satisfactory, the remaining13.33% said full barrier. This implies that integration and cooperation of procurement staff in relation and coordination with

other department is not at the expected level. In addition to this, the procurement officer was asked'' what is the relationship procurement department has with other department?

It was replied good horizontal and diagonal relationship existed. But vertically from the top to down there is a problem. This revealed that the top responsible body and the procurement staffs relationship is more or less weak.

The above table 2 question number 3 yielded that from the total number of respondents 20% of them replied very high, 46.66% have been replied high, the remaining 33.33 % of them are average respectively. Which revealed that the existence of transparency in the Organization somehow good.

The above table 2 table Question number 4 whether the organization have supplier's performance evaluation system 53.33 % replied No and 40 % replied Yes and the remain 6.67% do not know. This indicates that there is a confusion whether the supplier's performance is evaluated or not among the staff.

The above table 2 Question number 5 with regarding on accountability System that makes the employees for their misdeeds 46.67 % of them replied Agree, 33.33% replied Strongly Agree and 13.33% replied Disagree, the remain 6.67% replied Strongly Disagree. Relatively, there is accountability system for the staff.

Table 3: Questions with regarding to training and existence of skilled man power in Arada sub-city

No.	Question	Respondents	
		Frequency	Percentage
1	Do you believe that there is enough skilled man power in your department		
	Yes	11	73.33
	No	3	20
	Don't Know	1	6.67
	Total	15	100
2	Have you taken any training which upgrades your skill in your department?		
	Yes	9	60
	No	6	40
	Don't Know	0	0
	Total	15	100
3	All procurement personnel's are professional and well experienced for their assigned work?	Frequency	Percentage
	Yes	8	53.33
	No	6	40
	Don't Know	1	6.67
	Total	15	100

The data in table 3 Question number 1 indicates the existing enough skilled man power,73.33% respondents responded Yes and 20 % No, the respondent answer shows that the staffs acquire skill is enough but for the better achievement providing training for purchasing staff is vital for achieving organizational objective.

The above table 3 Question number 2shows that 60 % respondents responded yes, 40% No, and the remaining 0% don't know. That means there is no enough training provided for the staffs so that incorporating training on purchasing is vital for upgrading the performance of employees to achieve the intended purpose.

The above table 3 Question number 3 53.33% of respondents replied that Yes and 40% respondents replied No, the remaining 6.67% replied, don't know. The respondents' answer shows that there are also unprofessional and not well experienced staffs.

Table 4: Response of the internal user of procurement regarding to service delivery

No.	Question	Responses	
		Frequency	Percentage
1	Are you satisfied with the quality purchased goods by procurement office?		
	Yes	8	53.33
	No	3	20
	Don't Know	4	26.67
	Total	15	100
2	Is there a proper quality inspection in your organization		
	Yes	7	46.67
	No	7	46.67
	Don't Know	4	6.67
	Total	15	100
3	Do you believe in your organization a proper quality specification	Frequency	Percentage
	Highly agree	3	20
	Agree	3	20
	Moderate	7	46.67
	Disagree	2	13.33
	Highly disagree	0	0
	Total	15	100
4	How do you think the grade of quality the purchased goods?	Frequency	Percentage
	Very high	1	6.67
	High	3	20
	Medium	9	60
	Low	2	13.33
	Very low	0	0
	Total	15	100
5	When the item requested for purchases do you believe the request made in planned manner?		

	Yes	12	80
	No	2	13.33
	Don't Know	1	6.67
	Total	15	100

As the above data in table 4 Question number 1 indicates that 53.33 respondents replied Yes, 20% of them responded No and 26.67% responded don't know. This shows that only 53.33% are satisfied.

The above table 4 Question number 2 indicates 46.67 % respondents responded Yes, 46.67% No, and the remaining 6.67 o% don't know. This implies that most users are not aware of the existence professional expert for quality inspection.

The above table 4 Question number3 expresses with regard to specification 20% highly agree, 20% said agree,46.67% moderate and 13.33 of them disagree shows that most of them believe on the proper quality specification.

The above table 4 Question number 4 regarding to the purchase good quality, most of the respondents responded 6.67% replied very high 20% replied high 60% replied 13.33 replied very low. This shows that there is no problem on the quality of goods purchased.

The above table 4 Question number 5 replied that from the total question with regarding to purchasing performs in planned manner most of the respondents responded that 80% Yes 13.33% replied No 6.67 replied do not known this indicted that the procurement staff could no execute in due time, the procurement necessary to implement their work program.

One of the key stages of the procurement process is the planning stage. In order to get quality goods or service in the right time and places planning is decisive. With this regard, the majority of 80% of the respondents agreed with the statement that there is a planned purchase request in Arada sub city.

4.3. Procurement Procedures

Table 5: Question with regarding procedure and its working practice

No.	Question	Respondents	
		Frequency	Percentage
1	Does your organization have its own procurement procedures?		
	Yes	9	60
	No	5	33.33
	Don't Know	1	6.67
	Total	15	100
2	Do you believe that the purchasing procedure is properly applied in working practice?	Frequency	Percentage
	Yes	8	53.33
	No	7	46.67
	Total	15	100
3	Based on the above question to what extent applied?	Frequency	Percentage
	Very High	1	6.67
	High	7	46.67
	Moderate	1	6.67
	Low	2	13.33
	Very Low	4	26.66
	Total	15	100
4	Does your organization have purchasing ethical code of conducts?	Frequency	Percentage
	Yes	13	86.67
	No	4	6.67
	Don't Know	1	6.67
	Total	15	100
5	Based on the above question does it involve checking whether the purchasing personnel are transgressing these ethical standards?	Frequency	Percentage
	Yes	7	46.67
	No	6	40
	Don't Know	2	13.33
	No answer	0	22.2
	Total	15	100

The data in the above table 5, Question number 1 regarding to whether the organization have or have not their own procedures, from the total respondent 60% percent responded Yes, and 33.33

responded no they remain 6.667 do not Know. This indicated that most of the staff member agreed that there is procedure in Arad Sub city but it is not enough so creating awareness is vital to perform knowledge base practices.

According data in the above table 5, Question number 2 shows that from the total fifteen sample of the informants 53.33 replied yes and 46.67% percent replied do not know this implies that the existing procedures should not practice at satisfactory levels.

The above table 5 Question number 3 yielded regarding to the extent procedure applied in Arada sub city from the total most of the respondent responded that 46.67% replied high.

The above table 5 Question number 4 shows question in order to know Arada sub city having ethical code of conduct. Reveled that from the total nine respondents 86.67 replied yes, the remains 6.67 and 6.67 replied that no and don't know. Most of agreed on the existence of procurement ethical code of conduct.

The above table 5 Question number 5 shows question in order to know checking whether the purchasing personnel are transgressing these ethical standard from the total nine respondents 46.67% replied Yes, 40 % replied No and 13.33 replied don't know, 22.2% No answer . This shows that there is doubted on transgressing ethical standards.

Table 6: Questions with regarding organization structure and managerial decision

No.	Question	Respondents	
		Frequency	Percentage
1	Do you think that your organization concentrated centralized purchasing?		
	Yes	10	66.66
	No	4	26.67
	Don't Know	1	6.67
	Total	15	100
2	The Organization structure is well defined to direct and control each activities?		
	Yes	10	66.67
	No	3	20
	Don't Know	2	13.33
	Total	15	100
3	Purchasing assisted by technology like computerized system?		
	Yes	8	53.33
	No	7	46.67
	Don't Know	0	0
	Total	15	100

In the above table 6 Question number 1 shows that from the total fifteen sample of customer most of the respondent 66.66% respondent replied yes and 26.67 no % replied no and the remain 6.67% do not know this Shows that most of goods purchased by framework agreement.

The above table 6 Number 2 indicates that from the total of population more than the average 66.67% replied that yes 20% replied that no and 13% replied do not know this reflect that the structure of the organization is well define it is not a setback for the procurement activities.

The above table 6 Number 3 manifested from total of population 53% respondents responded yes and 7% no and 0% do not know this shows that a shortage of material in the organization in order to achieve organizational objective.

4.4. Challenges that affect the procurement practice and procedures

Table 7: challenges to the procurement practices in Arada sub city

1	Does the Government least cost purchasing principle satisfies the quality needs of goods?	Frequency	Percentage
	Yes	4	26.67
	No	9	60
	Don't Know	2	13.33
	Total	15	100
2	Are the purchasing performs on timely manner?	Frequency	Percentage
	Yes	5	33.33
	No	7	46.67
	Don't Know	3	20
	Total	15	100
3	Does the unplanned purchasing request affect planned activities?	Frequency	Percentage
	Yes	13	86.67
	No	2	13.33
	Don't Know		0
	Total	15	100
4	Does the manager's decision affect the purchasing activity negatively?		
	Yes	11	73.33
	No	4	26.67
	Don't Know	0	0
	Total	15	100
5	Do you think that there are un ethical types of procurement in your organization	Frequency	Percentage
	Yes	4	26.67
	No	5	33.33
	Don't Know	6	40
	Total	15	100

As shown in table 7, respondents were asked whether least cost purchasing principles satisfied the quality of needs. The result indicates that 60% of the respondents said that the principle does not satisfy the quality needs. That means the deviation of the practice with the least cost principle that stated in proclamation No 17/2009 is one of the identified challenge for procurement practice.

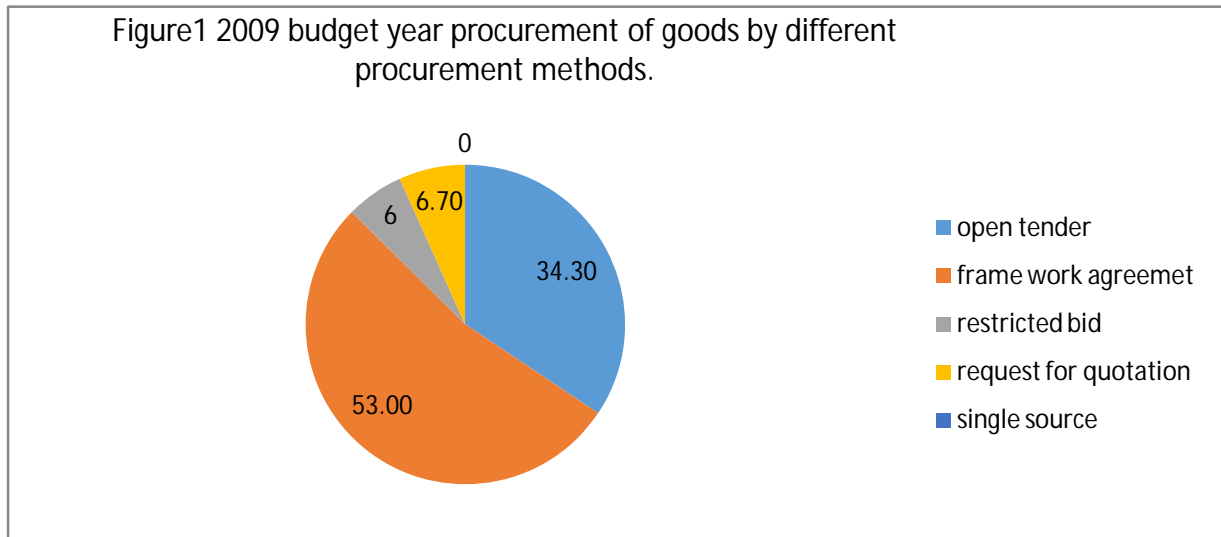
The data in Table 7 Question number 2 shows that only 33.3% of the respondents answered Yes for the question regarding to purchasing performs in timely manner. Most of the respondents responded 46.67% No 33.33 Yes the remaining 20% responded don't know. This indicates that there is delaying in the working activity of purchasing. This could affect the working harmony of the organization and thereby affect the effectiveness and efficiency of the organizational performance.

Similarly, majority of the respondents said that the unplanned purchasing request affect planned activities. Table 7 question number 3 indicated that 86.67% respondent responded that Yes and 13.33% replied No and 0%. That means the unplanned purchasing is identifies as one of the prominent challenges that affect the planned purchasing.

The other problem mentioned by the respondents is managerial decision that is affecting the purchasing activity. As shown in table 6 question number 4, 73.33% respondent responded Yes and that managerial decision is delaying purchasing activity. The rest 26.67 replied No. This revealed that the manager decision an impact on the delaying of the purchasing activity beside this the problems of the immediate decision of the manager the efficiency and the effectiveness of the procumbent activities.

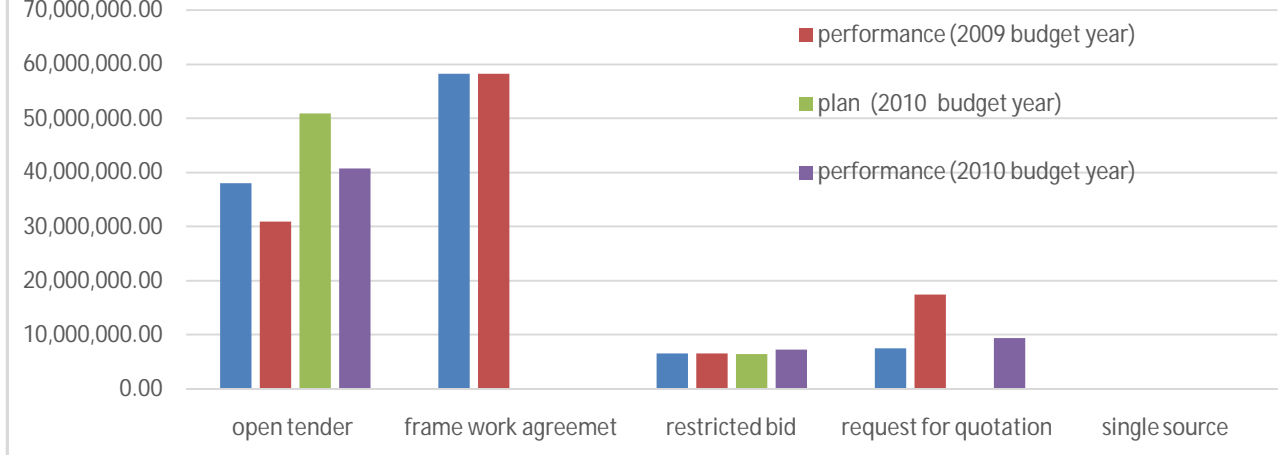
Concerning the above table 7 question number 5 with regard to unethical purchasing existed in the organization; only 33.3% reported that there is no unethical procurement practice. The rest 40% do not know and 26.67% said Yes. This shows that there is some doubt on the purchasing practices in the procurement staffs, and the malpractice of purchasing activities among the procurement staff.

4.5. Procurement plan and practice



As we might know one of the main principles of public procurement is transparency. Transparency is a key for achieving value for money in public Procurement. The Ethiopian government procurement law saying that as much as possible public procurement should be procured through the default procurement method that is open tender, even though there are some exceptional cases where open tender is not the preferable method of procurement. The above figure shows that 53% of the goods in the Arada sub city are procured through framework agreement. Framework agreement is by a centralized body. Addis Ababa city administration has established a centralized procurement body which is named Addis Ababa city administration public procurement and property disposal agency. This agency is responsible for procuring common user items through framework agreements. From the 2009 budget year procurement with different procurement methods, it is shown that the organizations' most procurement is through framework agreement. Open tender methods have a 34.3% share from the procurement of goods in Arada sub city. The remaining 12.7% of procurement is performed through other procurement methods like restricted tender, request for quotation, and single source procurement modalities. Specifically, request for quotation and single source procurement methods show that in the mentioned sub city, in some instances, there are piecemeal purchases.

Figure 4.2: procurement plans and performance



As indicated in figure 4.2 above there was a gap between procurement plan and performance. In both fiscal budget years 2016/17 and 2017/18 budget years, the sub city is shifting the procurement method from the preferred and selected open bid to request for quotation and direct procurement methods. The researcher tried to conduct informal interview in order to know the reason beyond shifting one procurement methods to others. During the interview the researcher has gotten information from the procurement departments about the mismatch between procurement plan and performance. The main reasons among their were delay to settle payment, it has also an impact to carry out procurement planning effectively, lack of technical expertise in procurement or the guideline itself and delay in technical evaluation.

CHAPTER FIVE

Summary of findings, Conclusions, and Recommendations

This chapter presents Interpretation of the findings and recommendation of the study. The finding of the study answered the entire three research question and achieved the general and specific objectives set in study. In addition to this, based on the findings of the study recommendation is also forwarded to different stakeholders to alleviate the problems identified in Arada sub city.

This section of the study presents the major findings in line with the research questions. Therefore, the following are major findings of the study.

1. What do the procurement procedures and implementation practices in Arada sub city chief Executive Procurement support department look like?

In order to evaluate the procurement practice and procedures in Arada Sub City, respondents were asked a set of questions. The finding of the study revealed that there are a procurement practice and procedure in the sub city. But it is not enough in terms of its functionality. The interdepartmental relationship especially procurement department with other departments also found to be smooth and enough. The relationship of procurement department with other department are smooth but not as the expected level. The accountability and transparency of the staff is reported as good by the respondents. In contrary, the study found that the Organization have no a supplier's performance evaluation system.

According to the information obtained from internal users, around half (53.3%) of the respondents reported that they are satisfied with the quality of purchased goods by procurement office. Only below half of the respondents also reported that there is a proper quality inspection in their organization. That means that quality is not getting attention by the procurement departments. Majority of the respondents (46.6%) also said that their attitude for the question asked whether their organization has a proper quality specification is found moderate. Only 40% of them agreed and highly agreed with the question. Similarly, majority of the respondents (60%) said that the grade of quality the purchased goods is medium and 13.3% replied as it is low. Only

26.6% rated the quality as high and very high. This implies that the issue of quality needs a serious attention.

Based on the data analysis, the finding indicates that the staff believed that there is procedure but not practiced as the expected level. The finding revealed that, there is knowledgeable and skillful staff in the procurement department.

The finding revealed that the unplanned purchased activity highly affect the Planned Purchase activity according to majority respondents. The satisfaction user the quality purchased by procurement staff only 53.33% answer satisfied.

Regarding the procurement procedure, respondents were asked questions showing the existence and functionality of the procurement procedure. The result showed that the organization have its own procurement procedures supported by 60% of the respondents. Contrary to the existence of the procedure, more than half of the respondents (53.3%) believe that the purchasing procedure is not properly applied in working practice. Only 33.2% believe that it is high and the rest 13.3% reported it as moderate. This means even though there is a procurement procedure, it is not functional enough.

Majority of the respondents (86.6%) said that the organization have purchasing ethical code of conducts. Here is also some doubt regarding the functionality of the ethical code of conduct as intended. Below half (46.6%) reported that the purchasing ethical code of conduct involve checking whether the purchasing personnel are transgressing these ethical standards. Therefore, it seems the functionality of the procurement procedure is not functional as intended and it could not strengthen in line with the existence. This seems contribute for the experienced unethical purchasing in this organization. There is doubt with the existing of unethical purchasing. The result also put the accountability system of the organization in question.

According to the finding, most of the respondent responded that purchasing are not maintained in a timely manner. This indicates that there is delaying in the working activities of purchasing.

The findings revealed that majority of user believe that they requested in planned manner. On the contrary the information have gotten by interviewed procurement team leader revealed that user

requested goods without a proper planning this affects the efficiency and effectiveness of the performance.

2. What are the problems and challenges with the existing procurement practices?

Regarding the challenges that affect the practice and procedure of procurement activities, the following findings were found.

The deviation of the practice with the least cost principle that stated in proclamation is found to be the main problem. Majority of the respondents (60%) reported that the government least cost purchasing principle does not satisfies the quality needs of goods. This indicates the principle least cost purchasing couldn't be properly applied as to state on the proclamation No 17/2009 government purchasing least cost principle. According to the result, majority of the respondents said that the organization structures are well defined and direct control each activity. The finding revealed that most of purchased goods are implied by centralized based. The information obtained through interview showed that being the process centralized makes the purchasing practice delayed and corrupted. On the other hand, the finding the manager decision is weak in the purchasing activities.

Delaying in the working activity of purchasing is also identified as a challenge. Only 33.3% of the respondents said that the purchasing performs on timely manner. Unplanned purchasing request were found to be the major challenges (86.6%).

The other problem mentioned by the respondents is managerial decision that is affecting the purchasing activity. This revealed that the manager decision an impact on the delaying of the purchasing activity beside this the problems of the immediate decision of the manager the efficiency and the effectiveness of the procumbent activities. The existence of unethical purchasing is also found to be the problem that affects the procurement practice. This shows that there is some doubt on the purchasing practices in the procurement staffs, and the malpractice of purchasing activities among the procurement staff.

3. What are the possible and appropriate solutions in order to solve the existing procurement problems and challenges?

Based on the information gathered through interview, the following possible solutions were raised in order to solve the existing procurement problems and challenges. The first solution forwarded by them was as the organization should give more attention to meet the least cost purchasing by considering quality purchasing too. More additional training for the staff should be given to better achievement of the employees and thereby the effectiveness of the procurement practices.

The other solution provided was establishing decision support purchasing system is important to facilitate interdepartmental information sharing crucial for the achievement of the organization mission. Establishing transparency and workable ethical code of conduct are used by providing ethical and moral teaching.

Increasing qualified procumbent staff, formulating proper procurement planning, applying technology, coordination between the planning, procurement departments and other departments were the main solutions forwarded by the participants

5.1. Interpretation of major Findings and Recommendations

Here is how the integration of my research findings in chapter four provides answers to my questions. As the finding in chapter four depicts the following crucial issues on characteristics of the procurement procedure and the actual practices in Arada sub city.

First of all the Government procurement (purchasing) is responsible for providing the right quality and quantity goods on the right time, with a minimum cost in line with corporate Organizational objective. Good purchasing procedures compile in working practice. It is important for all organization. Further moreover, a better procedure is ingredient following policy and procedure and a wearing policy requirement reduce wastage and time cost. And it supports efficient operation simplifying procedures should be a goal whenever possible.

According to the finding of the study, there is a clear procedure and good practices in Arada sub city executive procurement support department but it is not enough in terms of functionality.

As the result of the study shows there is a smooth interdepartmental relationship between the executive procurement support department the user in the sub-city but it is as highly as expected by the respondents. The finding shows that the department has a good transparency and responsibilities. However, the organization has no supply performance evaluation. The research result also discloses that the qualities of purchased goods by the department to have medium grades. It seems that the quality is not considered in the sub city.

Moreover, the information gathered from questioners and the interview depicts that the well experienced workers in the department. The result of the interview also depict that the procurement management activities of Arada sub-city are an important role in accomplishing the objective. Even though there exist the procedure and practice of procurement, there is a gap between the principle and application of procurement activities in the sub city. The Satisfaction of users on the quality purchased by procurement staff is found to be only 53.33%. Being the procurement process centralized becomes a gateway for corruption and delayed purchasing procedure and practice.

Skilled man power exists in the organization is not enough the staff has long experience. However some of the workers of procurement or purchasing did not get enough training which upgrades their performance on their working area.

The relation and the integration procurement department with other department's smooth service according to the respondent answered. Beside this there is poor quality provide by the procurement staff and inspection, following least cost purchasing could not satisfy the quality goods rather it lead for other additional cost.

There is lack of knowledge towards the requested goods and request made without a proper planning this affects the efficiency of the performance.

The deviation of the practice with the least cost principle that stated in proclamation, delaying in the working activity of purchasing, unplanned purchasing request, managerial decision that is affecting the purchasing activity were the major problems that affect the procurement practice and procedure. The existence of unethical purchasing is also found to be the problem that affects the procurement practice also found to be the challenge affecting the practice.

To sum up, the sub city encountered all the problems and challenges explained above. Therefore, the researcher will be forced to suggest the following recommendations to all concerned bodies to maximize the performance and for the better achievement of the goals set by the sub city.

5.2. Recommendation

In accordance with conclusion drawn above the following recommendations forwarded to the problem under consideration:

1. Arada sub-city must be considering (user) satisfaction by providing the right quality goods rather than considering focusing least cost purchasing. This shows that the organization should give more attention to meet the least cost purchasing by considering quality purchasing too.
2. Giving more additional training for the staff will bring better achievement of the employees and thereby the effectiveness of the procurement practices.
3. Installing decision support purchasing system is important to facilitate interdepartmental information sharing crucial for the achievement of the organization mission.
4. Strict purchasing forward, establishing transparency and workable ethical code of conduct should be used by providing ethical and moral teaching.
5. Increasing qualified procumbent staff is important to address the Arada sub-city over all organizational objectives related to procurement.
6. Beside this users must know the requested goods according to in planed manner in order to create a better harmony of working program.
7. Moreover, due to its complication, technology advancement and other societal growth, unethical purchasing activity is the major challenge in public procurement. As it is shown in the literature, going through proper procurement planning is the most important tool to reduce corruption and malpractice. When a public organization has developed, and has a strong trend to purchase on planning base, it can create and enhance transparency with a supplier, it can attract local and international bidders, the entire process of the

procurement can be in a proper system, and this system has an absolute advantage to reduce misuse of scarce public resource.

8. The organization should apply technology, which may be data base management system or software's, which is very useful to communicate easily with the user department, procurement unit, policy and program bureau.
9. The finding reveals that ill planning, delaying purchase and unplanned purchasing are the challenges that affect the practice and procedure of the procurement process. So, the planning departments should consider this mismatch between the plan and purchasing time. Beside this, coordination between the planning, procurement departments and other departments should be boosted. Additionally, the organizations should eliminate unplanned purchasing and should follow the general procurement principles.

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Appendix I

Addis Ababa University

College of Business and Economics

Department of Public Administration and Development management

This questionnaire is designed by a prospective graduate of Addis Ababa University, in the requirements of MA in public management and policy to undertake a research on “Procedure, practice and problems of procurement on the government office the case of Arad Sub city” Dear respondents, your genuine responses is very important for the betterment of the study.

Thank you in advance for your invaluable time devoted for responding to these questionnaires.

Notice

No need of writing your name

Please tick mark in the boxes

You can write the desired answer for open ended questions

1. Sex Male Female
2. Age group
 19-25 36-45
 26-35 >45
3. What is your education status/level?
 Below grade 12
 Grade 12 complete
 Certificate Degree masters above
4. Your total work experience in the organization is
 Less than 1
 6-10 Graters than 15
 1-5 11-15

5. The role of procurement management department in achieving over all factor's objectives can be rated as
 Very high High Average
 Low Very low
6. When items are requested for purchases, do you believe the request is made in planned manner?
 Yes No Don't know
7. The transparency in the purchasing activities of in the procurement department is rated as
 Very high High Average
 Low Very low
8. Do you think that there are unethical types of procurement in your organization?
 Yes No Do not know
9. Do you believe that there is enough skilled man power in your department?
 Yes No Do not know
10. Have you taken any training which upgrades your performance in department
 Yes No Do not know
11. Are you satisfied the quality purchased goods by procurement office
 Yes No Do not know
12. How do you rate interdepartmental relationship specially procurement department with other departments.
 Smooth relationship Just enough to run service
 Full of barriers Not satisfactory
13. Is there a proper quality inspection in your organization?
 Yes No Do not know
14. Does it government least cost purchasing principle satisfy the quality needs of good?
 Yes No Do not know
15. Do you believe that the purchasing procedures are properly applied in your working practice
 Yes No Do not know

16. If you say “yes” to Question No 15 above, to what extent is it applied

Very high High Low Medium Very low

17. Do you believe in your organization a proper quality specification?

Highly agree Agree Moderate Disagree Highly disagree

18. Are the purchasing performs on timely manner?

Yes No Do not know

19. How do you think the grade of quality the purchased goods?

Very high High Medium low Very low

20. Does the organization have a supplier’s performance evaluation system?

Yes No Do not know

21. Does the organization have purchasing ethics and code of conducts?

Yes No Do not know

22. If you say “yes” to Question No 21, does it involve checking whether the purchasing personnel are transgressing these ethical standards?

Yes No Do not know

23. Does your organization have its own procurement procedures?

Yes No Do not know

24. do you think you think your organization concentrated centralized purchasing?

Yes No Do not know

25. All procurement personnel’s are professional and well experienced for their assigned work?

Yes No Do not known

26. The organization structure is well defined to direct and control each activities?

Yes No Do not know

27. Purchasing assisted by technology like computerized system?

Yes No Do not know

28. Does the manager decision affect purchasing practice negatively?

Yes No Do not know

29. Does the unplanned purchasing request which can affect planned activities?

Yes No Do not know

30. There is an accountability System that makes the employees answerable for their misdeeds?

Agree Strongly agree Neutral Disagree strongly disagree

Appendix II Semi-Structured Interview

Addis Ababa University School of Business and Economics

Masters of Art in Public Management and Policy

I. Semi-structured Interview question to procurement team leader, procurement head and expert.

It includes Arad sub city procurement team leader From the Procurement Support department and Supply Chain manager and experts from procurement Core processes.

1. Do you believe the purchasing procedure properly applied in your working practices?
2. What are the main problems on the existing procurement practices in your organization?
3. Do you think in your department purchasing performs in planned manner?
4. Does it government least cost purchasing principle satisfy the quality needs of good?
5. How do you think the rate interdepartmental coordination and relationships procurement department with other department?
6. Do you think user purchase request is made in planned manner? If no what are the challenges to request in planned manner?