



**FACTORS AFFECTING EFFICIENCY OF PUBLIC PROCUREMENT PRACTICE:
THE CASE OF SOUTH WEST SHOA ZONE FINANCE AND ECONOMIC
DEVELOPMENT OFFICES, OROMIA REGIONAL STATE (ETHIOPIA)**

MBA THESIS

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WOLKITE UNIVERSITY, WOLKITE, ETHIOPIA

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DEVELOPMENT OFFICES, OROMIA REGIONAL STATE**

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**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION (MBA)**

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OCTOBER, 2020**

DECLARATION

I, the undersigned, declare that this thesis work entitled “**Factors Affecting Efficiency of Public Procurement Practice: The Case of South West Shoa Zone Finance and Economic Development Offices, Oromia Regional State (Ethiopia)**” 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.

Solomon Asfaw

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This is to certify that Solomon Asfaw Bayissa has carried out a thesis on the topic “**Factors Affecting Efficiency of Public Procurement Practice: The Case of South West Shoa Zone Finance and Economic Development Offices, Oromia Regional State (Ethiopia)**” under our supervision. In our opinion, this thesis is suitable for submission in partial fulfillment of the requirements for the award of the Masters of Business Administration.

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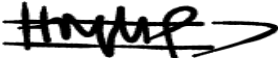
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As a members of board of examiners of the final master's degree open defense, we certify that we have read and evaluate thesis prepared by **Solomon Asfaw Bayissa**, entitled: "Factors Affecting Efficiency of Public Procurement Practice: The Case of South West Shoa Zone Finance and Economic Development Offices, Oromia Regional State (Ethiopia)" and recommend that it be accepted as fulfilling the thesis requirements for the Degree of Masters of Business Administration.

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Table of Contents

DECLARATION	ii
ACKNOWLEDGMENT	v
LIST OF TABLES	ix
LIST OF FIGURES	x
ACRONYMS AND ABBREVIATIONS	xi
ABSTRACT	xii
CHAPTER ONE	- 1 -
INTRODUCTION	- 1 -
1.1 Background of the study	- 1 -
1.2 Statement of the problem	- 2 -
1.3 Objectives of the study	- 4 -
1.3.1 General objective	- 4 -
1.3.2 Specific objectives	- 4 -
1.4 Research questions	- 4 -
1.5 Significance of study	- 4 -
1.6 Scope of the study	- 5 -
1.7 Definitions of key terms and concepts	- 5 -
1.9 Organization of the study	- 6 -
CHAPTER TWO	- 7 -
LITERATURE REVIEW	- 7 -
2.1 Theoretical Literature Review	- 7 -
2.1.1. Theories in public procurement	- 7 -
2.1.1.1. Theory of auctions and competitive bidding	- 7 -
2.1.1.2. Principal-agency theory	- 8 -
2.1.1.3. Transaction cost economic theory	- 9 -
2.1.2 Concept of Procurement	- 10 -
2.1.3 Public and Private sector procurement	- 10 -
2.1.4 Public Procurement Principles	- 11 -
2.1.4.1 Principle of value for money/ Cost Effectiveness	- 11 -
2.1.4.2 Principle of Transparency and fairness	- 11 -

2.1.4.3 Principle of non discrimination	- 12 -
2.1.4.4 Principle of Accountability	- 12 -
2.1.5 Procurement Procedures.....	- 12 -
2.1.6 Public procurement rules and practices	- 13 -
2.1.7 Procurement methods and awarding criteria	- 14 -
2.1.8 Link between procurement process, Efficiency, Effectiveness and performance	- 19 -
2.1.9 Challenges in Public Procurement	- 20 -
2.2.1 Literature gap	- 22 -
2.3 Conceptual framework of the study.....	- 23 -
2.3.1 Budgeting Allocation	- 23 -
2.3.2 Budgeting and the Budget process	- 24 -
2.3.3 Staff Competence in Procurement	- 25 -
2.3.4 Legal framework implementation.....	- 27 -
2.3.5 Economic Condition	- 28 -
CHAPTER THREE	- 30 -
RESEARCH METHODOLOGY	- 30 -
3.1 Introduction	- 30 -
3.2 Research Design and approach	- 30 -
3.3 Target Population and Sample size.....	- 30 -
3.4 Sampling technique	- 32 -
3.5 Method of Data Analysis and Interpretation	- 32 -
3.6 Data collection methods	- 32 -
3.7 Validity and reliability of data collection instruments	- 33 -
3.7.1 Validity.....	- 33 -
3.7.2 Reliability.....	- 33 -
3.8 Ethical Consideration of the study	- 34 -
CHAPTER FOUR	- 35 -
DATA PRESENTATION, ANALYSIS AND INTERPRETATION	- 35 -
4.1 Introduction	- 35 -
4.2. Response rate.....	- 35 -
4.3 Demographic Descriptions.....	- 35 -

4.3.1 Gender of respondents	- 35 -
4.3.2 Respondent's age	- 35 -
4.3.3 Respondents' Educational Level	- 36 -
4.3.4 Respondents' Qualifications/Profession	- 37 -
4.4 Descriptive Statistics	- 37 -
4.4.1 Survey results on budget allocation aspect	- 38 -
4.4.2 Survey result on staff competence aspect	- 42 -
4.4.3 Survey result on legal framework implementation aspect	- 45 -
4.4.4 Survey result on economic condition aspects	- 48 -
4.5 Correlations between procurement and its indicators	- 49 -
4.6 Test Results Regression Model Assumptions	- 50 -
4.7 Regression Analysis	- 53 -
CHAPTER FIVE	- 57 -
MAJOR FINDING, CONCLUSION AND RECOMMENDATION	- 57 -
5.1 Introduction	- 57 -
5.2 Summary of major findings	- 57 -
5.3 Conclusion	- 58 -
5.3. Recommendations	- 59 -
Bibliography	xix

LIST OF TABLES

<i>Table 1: Target Population</i>	- 30 -
<i>Table 2 Reliability statistics of the instrument</i>	- 33 -
<i>Table 3: Gender of respondents</i>	- 35 -
<i>Table 4: Respondents' Educational Level</i>	- 36 -
<i>Table 5: Respondents' Qualifications/profession</i>	- 37 -
<i>Table 6: Summary result of descriptive analysis</i>	- 38 -
<i>Table 7: Impact of allocation budget</i>	- 41 -
<i>Table 8: Variables of staff competency and its influence on procurement practices</i>	- 43 -
<i>Table 9: Variables of economic/market condition and its influence on procurement practices</i> ..	- 48 -
<i>Table 10: Correlation result between the variable</i>	- 49 -
<i>Table 11 Regression result</i>	- 54 -
<i>Table 12 Regression result beta</i>	- 55 -

LIST OF FIGURES

Figure 2.1 Relationship of independent and dependent variables -----	29
Figure 4.1 Age of respondents-----	36
Figure 4.2 on time budget allocation-----	39
Figure 4.3 Sufficient of allocated budget-----	39
Figure 4.4 Budget consider inflation/market condition-----	40
Figure 4.5 Implementation of procurement policy and procedure -----	45
Figure 4.6 Transparency in the procurement department -----	46
Figure 4.7 Hestogram plot indicating normality in STATA -----	51

ACRONYMS AND ABBREVIATIONS

BI	Budgetary institutions
FDRE	Federal Democratic Republic of Ethiopia
FPPA	Federal Public Procurement and Property Administration Agency
IBEX	Integrated Budget and Expenditures
MoFED	Ministry of Finance and Economic Development
PPA	Public Procurement Agency
USAID	United States Agency for International Development

ABSTRACT

The purpose of the study was to assess factor affecting efficiency of public procurement practices in Finance and Economic development offices of south West shoa zone. The study used the descriptive research design and non probability of purposive sampling technique. To enumerate the data analyzed, qualitative and quantitative research approaches were used. The population of the study consisted of 267 of the total population of Finance and Economic development of south west Shoa zone offices. The sample size was 160 staff focused on procurement section those directly participate on procurement and or from other section such as planning and budgeting section, account section, auditing section and other sections those indirectly have relationship with the procurement practice. From 160 questionnaires disseminate 149 returned and taken for analysis. The data was collected from primary source using questionnaire and interview.

In order to do so, the researcher has identified four variables on which public procurement is assessed. These are budget allocation, staff competence, legal framework implementation and economic condition.

The field data was statistically analyzed using descriptive statistics and narrative summary analyses. The descriptive statistics part was analyzed using mode, mean and standard deviation whereas correlation and regression were used for inferential statistics by using STATA software. The results of this study indicate that from the four key factors, budget allocation, Staff Competence and legal framework implementation are positive effect on procurement practice and economic condition has negative effect on procurement practice. The study recommended that Finance and Economic development offices especially procurement department have to work towards improving the four key factors that will make implementation of the procurement practices to be efficient.

Key words: Budget allocation, staff competence, legal framework implementation and economic condition.

CHAPTER ONE

INTRODUCTION

This chapter of the research study introduces background of the study, statement of the problem, objective of the study, research questions, significance of the study and scope of the study. It is the part of the study that lays down the foundations of the research problem on factors affecting public procurement practice of Finance and Economic development offices of South West Shoa zone.

1.1 Background of the study

Procurement is the acquirement of proper goods and services at the best possible to meet the needs of purchaser in terms of quality and quantity, time and location. It involves a series of activities and processes that are necessary for an organization to acquire necessary products or services from the best suppliers at the best price. (Proclamation No 646, 2009) defines procurement as “obtaining goods, works, consultancy or other services through purchasing, hiring or by any other contractual means”. Procurement is a broad concept, which goes beyond purchasing activity, whose purpose is to give the public body best value for money. Value implies right price, right quality, right time, right place, and right quantity. (Public procurement, 2011). Public procurement is the process of procuring of goods, services and works on behalf of government organizations. Procurement practices are a set of activities undertaken by an organization to promote effective management of its supply chain (Sollish & Semani, 2012)

Public procurement is important to support the country’s economic development by ensuring efficiency and effectiveness in the execution of public procurement, to enhance the capacity of local producers, suppliers, contractors and consultants and also to enhance good governance. In Ethiopia, more than 60% of the total public expenditure has been spent through public procurement in a year. It is a huge amount of money that public bodies spent via public procurement. The expenditure on public procurement is increasing from year to year. (Abebe, 2017)

Here in our country Ethiopia, public procurement can be done through open bidding, request for proposals, two-stage tendering, restricted tendering, request for quotation, and direct purchase. Open bidding is the most widely used tool of public procurement in Ethiopia. The open bidding

process can be exploited in various aspects. Generally, the open bidding process is manipulated by two parties: government officials and suppliers.

Restricted tendering is the other method of public procurement, and one which is given little attention. This method used when the required goods are only available from limited suppliers. Under direct purchasing, when there is an absence of competition, goods and services are only supplied or provided by one candidate.

In all procurement process, the public procurement practice at various levels affects the working environment of different offices. As effectiveness of procurement process on good practices reduce costs and produce timely results, poor practices lead to waste and delays. There can be different factors that affect procurement practice in different sectors of the economy. For instance (Thai K. , 2004) indicate that there are market environment, legal environment, political environment, organizational environment, and socio-economic factors.

In order to increase the efficiency and effectiveness of public procurement in Ethiopia, Public procurement and property administration agency is established at Federal level. This agency is established to ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and modern public property administration. (Proclamation No 646, 2009)

On each regional state in Ethiopia there are also public procurement and property administration proclamation. Based on (Proclamation No 157, 2002) , the authority is given to Finance and Economic development office of each level (Region, Zone and Woreda) to process and monitor procurement activities of public organization. Hence, it is important to assess factors affecting this practice of public organization. This study was examining Factors Affecting Efficiency of Public Procurement Practice of finance and economic development offices in South-West Shoa zone.

1.2 Statement of the problem

The effectiveness and efficiency of public procurement have great impact on the economy of country. Because, according to (Wanyonyi, 2015), procurement is the nerve center of performance in every institution, whether public or private, and thus, needs a serious attention and tight system to be adopted and followed. It needs careful procurement practice.

Careful procurement practice is the ability to avoid wasting materials, energy, efforts, money and time in executing the procurement function or in producing a desired result (Leenders, 2002). In procurement practice purchasing department has the role to deliver the right material or service in the right amount to the right place at the right time and at the right price. In order to achieve the desirable result, monitoring the overall activities of procurement process is the key one.

To investigate factors affecting efficiency of procurement practice, the researcher tries to look for previous studies on related area of study. Some studies have been undertaken with regard to the problems of public procurement in some public organizations in the country. These include procurement practices and challenges in Ethiopia by (Belachew, 2018). The study found that the most significant problems that delays the procurement processes are regulatory caused by long and strict government rules and process that detracts the efficient service delivery. The public procurement legal framework gives excess control and authority to the Public Procurement and Property Administration Agency. On the study of public procurement practices and challenges in Ethiopia by (Roman, 2017), the findings show that appropriate time procurement plan, low contract management, problem in preparing clarified and complete specifications and low documentation. The other study by (Asfaw, 2017) on Analysis of international procurement practices and challenges point out the factor that affect procurement practice are absence of market research department that supports users in preparing procurement requisitions in price and technical data. The finding of the study by (Anteneh, 2015) indicate that more project works are being affected due to the lack of effective procurement process, which is the main cause of insufficient service delivery in all public sectors; In addition to those, the finding of the study by (Getnet and Tilahun, 2014) in their recent research paper found on procurement reform in Ethiopia indicated that familiarity with public procurement rules and regulations, transparency in public procurement processes, accountability in public procurement, ethics in public procurement and efficiency in public procurement have an association with effective public procurement implementation.

All the above mentioned studies indicated that such poor practices could lead to the delay of procurement which has high effect on the needs and use of goods for intended purpose. However, most of these studies have been conducted for Federal public offices which implement the same procurement procedure. Moreover, as to the researcher knowledge, no study has been

undertaken on efficiency of public procurement practice and leaving a major knowledge gap. Therefore, this study was analyzed factors affecting the efficiency of public procurement practice on the case of Finance and development offices in South West Shoa zone. The study will help to fill the missing knowledge gaps, identify factors affecting efficiency of public procurement practice.

1.3 Objectives of the study

1.3.1 General objective

The general objective of the study is to examine factors affect efficiency of public procurement practice in Oromia region South West Shoa zone Finance and Economic development offices.

1.3.2 Specific objectives

The specific objectives:

1. To assess effect of budget allocation on procurement practice of Finance and Economic development offices of South West Shoa zone.
2. To examine the influence of staff competence on procurement practices in Finance and Economic development offices of South West Shoa zone.
3. To investigate legal framework implementation on procurement practices in Finance and Economic development offices of South West Shoa zone.
4. To analyze the effect of economic condition on procurement practice in Finance and Economic development offices of South West Shoa zone.

1.4 Research questions

The following research questions were developed by the study.

1. What are the effects of budget allocation on procurement practices in Finance and Economic development offices of South West Shoa zone ?
2. Is influence of staff competence on procurement practices?
3. How does legal framework implementation impact procurement practices?
4. Is an effect of economic condition on procurement practice?

1.5 Significance of study

It is hoped that the empirical findings generated from the study will help in two ways. First, knowing the determinants of procurement processes is important to enhance good procurement practices and to modify the poor procurement practices. This can have good advantage for

different stakeholders; for the government to make corrective actions, for policy makers to revise the public procurement regulations and review the practices. Second, the study also expected to contribute to for researchers who focused on procurement practice and related issues as a base for further detail investigations particularly, to improve weaknesses and contribute to enhance good public procurement practices.

1.6 Scope of the study

Generally, procurement covers the whole process of acquiring goods and services. Though it will be important to include all these areas because of infeasibility from resource and time perspectives, the focus of this study was only focus on factors affecting public procurement practice. Specifically on the factors that affect the efficiency of procurement practice such as effect of budget allocation, influence of staff competence, legal framework implementation and effect of economic condition on procurement practice in Finance and Economic development offices of South West Shoa zone. The subject of the study is only focus on zone and woreda levels procurement practices on procurement frame work agreement, goods, works, consultancy or other services from public procurement department. Data were gathered from different departments such as planning and budget section, procurement section, internal audit sections, accounts sections and others. And the study not addressed procurement activities of regional and higher level of public bodies.

1.7 Definitions of key terms and concepts

For this study, the operational definitions for the key terms and concepts are as follows:

- **Public procurement** is the process of the acquisition, usually by means of contractual arrangements after the public competition, of goods, services, works and other supplies by the public entity. (Public procurement, 2011)
- **Public procurement practice** is a set of activities undertaken by an organization to promote effective management of its supply chain. Its proper practices lead to competitive purchase and getting quality materials proper direction, poor coordination. (Ministry of Finance & Economic Development, 2010)

- The **marketing environment** is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has very less or no control over the external environment. (Pahwa, 2019)
- **Budget allocation:** A budget is a financial plan used to estimate revenues and expenditures for a specific period of time. Budget allocations are integral components to an annual financial plan, or budget, of all organizations. (Seidel, 2019)
- **Legal framework:** refers to the policies, laws, guidelines or regulations that govern procurement in an organization. Every organization (public sector, private sector or third sector entities) have some rules governing the acquisition of goods, works and services to ensure fulfillment of its goals. (Cholopray, 2020)
- **Economic Condition:** refer to the present state of the economy in a country or region. Such conditions may include inflation, purchasing power of money, foreign exchange rate etc. It remains challenging for many commodity exporters, underscoring the vulnerabilities faced by countries that are overly reliant on natural resources (United Nations, 2019).

1.9 Organization of the study

The study is organized in five chapters. The first chapter presents information about the introductory part including background of the study, statement of the problem, research questions, objective of the study, and significance of the study, scope of the study and Definitions of key terms and concepts. The second chapter covers the review of related literature that is both conceptual and theoretical literatures on procurement as well as literature gap. The third chapter was explained the methodology of the study. The fourth chapter was focus on the data presentation, analysis and presentation of the findings and the last chapter forwards the major findings, summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

In this chapter, the researcher has reviewed the theoretical, conceptual and empirical literature written by different authors on procurement. This review of the literature establishes the framework for the current study and provides the deficiencies of the previous studies, which in turn, help in clearly identifying the gap in the literature and formulating research questions for the study.

2.1 Theoretical Literature Review

On theoretical review procurement and related issues are discussed, summarized and presented from related literatures.

2.1.1. Theories in public procurement

This section examines extent and form of theory in public procurement.

2.1.1.1. Theory of auctions and competitive bidding

A model of competitive bidding is developed in which the winning bidder's payoff may depend upon his personal preferences, the preferences of others, and the intrinsic qualities of the object being sold. In this model, the English (ascending) auction generates higher average prices than does the second-price auction. Also, when bidders are risk-neutral, the second-price auction generates higher average prices than the Dutch and first-price auctions. In all of these auctions, the seller can raise the expected price by adopting a policy of providing expert appraisals of the quality of the objects he sells (Paul, 2020).

According to (Philip, 2011), auction rules are established by public authorities, which set the values of public assets that are expected to be purchased. These estimated values of public assets are seen as the market values or fair values that values that will be allowed by the public authority. Over any of these estimated values, the bidders cannot deliver the goods and services in the auction organized. Hence, the first rule of auctions, namely that the values of goods and services provided for the needs of public authorities cannot exceed their estimated value. Therefore, auctions are those that generate competition among bidders of public assets. Auction rules are established by public authority, which sets the estimated value, eligibility criteria and

the criteria for awarding tenders. Estimated value is often market value, which the public authority considers it can pay for goods and services that are expected to be delivered. No bidder may bid values over the estimated value. Estimated value in turn cannot be higher than the approved budget appropriations. This rules of the game created competition among bidders, are leading eventually to the purchase of public assets whose value is between the estimated and the specific cost of each bidder (Philip, 2011)

2.1.1.2. Principal-agency theory

Agency theory is used to understand the relationships between agents and principals. The agent represents the principal in a particular business transaction and is expected to represent the best interest of the principal without regard for self-interest (investopedia, 2020).

According to (Rungtusanatham, 2007) two parties have an agency relationship when they cooperate and engage in an association wherein one party delegates decisions or work to another to act on its behalf. The important assumptions underlying agency theory are that: potential goal conflicts exist between principals and agents; each party acts in its own self-interest; information asymmetry frequently exists between principals and agents; agents are more risk averse than the principals; and efficiency is the effectiveness criterion (Kaynak, 2012). The theory deals with situations in which the principal is in a position to induce the agent, to perform some task in the principal's interest, but not necessarily the agent's (Heath, 2004).

(Hezhegn-Qing, 2008) stated that the related parties in the government procurement mainly are: the taxpayer, the government, financial department, state institutions and supplier. Under centralized purchasing operating mechanism, these parties have formed a principal-agent chain in the process of government procurement management: (1) Taxpayer is the supplier of government procurement fund, commits the public funds to the government through the legal process. So, the first agent relation of the taxpayer and government formed. (2) Since the public administrative field of the government is very broad, it is impossible that government will do everything. Under the authority of the functions, financial functions will be further delegated to the financial department. So, the second agent relation of government and financial department formed. (3) Financial departments work out law and regulation, supervise the implementation, work out standard of supplier's qualification and so on. It is impossible that financial department

takes on everything. So, financial department sets up a special organization (purchasing center) in its internal. Such the third agent relation of financial department and purchasing center formed. (4) The concrete government procurement activity is expertise by official, such the fourth agent relation of purchasing center and purchasing official has formed.

2.1.1.3. Transaction cost economic theory

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

2.1.1.4. Contract theory

A specification of actions that named parties are supposed to take at various times, generally as a function of the conditions that hold' (Shavell, 2004) An example is insurance contract under which (risk-averse) insured's pay premiums and are covered against risk by an insurer. Some party might have incentive to behave opportunistically at the expense of others. In an ideal world, people can write a complete contingent contract that induces all the parties to take the 'right' actions in every possible state of world, which leads to a paretecient outcome. Contract theory studies what will or should be the form of contracts in less than ideal worlds, where there exist;

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

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

2.1.2 Concept of Procurement

Procurement is a process of identifying and obtaining goods and services, includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location (Mangan, et al., 2008)

According to (Proclamation No 646, 2009) procurement means “obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means”. Procurement is a series of activities and processes 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 an organizational objectives. Procurement includes all starting from very small items (for example, stationary, puncher, office furniture, detergent, toner and others) to very complex items (for example aircraft, railway, boiler, transformer and others) and it helps to attain the need of public entity to carry out its duties. (Abebe, 2017).

2.1.3 Public and Private sector procurement

Public Procurement is procurement that is completed within the context of not-for-profit organizations (Worku, 2017). Also known as the public sector, the procurement that occurs in this context is typically government affiliated, which can be Federal, Regional, Zonal and Woreda offices. Private Procurement is procurement that is completed within the context of for-profit organizations .It happens within privately owned companies.

Fundamental differences exist between the public and private sector in reporting structure, regulating bodies, funding sources and operating motives. According to (Larson, 2009) The public sector is governed by legislative bodies, laws, and untold numbers of state and federal regulations. The private sector is guided by boards of directors, business plans and the

organization's purchasing policies. The public sector funding sources are drawn from taxes and fees and carry with them innate external regulations regarding their use. Private sector organizations generate revenue through sale of goods and services and face no external requirements for use. The scope of public procurement is broader than simply procuring required goods and services. Public sector procurement considers aspects such as the development of its local economy and small business therein, job creation, promotion of open equitable markets and strict adherence to clear procedures, fair competition, and transparency.

2.1.4 Public Procurement Principles

In order to ensure the practicability of transparency and accountability in public procurement there are serious principles and steps which procurement officers needs to follow in their procurement exercise or processes (Mekonnen, 2018). These principles to be applied in order to achieve sound procurement practice and preserve public trust and public interest. Because it set the framework for a code of conduct for public procurement practitioners and all other officials directly or indirectly associated with the public procurement process.

As clearly explained on article 5 of (Proclamation No 646, 2009)the following are public procurement and property administration principles:

2.1.4.1 Principle of value for money/ Cost Effectiveness

This principle emphasizes on the need to manage public funds with care and due diligence so that prices paid for goods, services and works are acceptable and represent good value for the public funds expended on them. Everyone associated with the public procurement process or directly responsible for facilitating the acquisition of goods and services with public funds, should strive to avoid fraud, waste and abuse of public resources; whether it is the result of over specifications of required goods, paying unreasonably high prices for substandard goods, collusion with other bidders, or other forms of unacceptable practices (Proclamation No 646, 2009). It is argued that there is a thin line separating the requirements for competition and cost effectiveness as the principles of good governance in public procurement ((Bolton, 2007).This is because both principles deal with the competence of the supplier or service provider to deliver as per the requirements of the quotation or tender (Vabaza, 2015).

2.1.4.2 Principle of Transparency and fairness

According to the definition by (Bolton, 2007) government contracts should be widely advertised, all contractors should be familiar with the rules of the competition and all contractors

should be afforded enough time to participate in the process. 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; Information on the public procurement process must be made available to all public procurement stakeholders: contractors, suppliers, service providers, and the public at large, unless there are valid and legal reasons for keeping certain information confidential (Proclamation No 646, 2009). The good governance principle of transparency in public procurement is meant to comply with the public policy notion of checks and balances in the management of state resources by the elected representative through the system of government bureaucracy. (Vabaza, 2015) This therefore means that all service providers should be subjected to the same rules of the game when they are conducting business with government and this necessarily requires that no service provider should be favored or prejudiced in the process.

2.1.4.3 Principle of non discrimination

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; It implies that it should not be manipulated for the benefit of any organization or individual (Proclamation No 646, 2009). The principle is can be defined as a process where more than one potential supplier or service provider is allowed to submit quotations or proposals for the advertised work of government. This requires that departmental officials discharging the procurement function conduct a market analysis and develop a sourcing strategy that will allow for maximum competition (Vabaza, 2015).

2.1.4.4 Principle of Accountability

Accountability for decisions made and measures taken with regard to public procurement and property administration; it implies that anyone involved in the procurement process is responsible for their actions and decisions with respect to the public procurement process (Proclamation No 646, 2009).

2.1.5 Procurement Procedures

Procurement procedures are actions a company uses to acquire goods and services. It is a procurement process by which items are purchased from external suppliers. It involves managing the ordering, receipt, review and approval of items from suppliers. It also specifies how the supplier relationships will be managed, to ensure a high level of service is received. According to (Shaw, 2010) the three steps in procurement process are:

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

Planning and specification of goods or services required

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

Sourcing, awarding, and supplier management

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

2.1.6 Public procurement rules and practices

Procurement regulations may vary on country bases. Here in Ethiopia, public procurement is regulated by Federal Government Procurement and Property Administration Proclamation and Federal Public Procurement Directive. Based on a federal system, all regional states and the two cities have the power to legislate and regulate their own procurement systems. However, these regulations depend on what is stated in the federal regulations.

Similarly to most public procurement systems in the world, public procurement regulation in Ethiopia has been put in place to achieve a series of objectives. These are, according to (Proclamation No 646, 2009) and (Ministry of Finance & Economic Development, 2010) directive, any authority and execution of Procurement must:

a) Achieve maximum value for money in procurement. i.e. insure economy, efficiency and effectiveness.

- b) No Candidate shall be discriminated or excluded from participating in public procurement on the ground of nationality or other reasons which are not related to the evaluation criteria except in accordance with the rule of preference provided in the proclamation.
- c) Support the country's economic development by ensuring economy, efficiency and effectiveness in the execution of public procurement.
- d) Any criteria applied in making procurement decisions and decisions taken on each procurement must be made transparent to all concerned parties.
- e) Ensure accountability for decisions made and measures taken in the execution of public procurement.
- f) Encourage local producers, companies and small and micro- enterprises which support the national economy (Proclamation No 646, 2009).

These objectives apply to all federal and regional government funded public bodies and public enterprises. It increases worldwide recognition of the use of public procurement to achieve broader development goals.

Sound public procurement policies and practices are among the essential elements of good governance. According to (Thai K. , 2004) the basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, taking cognizance that they are accountable to members of the public; competitive acquisition of goods and services, which requires procurement be carried out competitively so as to obtain quality goods and services, unless there are valid reasons for sourcing singly; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, sex, creed, religion, or political affiliation.

2.1.7 Procurement methods and awarding criteria

A procurement method is the technique that public body uses to acquire goods, works and services. Ethiopia recognizes different types of procurement methods that procuring entities must use for the procurement of goods, work and services to achieve the stated procurement objectives. Out of six types of procurement methods public bodies shall use open bidding as the preferred procedure of procurement. But it is possible to use others method where conditions for use of such other method stipulated under proclamation are satisfied. As per article 33 of (Proclamation No 646, 2009), there are six types of procurement methods. These methods are:

1. **Open bidding:** A bidding process that is open to all qualified bidders and where the sealed bids are opened in public for scrutiny and are chosen on the basis of price and quality. It also called competitive tender or public tender. It is competitive bidding in which the bid opening is conducted at a public venue, and in the presence of all who may wish to witness the opening of the received sealed bids. (Business dictionary) This procurement method is, as in most countries in the world, the default procurement method that public entities should use for the procurement of goods, work and services. It is characterized by its high level of competition, an equal treatment of suppliers (meaning that any qualified person can have their bid considered) and transparency. It is also characterized, however, by a high level of formalities, complexity and costs.

According to (Proclamation No 646, 2009), the key characteristics of the open bid method includes

- a. A public notice advertising the procurement;
- b. Use of a detailed specification that provides a common basis for bidding and for comparing all bids;
- c. A single stage of tendering with fixed dates and times for the submission of tenders;
- d. A requirement for bids to be in writing, signed and in a sealed envelope, or in an electronic form that provides equivalent safeguards of confidentiality etc.;
- e. A public opening of the bids;
- f. A requirement to award the contract to the supplier submitting the best bid (often meaning the lowest price), with no possibility of negotiating bids with suppliers or of allowing amendments (except to correct certain errors that are not of a substantial nature).

Procuring entities may also conduct pre-qualification proceedings to limit the bids to ones from suppliers who meet the conditions for participating in the procurement. (Arrowsmith, 2011)

In using this procurement method, procuring entities be supposed to use the standard bidding documents prepared by the Federal Public Procurement and Property Administration Agency and follow the rules as of in the Directive, which put strict official procedure for each phase of the procurement process. According to these rules, procuring entities must advertise the invitation to bid at least once in a newspaper that has nationwide circulation in order to ensure the

participation of as many bidders as possible. The opening of the bids must be public and must be fixed in time. And negotiation between the procuring entity and suppliers is impossible.

Concerning the awarding criteria, the lowest price evaluated from the competitors who meet the requirements requested in terms of quality, quantity, terms and time of delivery.

- 2. Request for Proposals:** This procurement method – also known as ‘pro forma tendering’. According to article 53 of (Proclamation No 646, 2009) Public bodies may engage in procurement by means of request for proposals when it seeks to obtain consultancy services or contracts for which the component of consultancy services represents more than 50% of the amount of the contract. In using this procurement method, the procuring entities should be identify and addressed to not less than three and not more than seven candidates selected by the public body.

Once the procuring entity receives the quotations, it should compare the proposals and select the one with the lowest price, ascertaining that the price offered is commensurate when compared to the market price. In the case of the request for quotation method, the lowest evaluated price is the only awarding criterion allowed on article 24 of the directive. (Ministry of Finance & Economic Development, 2010). No price negotiation is allowed and the price quoted by the interested supplier in their proposal cannot be changed.

- 3. Two stage Tendering;** According to public procurement manual and directive, A two-stage bidding method is used when the procurement process is split into two phases. The first phase identifies suitable candidates, who are then invited in the second phase to submit their firm bids. A public body may use the Two-Stage Bidding Method in the case of large or complex contracts of goods and related services and/or works and physical services, such as design, construction, installation of equipment and commissioning of a new factory, industrial plants or the procurement of major computer and communications systems or construction and commissioning of a public institution.

Under this method, Public bodies may engage in procurement by means of two-stage bidding:

- when it is not feasible for the public body to formulate detailed specifications for the goods or works and in the case of services, to identify their characteristics and, in order to obtain the most satisfactory solution to its procurement needs;

- when the public body seeks to enter into a contract for the purpose of research, experiment, study or development, except where the contract includes the production of goods in quantities sufficient to establish their commercial viability or to recover research and development costs;
- where bid proceedings are initiated but no bids are submitted as a result of the nature of the object of procurement not being clearly described or where all bids are rejected due to failure on the part of the public body concerned to draw up a clear and complete specification;
- because of the technical character of the required goods or works, or because of the nature of the consultancy or other services it is necessary for the public body to negotiate with the suppliers.

Based on proclamation the public body shall identify responsive bids by evaluating the proposals submitted by the bidders at the first stage of the bid proceeding against its requirements. The public body may without prejudice to their intellectual property rights at this stage hold discussion with the candidates on the content of their proposals. The public body may engage in negotiation with the first ranking bidder concerning any aspect of its bid, except price.

4. **Restricted Tendering;** The restricted bidding procedure is a two-stage procedure where bidders express their interest following publication of a procurement notice, but only those invited by the public body may submit bids after a screening process. According to public procurement manual, thus the restricted procedure consists of two distinct stages - selection of suitable bidders and evaluation of bids. At the first stage, the only criteria which may be used to select prospective bidders are economic and financial standing or technical knowledge or capability of carrying out a specific assignment. The restricted procedure works best where the public body is clear at the start of the process as to what it wants to procure, in terms of pricing and other award criteria.

A public body may undertake procurement by the Restricted Bidding Method:

- When goods and related services and works and physical services, because of their specialized nature, are available only from a limited number of suppliers or contractors.
- Where a repeated advertisement of the invitation to bid fails to attract bidders in respect of a procurement subject.
- When the cost of procurement does not exceed:-

- For procurement of works Birr 6,000,000.00;
- For procurement of goods Birr 1,500,000.00;
- For procurement of consultancy services Birr 900,000.00;
- For procurement of services Birr1, 200,000.00. (Public procurement, 2011)

4. Request for Quotation; Sometimes referred to as shopping, request for quotations method is used to buy items of low value. A public body may undertake procurement by means of a Request for Quotations in accordance with the requirements set out in Proclamation and Directive for the purchase of readily available, standard off the shelf goods or for procurement of works or services for which there is an established market, so long as the estimated value of such procurement shall not exceed the prescribed amount. A decision to use the Request for Quotation Method shall be approved in writing by the head of a public body, or an officer authorized by him/her.

There is a risk of abuse in procurement under Request for Quotations. The use of this method shall be restricted to cases when the justification for it cannot be disputed. Public bodies may not use Request for Quotations as a means to either by-pass more competitive methods of bidding or split large procurements into smaller ones solely to allow the use of Request for Quotations.

When the cost of procurement does not exceed:-

- * For procurement of works Birr 500,000.00;
- * For procurement of goods Birr 200,000.00;
- * For procurement of consultancy services Birr 120,000.00;
- * For procurement of services Birr 150,000.00. (Public procurement, 2011)

5. Direct Procurement; Direct procurement is used when absence of competitions for technical reasons the goods, works consultancy or other required services can be supplied or provided from only one source. A public body may use Direct Procurement Method for procuring goods and related services, works and physical services and intellectual and professional services directly from one single source without going through all the requirements of a full bidding process. However, this method shall under no circumstances be used as a means of avoiding competition or for favoring any one particular Bidder/Consultant or for creating any scope of discrimination among Bidders/Consultants.

The conditions for use of direct procurement may be summarized as: i) small value contract, ii) availability of only one single source, iii) extension of existing contract; iv) for compatibility reasons; v) and emergency situations.

Public bodies may carry out directly from any supplier, procurement of goods or services not included in their procurement plan, or goods or services necessary to solve problems encountered during travel the value of which doesn't exceed Birr 5,000. However, the total value of such small procurements within a fiscal year shall not exceed birr 75,000.00 (Public procurement, 2011)

To minimize corruption and ensure appropriate competition, the award of a public contract should be made only based on pre-disclosed criteria. It may be either the lowest price or a combination of the price with other criteria, such as the most advantageous or best value tender. Award criteria should be drafted in an objective way to ensure fair, impartial and non-discriminatory application. The weighting between criteria, and the manner of application for the criteria, must be set out in the tender documents, and non-price related criteria, such as time for delivery and extension of the minimum warranty period should be quantifiable, so that they can be assessed objectively and transparently.

2.1.8 Link between procurement process, Efficiency, Effectiveness and performance

(Knudsen, 1999) suggested that procurement performance starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity. According to (Van Weele, 2006) purchasing performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that purchasing performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function. (Lardenoije, 2005)Efficiency reflects that the organization is “doing things right” whereas effectiveness relates to the organization “doing the right thing”. This means an organization can be effective and fail to be efficient, the challenge being to balance between the two. For any organization to change its focus and become more competitive. (Baldry, 2002) suggest that performance is a key driver to improving quality of services while its absence or use of inappropriate means can

act as a barrier to change and may lead to deterioration of the purchasing function. Organizations which do not have performance means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover. Measuring the performance of the purchasing function yields benefits to organizations such as cost reduction, enhanced profitability, assured supplies, quality improvements and competitive advantage as was noted by (Versendaal, 2006)

2.1.9 Challenges in Public Procurement

Public procurement is an important function of government. However, there are a number of challenges on procurement practices.

According to (Economic Commission for Africa, 2017) World Bank notes that procurement practices, which were characterized by most analysts as dysfunctional and bankrupt, has left a legacy of broken systems, which policy-makers are to this day struggling to fix. These dysfunctional practices include superficial political commitment to enforce the law; weak managerial and technical capacity to implement the system strategically, False perception of the procurement function as an administrative task at all levels of the procurement function rather than a tool for attainment of developmental goals; lack of integration of the function into other key systems in government, in particular budget and financial management; lack of a culture of compliance and disregard for appropriate controls; Indifferent and disillusioned civil society in overseeing the integrity of operations or in demanding increased government accountability for results; and Resistance to change from stakeholders that benefit from the present status quo.

In addition to these the public procurement is faced with a number of challenges such as:

Corruption: One of the major factors that affect quality of products procured in the public sector is corruption. (Rahman, 2018) on his overview of corruption and anti-corruption in Ethiopia, indicated that Corruption in the country ranges from petty to grand, and acts as an impediment to its development and further exacerbating poverty. Lack of accountability and transparency, low levels of democratic culture and tradition, lack of citizen participation, lack of clear regulations and authorization, low level of institutional control, absence of punishment, and centralization of authority and resources are some of the factors that contribute to corruption thriving in the country. According to the Executive Opinion Survey of the (World Economic Forum, 2005)

public procurement is also a major economic activity of the government where corruption has a potential high impact on taxpayers' money. Public procurement is particularly susceptible to corruption because of the vast sums of money governments spend on such projects, the relatively high degree of discretion public officials and politicians typically have in such matters in comparison with other areas of public expenditure, and the difficulty in detecting and investigating cases of corruption.

2.2 Empirical Literature Review

This section reviews similar empirical studies to support this study by comparing with basic findings of the former studies.

A thesis on procurement practices and challenges in Ethiopia by (Belachew, 2018) explain that the most significant problems that delays the procurement processes are regulatory caused by long and strictest government rules and process that detracts the efficient service delivery. The public procurement legal framework gives excess control and authority to the public Procurement and Property Administration agency. This is a problem for public entities staff who find it difficult to execute their duties because of the long bureaucracy and inefficiency experienced at the Public Procurement and Property Administration Agency. This is at the expense of service delivery. There is also a gap on appropriate time procurement plan, low contract management, a problem in preparing clarified and complete specifications and low documentation (Roman, 2017). (Anteneh, 2015) also indicate that more project works are being affected due to the lack of effective procurement process, which is the main cause of insufficient service delivery in all public sectors. Besides market environments, (Asfaw, 2017), point out that absence of market research department that supports the users in preparing procurement requisitions in price and technical data as procurement challenges. There is also limited capacity in conducting needs assessment, limited capacity in contract management, limited interest to participate in open bidding by most suppliers/contractors and limited capacity of supplier to deliver as per contract and inadequate availability of foreign currency (Worku, 2017). The finding of the study by (Getnet and Tilahun, 2014) on procurement reform in Ethiopia indicated that familiarity with public procurement rules and regulations, transparency in public procurement processes, accountability in public procurement, ethics in public procurement and efficiency in public procurement have an association with effective public procurement implementation.

A senior essay prepared by (Walelgne, 2006) presents a list of problems which badly influence the company's purchasing performance. The major challenges are continuous price fluctuations in the supply market, shortage of raw materials, poor quality purchases, delayed purchases and unreliable suppliers. The research findings shows that the absence of permanent suppliers is related to unreliable source of supply, which is bringing poor quality purchases, the existence of weak relationship between purchasing and other departments together with unskilled purchasing staff is delaying the purchasing process, the least price selection criteria the company is currently using are bringing poor quality materials.

(Morong, 2018) conducted a study to assess factors affecting procurement practices in the ministries of Kenya. The study find out that the staff competency, ICT, quality management systems and top management support played a significant role on the procurement practices.

(Enock, 2015) on environmental Factors Affecting Procurement Performance, it is apparent that market environment, political environment, legal environment and socioeconomic environment have an impact on procurement performance. Under market environment, maximization of competition, accomplishment of socioeconomic objectives and fulfillment of government needs are the market components influencing procurement performance. Concerning the legal environment, aspects of contracts, personnel regulations, research and development regulations, manufacturing regulations and finance regulations are the aspects that affect procurement performance.

2.2.1 Literature gap

In conclusion many researchers have agreed that procurement function is very important to any organization; procurement function have become a business success, all developed and developing countries spend much in the provision of goods and services that are needed to deliver public policy and business objectives. Good public procurement outcome is dependent on accurate implementation of procurement principles, methods and proper understanding of these by the public procurement practitioners. Different researchers have tried to address some of the problems of public procurement in some public organizations in the country. These include: procurement practices and challenges in Ethiopia by (Belachew, 2018) public procurement practices and challenges in Ethiopia, evidence from selected public organizations by (Roman, 2017), analysis of international procurement practices and challenges by (Asfaw,

2017) at Addis Ababa University, procurement planning and implementation effectiveness in Ethiopia by (Anteneh, 2015); and the other studies by (Getnet and Tilahun, 2014).

The results are relatively different mainly depending on the sector under consideration. The factors affect procurement in the public sectors; the practices/ implementation of the legal frameworks (law, proclamation, manual) of public procurement light of Finance and Economic development office have not been assessed. Therefore, this study will analyze factors affecting the public procurement practice for the case of selected finance and development offices in South West Shoa zone. To this effect, this research fill the gap by examining factors affecting public procurement practice such as impacts of budget allocation on procurement practice, staff competence on procurement practices, impact legal framework on procurement practices, and effect of economic/market condition on procurement practices. The study is expected to come up with possible recommendations that can improve the procurement process and its implementation.

2.3 Conceptual framework of the study

The conceptual parts discussed practical elements and challenges of public procurement practices. In conducting the study, a conceptual framework was developed to show the relationship between procurement practices and its indicators.

2.3.1 Budgeting Allocation

Budget is considered as the life-blood of the government, the financial reflection of what the government does or intends to do. The budgetary system and the public budget process have impacts on the way government operates. Thus, the cornerstone of developing financial systems in countries starts with the development of the public budget. Also the public budget contributes to human development, economic growth, and governing. (Albassam, 2015)

It is a key management tool for planning and controlling a department within an organization. Budget Process is a powerful tool in Public finance management for allocating scarce resources to different programs of the State. (Ali, 2013) During budget preparation, the process begins with an individual project's forecast of activities to be undertaken during the year, targets, milestones and timelines for specific deliverables by designated officers. The annual work plan forms the basis of the budget estimates after a rationalization process that, among others determines which expenditure constitutes recurrent or development expenditure where the bulk

of project funding lies. (Keng'ara, 2014) A budget is a key management tool for planning, monitoring, and controlling the finances of a project or organization. It is estimated the income and expenditures for a set period of time for your project or organization. (Dereje, 2018)

2.3.2 Budgeting and the Budget process

Budgeting is the process of preparing, compiling and monitoring financial budgets. It is a key management tool for planning and controlling a department within an organization. Although woredas are elected bodies, have legal personality, contract in their own name, and maintain their own budgets and accounts, fiscally they are decentralized units of the regional government. According to (Report, June 2015) The Oromia budget, monthly accounts, and annual accounts consolidate all their revenues and expenditures from the Integrated Budget and Expenditures (IBEX) computer system, which produces monthly reports on each of the budgetary institutions (BIs). Zonal offices and woredas use stand-alone Integrated Budget and Expenditures (IBEX) systems and submit monthly summaries of their transactions to Bureau of Finance and Economic Development. Payments are made by each connected budgetary institutions on a zero-balance bank account that is reimbursed at the end of each day from the Oromia Treasury. Revenue bank accounts are used by the Oromia Revenue Authority and revenue-receiving budgetary institutions: these are also cleared daily to the Oromia Treasury. Payroll and procurement operations are decentralized to the budgetary institutions, and they have their own internal audit units. All are tightly supervised by Bureau of Finance and Economic Development.

Based on their action plans, budgets are disbursed to the different sector bureaus, rural woredas, and urban administrations on a monthly basis. Monthly reports on expenditure are sent to Bureau of Finance and Economic Development. Block grants are made by Bureau of Finance and Economic Development to the woredas monthly in accordance with the approved budget, which is prepared according to a revenue-sharing and block-allocation formula based on principles of equity and encouragement of competition. The purpose of the block grant formula is to ensure that every citizen has equal access to basic services, such as health, education, clean water, agricultural development and roads. It aims to equalize the revenue of regions, based on a calculation of the revenue-raising capacity and expenditure needs per capita. The formula is based on: (1) population; (2) resources needed to provide all people of the region with the basic services; and (3) an estimate of the revenue potential of the region. (Report, June 2015)

Delay of fund from central government and other sources, Inadequate allocation of funds during budgeting compared to actual requirements (insufficient) budget, budget reviewing, this are factors are main factors that affect implementation of annual procurement. (Lema, 2013)

According to (USAID, 2013) access to funds for executing procurement was the most prevalent bottleneck identified. Digging deeper to identify the root causes revealed that transparency of the budgeting and funding processes and communication hindered access to funds, while donor coordination delayed funds availability.

Failure to conveniently employ available resource or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated public activities, and failure to attract and retain experienced and skilled personnel in the procurement positions, thus affecting the function's performance (Farmer, 2000).

According to (Dassa, 2017) once the budget is approved and appropriated by the legislative bodies Ministry of finance and Economic Development/ Bureau of Finance and Economic Development (MOFED/BIFED) Prepares the budget allocation guideline and the notification to public bodies and their budget institution of the source of finance and line item of expenditure for the disbursement of the approved budget. According to (Abebe, 2017) more than 60% of the total public expenditure has been spent through public procurement in a year. Late approval of the budget prevents government entities from initiating procurement processes at the start of the financial year based on the approved budget, especially where special warrants or pro forma rules rather than systematic cash plans prepared by spending agencies are used to release funds (Blogmaster, 2012).

2.3.3 Staff Competence in Procurement

Competency refers to applied knowledge and skills, performance delivery and behavior required to get things done very well. (Armstrong, 1995). Procurement function that's carried out professionally is crucial for any service on the value for money principle. (Berger, 2007)

Strategic plans should include information on the acquisition, development, use and reward of human assets. Plans need to take into account the current state of development of the procurement function and the strategic direction in which its state might change. Multi-skilling provides employees with a variety of skills and should be developed extensively. Training is

beneficial and generates more than the equivalent cost in payback. To further the goals of value based management, all employees need broad and continuous education and training. Education, training and professional development should be skill, process oriented and continuous (Abebe, 2017). (Leenders, 2002) Noted that the large number of items, huge monetary volume involved, need for an audit trail, severe consequences of poor performance, and the potential contribution to effective organizational operations associated with the procurement function are five major reasons for developing a sound, professionally managed procurement system. They further argue that qualifications are crucial for value-based management which requires employees to assess and improve processes while contributing to team performance. In addition, qualifications enhance staff ability to perform, enabling them to make better decisions, work as a team, and adapt to change, while increasing efficiency, quality, productivity and job satisfaction. Training is often for improving immediate work while education develops people for the long term. To enable individuals to create value consistently, both education and training are needed. (Cousin, 2013), stressed that with the ever increasing popularity of purchasing partnership philosophy, organizations must take a closer look at the educational levels of procurement staff. With procurement's perceived movement from a clerical service to a strategic business function, the caliber of staff in terms of training, education and skills must increase to fulfill its strategic potential. To improve and contribute to the productivity of organizations, there's need for human resource extensive external training (Appiah, 2010)

Many procuring organizations do not have staff with the right competence critical to good procurement process. There is need for authorities to give much greater emphasis to developing such competence and to adopt best practice more widely (Andargie, 2018). (Muturi, 2015) Found that the key contributors to staff competence included training of new employees in the procurement departments, enhancement of team work of procurement staff, acquaintance with the procurement law by the procurement team and employments of qualified and competent personnel in the procurement departments among others.

Training is the process of identifying and developing the necessary knowledge and skills - required for doing a job. Training is learning provided in order to improve performance on the present job. Lack of training on application of sustainable procurement strategies hinders implementation of effective procurement practices in many government training institutions. (Njeru, 2015)

This study concurs with their findings pertaining to the significance of staff competency in enhancing procurement practices in public institutions.

2.3.4 Legal framework implementation

A legal framework encompasses the laws, regulations and policies that are put in place to govern an organization or an activity. The public procurement legal framework clearly covers the whole scope of public procurement, all stages of the procurement process, methods of procurement, ethics and transparency. Procurement laws and rules lead to procurement efficiency or inefficiency depending on the type of government and environment within which the system is operated (Morong, 2018). According to (MARDALE, 2016) Creating the legal framework of activities of public procurement and supporting the institutional framework and resources needed to complete the public procurement processes are also attributions of macro-managerial level structures. Public procurement in our country is governed by legal instruments such as (Proclamation No 646, 2009), public procurement directive and public procurement manual. Other relevant legislation, regulations, and standards include Oromia Regional Government and Bureau of Oromia Finance and Economic Development manual.

According to (American Bar Association, 2000) a sound public procurement system needs to have good procurement laws and regulations. In practice and theory, public procurement laws and rules have been considered as one of the most important pillars of a sound procurement system (Thai, 2008).

Procurement laws and rules lead to procurement efficiency or inefficiency depending on the type of government and environment within which the system is operated. (Awino, 2014). Corruption among government procurement officials in developing countries has been linked to a weak enforcement of the rule of law (Raymond, 2008)

Poor procurement processes are usually associated with huge losses to the economy. According to (Yigremew, 2015) twenty officials of Oromia Water Work's Construction Enterprise were arrested by police and punished by the court, with the allegations of corruption that are related with machinery rent and resource wastage of different projects. Recently, Metal & Engineering Corporation, the biggest employer in the country, has frequently received contracts without a bidding process including the construction of sugar projects (Fana Broad Casting Corporation, January 14, 2019).

Public entities might choose to implement ineffective compliance systems if legal violations may be profitable in cases where the legal system under-enforces, either because penalties are set too low or because detection is imperfect or ineffective. (Kagan, 2005) argue that the threat of legal sanctions is essential to regulatory compliance and that enforcement action has a cumulative effect on the consciousness of regulated organizations, and it reminds public enterprises and individuals that violators will be punished and to check their own compliance programs.

2.3.5 Economic Condition

Economic conditions refer to the present state of the economy in a country or region. Such conditions may include inflation, purchasing power of money, foreign exchange rate etc. It remains challenging for many commodity exporters, underscoring the vulnerabilities faced by countries that are overly reliant on natural resources (United Nations, 2019). According to (Thai, 2008) Economic or market conditions have a great influence over the public procurement system's effort to maximize competition. Moreover, economic condition determines whether or not socioeconomic objectives of procurement are accomplished: whether or not a governmental entity can fulfill its needs; the timeliness of fulfillment; and the quality and cost of purchased goods, services, and capital assets.

According to (Belachew, 2018) Market conditions have a great influence on public procurement practitioners' effort to maximize competition. Moreover, the market determines whether or not socio-economic objectives of procurement are accomplished, whether or not a governmental entity can fulfill its needs; the timeliness of fulfillment; and the quality and costs of purchased goods, services and capital assets.

Relationship of independents and dependent variables

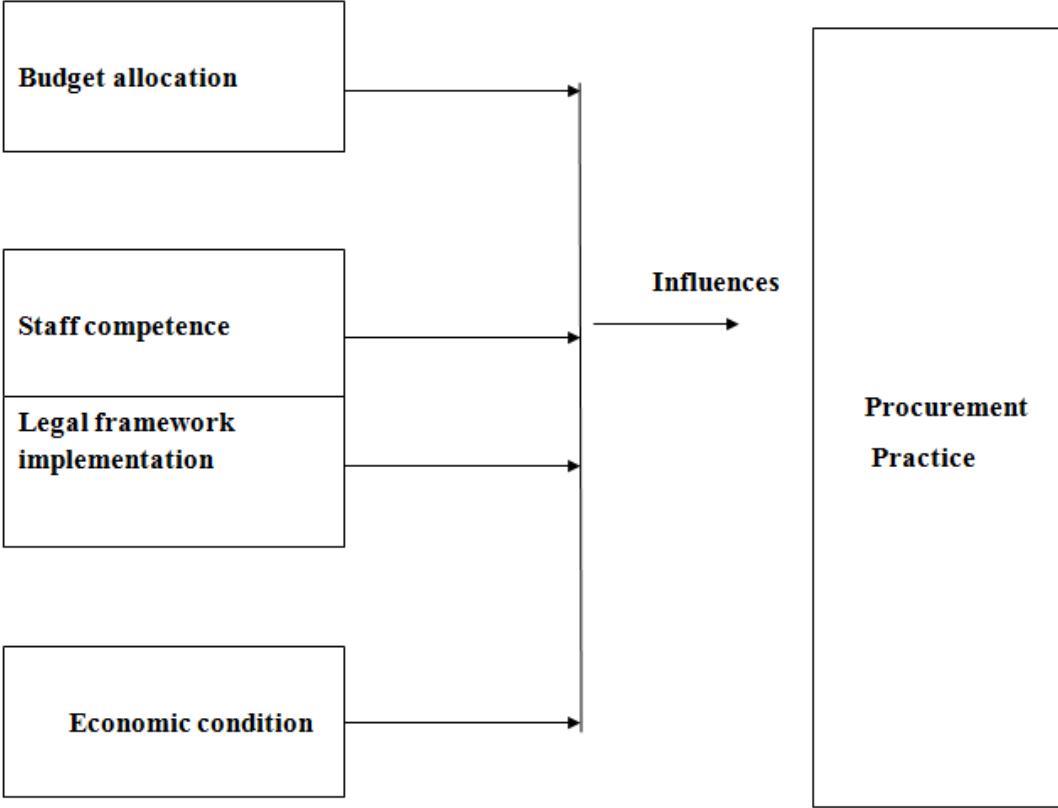


Figure 2.1: Relationship of independents and dependent variables

Source: Own source from literature review, 2020

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology used in carrying out the study by describing research design, population of the study, sample size, sampling technique, data type & source, instrument of data collection, procedure of data collection, method of data analysis Validity and reliability of data collection instruments & Ethical considerations to be applied.

3.2 Research Design and approach

As known research design constitutes the blue print for the collection, measurement and analysis of data. (Kothari, 2004) In order to identify factors affecting efficiency of public procurement practice the researcher used descriptive research design. The descriptive method was chosen for its suitability to reveal the current practices in the selected public organizations because it involved collecting data in order to answer questions on the current status of the subjects of the study.

In this particular research both qualitative and quantitative research approaches have been used in combination to enumerate the data analyzed.

3.3 Target Population and Sample size

The target population consisted from the total population of twelve Finance and economic development offices of each woreda's in the south west shoa zone and one zonal office.

Table 1: Target Population

S. N	Finance and economic development offices of	Total staff of each office	Sample taken
1	South west shoa zone office	30	18
2	Woliso town	22	13
3	Wolisso woreda	22	13
4	Wanchi Woreda	21	12
5	Goro Woreda	20	12
6	Ameya Woreda	22	13

7	Saden Sodo Woreda	20	12
8	Kersa Malima Woreda	18	11
9	Ilu woreda	20	12
10	Becho Woreda	20	12
11	Tole woreda	17	10
12	Dawo Woreda	17	11
13	Sodo Dachii woreda	18	11
	Total	267	160

Source: survey result 2020

The target population 267 was large given that the staffs are scattered over a wide geographical area. This prompted the researcher to calculate a reasonable sample size to allow for economic data collection. To determine the sample size, n , for the target population N , the study adopted a simplified formula by (Yamane, 1967) as shown below.

$$n = \frac{N}{1 + N(e)^2}$$

Where;

n = optimum sample size,

N = number of staff in each Woreda's Finance and Economic development offices

e = probability of error (i.e., the desired precision, e.g., 0.05 for 95% confidence level).

From the target population of 267; implying n was 160 as derived below:

$$\frac{267}{1+267(0.05)^2} = 160.11$$

$$n \approx 160$$

Questionnaires were distributed for those 160 staff in Finance and Economic development offices through personal contact and mailed based questionnaires.

3.4 Sampling technique

This study used non probability of purposive sampling. The reasons behind for selecting such techniques were the population under study was heterogeneous; all does not participate on procurement practice. With the stated sample size on the above, it focused on procurement section those directly participate on procurement and or from other section such as planning and budgeting section, Account section, auditing section and other sections those indirectly have relationship with the procurement practice.

3.5 Method of Data Analysis and Interpretation

To conduct this research both qualitative and quantitative data was collected, and analyzed according to its type. Percentage, Mean and standard deviations are calculated to show the participant response and regression as well as correlation used to assess impacts and relationship of variables on procurement practices.

The first step towards this process was data editing. A thorough data cleaning is undertaken. This helps to save time in the final analysis of data from the field. After editing data, the latter will be coded for easier classification and writing of the final report. After coding and classifying data, the researcher tabulates the results of the findings for the purposes of comparison and counter-checking the related information for more realistic reporting. Graphs, charts, frequency distribution tables, and percentages were used to present the information. Qualitative data was analyzed using STATA software and findings presented systematically. Then finally interpretations were made based on statistical findings. After the data is analyzed, the data was interpreted clearly and unbiased of result and appropriate recommendations are made.

3.6 Data collection methods

To gather relevant, accurate, sufficient, and reliable information pertaining to factors affecting efficiency of public procurement practice, data were collected using questionnaire and interview. The questionnaire was chosen because it incorporates many questions and various items and involves many respondents that will enhance the possibility of gathering enough data that suffice the analysis, interpretation and conclusions based on the responses given by respondents. Data was also collected through interview to validate the information obtained through questionnaire. The questionnaires has both closed and open-ended questions. This questionnaire designed in this study comprised of two sections. The first part included the demographic characteristics of the respondent. The second part is all related to procurement practice. Interview also provided

for head of different sections such as planning and budget section, procurement section, internal audit sections.

Likert scales are proper and widely used in opinion measurement with scale ranging. The levels of response are:

Strongly Agree =5, Agree =4, Satisfactory =3, Disagree =2 and Strongly Disagree =1

3.7 Validity and reliability of data collection instruments

3.7.1 Validity

Regarding to validity, validation of questionnaires item was carried out through initial consultation of experts to judge the research instrument. The researcher was use construct validity, because of more accurate and meaningful results and extent to which a measure adequate represents. To increase the validity of the data collected using questionnaires the researcher look for un-structured interview based on the objectives of the research.

3.7.2 Reliability

Table 2 Reliability statistics of the instrument

```
. alpha budga stac econ lefim in 1/100, asis item min(1) std
```

Test scale = mean(standardized items)

Item	Obs	Sign	item-test correlation	item-rest correlation	average interitem correlation	alpha
budga	100	+	0.9192	0.8503	0.6658	0.8566
stac	100	+	0.7489	0.5751	0.8664	0.9511
econ	100	+	0.9184	0.8489	0.6667	0.8572
lefim	100	+	0.9479	0.9019	0.6319	0.8374
Test scale					0.7077	0.9064

To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used (Mugenda, 2008) . Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization (Zinbarg, 2005). An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg2005). As shown in above table, the overall Cronbach’s alphas

coefficients for expected scale item are 0.90. Therefore, the expected scales used in this study demonstrate high reliability.

3.8 Ethical Consideration of the study

Ethical Considerations can be specified as one of the most important parts of the research.

Therefore, the researcher was following ethically and morally acceptable processes throughout the research. respect for the dignity of research participants prioritized. Full consent obtained from the participants prior to the study. To confirm ethical issues, respondents were informed about the purpose of study, not to mention their name in responding questions and to get the response result or the copy of study, to answer the questions fully or partially. Therefore, confidentiality of personal data is kept accordingly.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter explains and discusses the results and findings from the data collected through questionnaires and interview. The results of the study presents an analysis of the information designed to respond to the research objectives as outlined in the study.

4.2. Response rate

The total population of the study was 267, out of this sample of 160 was taken and 160 questionnaires disseminated. From 160 questionnaires disseminate 149 returned and taken for analysis, which is 93% of response rate.

4.3 Demographic Descriptions

The purpose of this section is to present profile and background of the respondents in the study. In view of this the respondents were asked to state their sex, age, educational level, qualification and work experience.

4.3.1 Gender of respondents

Table 2 shows that majority of the respondents were male comprising 84.6 percent while females were 15.4. Though the ratio of the respondents is not proportional and varied, both participated in the survey.

Table 3: Gender of respondents

Sex	Freq.	Percent	Cum.
Female	23	15.44	15.44
Male	126	84.56	100.00
Total	149	100.00	

Sorce: survey result (2020)

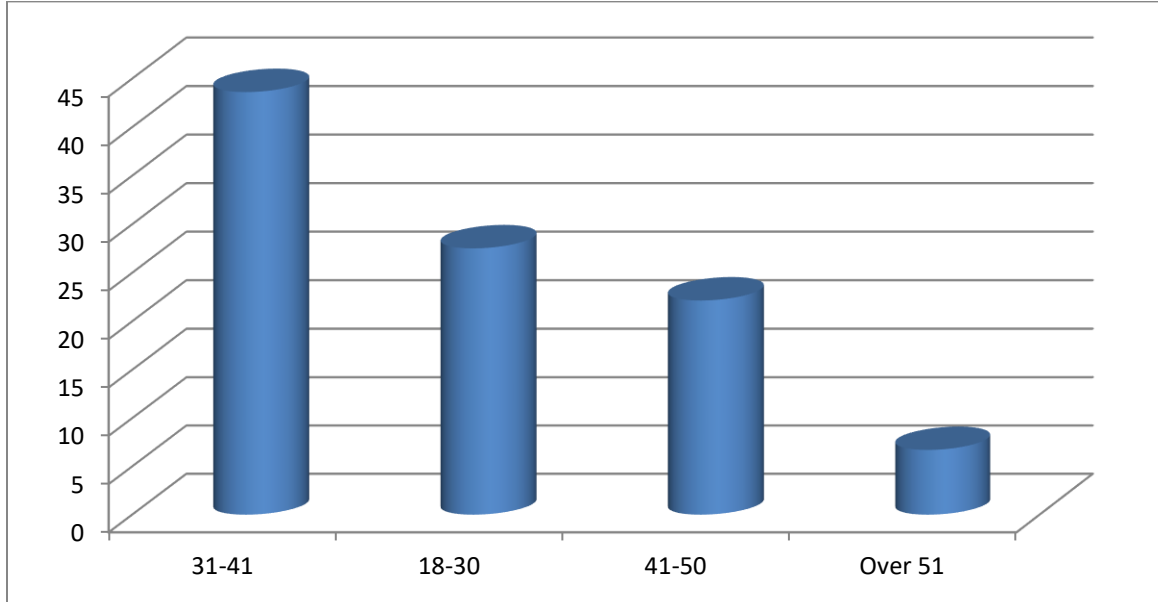
This indicate that there are high number of male than female in Finance and economic development offices of south west shoa zone.

4.3.2 Respondent's age

Figure 4.1 shows that respondents in the age 31-40 years with 43.62 which is highest group,18-30 comprised 27.52 group percent next and those age group of 41-50 with 22.15 percent and the

age group above 51 years with 6.71 are in Finance and economic development offices of south west shoa zone.

Figure 4.1: Age of respondents



Sorce: survey result (2020)

This indicate that majority of the employees age group from 31-41. Most of the time this age groups productive man power those easily perform certain jobs.

4.3.3 Respondents' Educational Level

It is necessary to consider the education level of the respondents. Accordingly, the respondents were asked to respond to their educational level. Table 3 shows as follows

Table 4: Respondents' Educational Level

Educational level	Freq.	Percent	Cum.
First Degree	98	65.77	65.77
Masters and above	36	24.16	89.93
TVET/Diploma	15	10.07	100.00
Total	149	100.00	

Sorce: survey result (2020)

As summarized in the table, the respondents' educational levels were TVET/Diploma, Degree, and Masters & above with the respective proportion of 10.07%, 65.77% and 24.16% (Table 4). This is an indication that the respondents are also at adequate education level to understand the concept of public procurement.

4.3.4 Respondents' Qualifications/Profession

The educational qualification of respondents has an impact on the responses to different issues. As a result, respondents were asked to indicate their academic qualification in the questionnaires.

The survey result indicates on table 4 as follows:

Table 5: Respondents' Qualifications/profession

Qualification	Freq.	Percent	Cum.
Accounting	68	45.64	45.64
Economics	19	12.75	58.39
Management	40	26.85	85.23
Others	1	0.67	85.91
Purchasing	21	14.09	100.00
Total	149	100.00	

Sorce: survey result (2020)

The above table shows that 45.6% were qualified with Accounting, 26.9% of them are qualified with management where as 12.8% are qualified with Economics and only 14.1% are qualified with purchasing where 0.7% are from other department. This indicates that most of the staff on procurement practice is not qualified to procurement.

4.4 Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are percentages, means, standard deviations, min and max. The main purpose of using this statistical parameter is to interpret the average response rate of each respondent for their independent opinion on the Factors affecting procurement practice on south west shoa's Finance and Economic development offices. In order to measure public procurement practice, questions on each and every independent variable (budget allocation, staff competence, legal frame work implementation and economic condition) were derived in the questionnaire. These results are presented on the table below:

Table 6: Summary result of descriptive analysis

. summarize budga stac lefim econc

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>budga</i>	149	2.969799	.6259538	1.25	4.5
<i>stac</i>	149	2.501678	.7972168	1	4
<i>lefim</i>	149	2.878076	.7250947	1.333333	4.333333
<i>econc</i>	149	3.721477	.4841493	1	4.5

The number of observation used is 149 and there is no number of missing values for these variables. All of the observations have recorded. The mean of each variables indicate that the range of 1 to 5 (the mean and max), so the mean is actually the proportion of observation coded that is Likert scale which from strongly disagree to strongly agree.

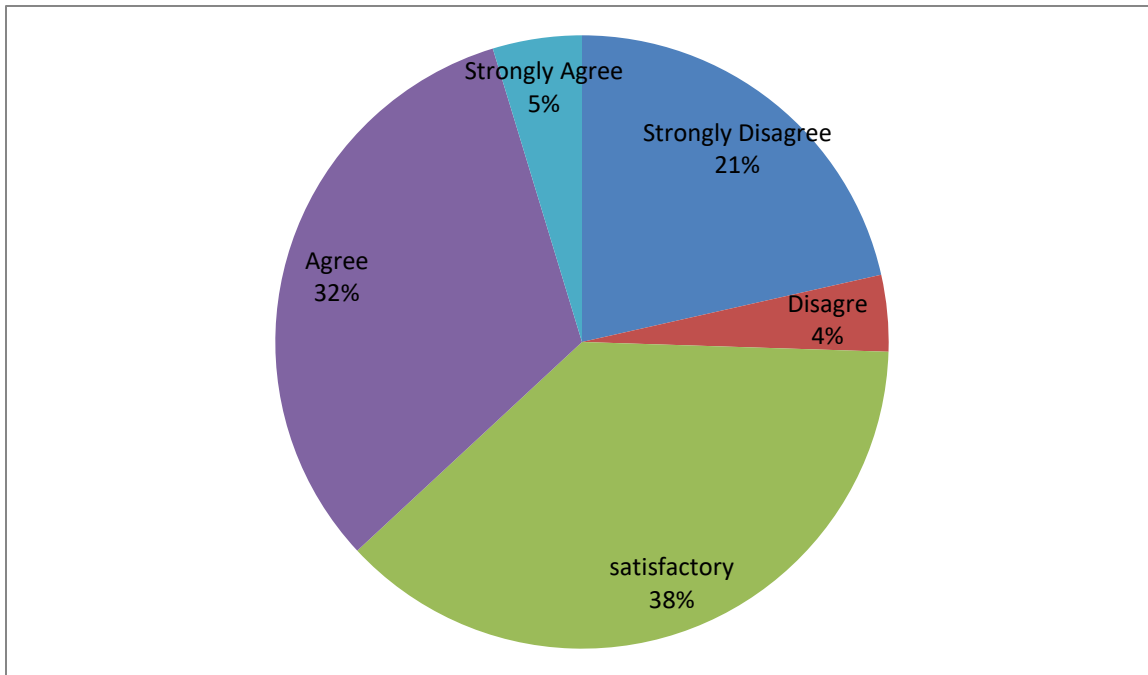
4.4.1 Survey results on budget allocation aspect

Budget is considered as the life-blood of the government, the financial reflection of what the government does or intends to do. (Albassam, 2015)

Late approval of the budget prevents government entities from initiating procurement processes at the start of the financial year based on the approved budget, especially where special warrants or pro forma rules rather than systematic cash plans prepared by spending agencies are used to release funds (Blogmaster, 2012).

As indicated on the following figure, for the question that allocation of budget for procurement is on timely basis, most of the respondents (37.58%) replied satisfactory and 36.97% of respondents agree for on the time of budget allocation.

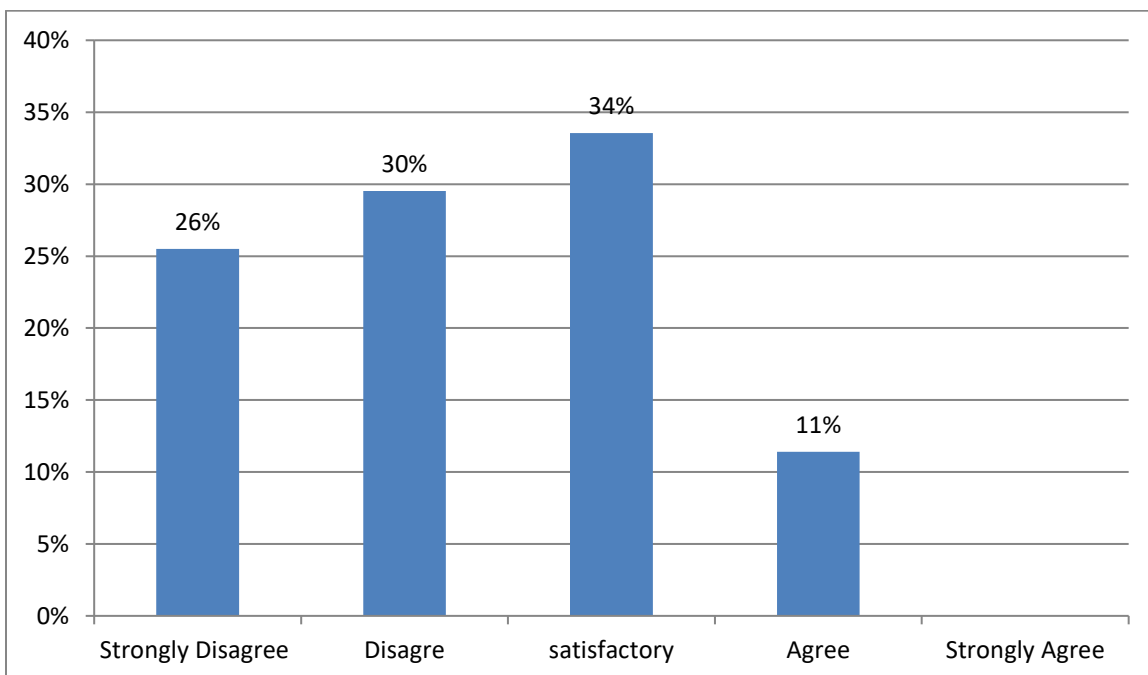
Figure 4.2: On time budget allocation



Sorce: survey result (2020)

Respondents were asked on the part of sufficient of allocated budget to achieve its objective, The following graph indicated it simultaneously.

Figure 4.3: Sufficiency of allocated budget

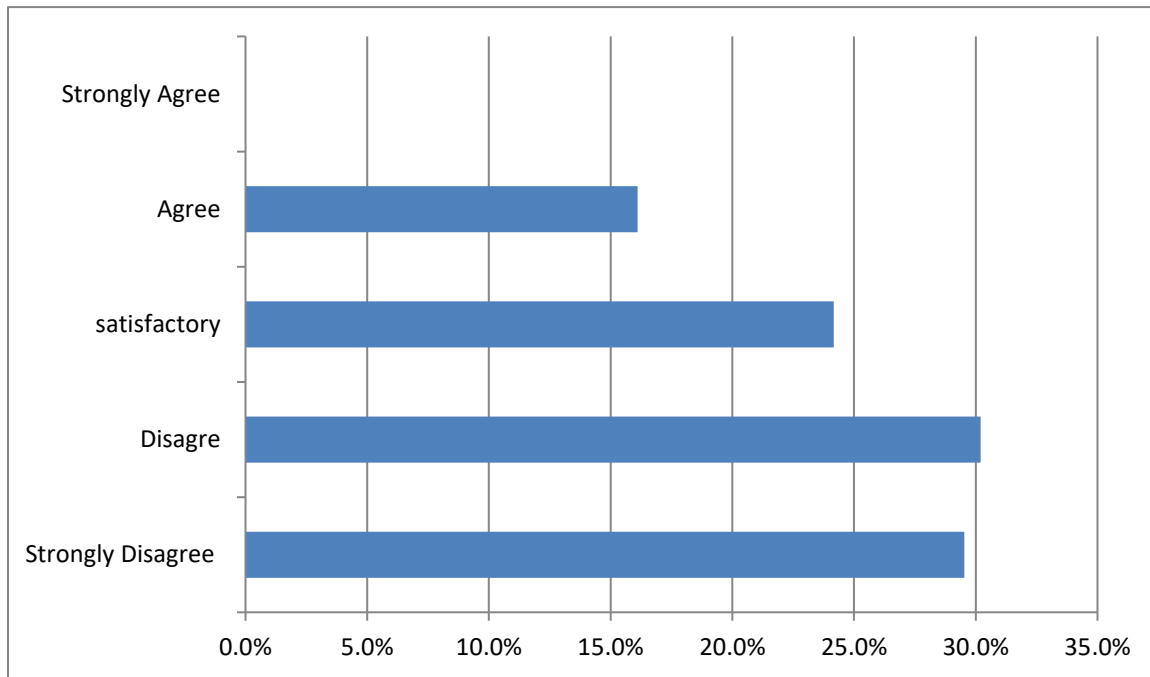


Source: survey result (2020)

For sufficient budget allocation to achieve its objective, most of them responded disagree 56% (with 26% strongly disagree and 30% disagree), 33% of them answered satisfactory and only 11% agree.

For the statement that Allocated budget usually consider inflation/market condition, the respondents responded indicated as follows.

Figure 4.4: Budget consider inflation/market condition



Source: survey result (2020)

Most of the respondents (60%) replied that allocated budget usually not consider inflation. Whereas 24% of them satisfied with allocation of budget and only 16% agree that budget consider inflation or market condition.

The summary result of the above indicated in the table below.

Table 7: Impact of allocation budget

	Observation	Mean	Std. Dev.	Min	Max
Allocation of budget for procurement is on timely basis	149	2.94	1.18	1	5
Allocated budget for procurement is always sufficient to achieve its objective	149	2.30	0.97	1	4
Allocated budget usually consider inflation/market condition	149	2.26	1.05	1	4

Sorce: survey result (2020)

As shown in the above table under budget allocation variables, for the statement of on time allocation the mean value of 2.9 and standard deviation 1.2 indicates to satisfactory. For the statement of sufficient allocated budget to achieve its objective, the mean 2.3 of respondents indicate disagree with the lowest standard deviation of 0.9 which shows low deviation from other respondents. For allocation budget usually consider inflation/ market condition, the mean of 2.3 and Std. Dev. 1.1 indicates disagree. This shows that budget allocation variables has a factors for procurement practice and except for the statements of on time allocation of budget most of the respondent are also respond frequently in average mean of 2.29 which indicates disagree in Likert scale. However the statement of allocation of budget for procurement is on timely bases score a mean of 2.9 which indicates that the respondent respond satisfactory.

For the purpose of budget consider change in economic condition the researcher sought that whether there were on time budget review, explanation of variance regularly and for the approval of budget usage for the variance on time, the mean value of respondents 2.4, 2.1 and 2.3 with the standard deviation of 0.9, 0.9 and 1 respectively. This implies that there is delay of on time budget review, the variance analysis is also not on regular bases and the approval for the usage of budget variance is not on time.

In general the result indicated low mean values are allocated budget for procurement is always not sufficient to achieve its objective and thus allocated budget usually not consider inflation/market condition. Which is also agreed with the interview result from planning and budget department head confirm that due to scare resource most of the time the allocated budget

may not fill the gap of procurement required? To use the allocated scarce resource effectively economic condition mitigate towards meeting its objectives.

From this, it can be conclude that there is insufficient budget allocation and the allocated budget doesn't consider the market condition. As it is essential to use scarce resources efficiently and effectively, if failing to sufficient allocation of budget with the consideration of economic condition it becomes difficult to operate accordingly. If the allocated budget is too small with procurement plan, it holds back the procurement practices. As procurement holds back it affects the delivery of overall quality services. The study of (Farmer, 2000) also suggest that failure to conveniently employ available resource or delayed implementation of recommended performance standards has resulted in unnecessarily high operation costs, uncoordinated public activities, and failure to attract and retain experienced and skilled personnel in the procurement positions.

4.4.2 Survey result on staff competence aspect

Having strong and critical work-related competencies are deemed important among professional employees in an organization. Developing professional competencies is a critical activity in an organization in order to achieve excellent competitive advantage. Improvement of employee competencies has also been found to produce significant organizational performance, namely organizational profits, productivity, increase in employee engagement as well as career development. (Fadilah, et al., 2016)

The staff ought to be equipped with the necessary skills for enhanced performance. If the staffs lack core competences professionally, they will not be able to address customer needs appropriately hence a low service level to the customers and procurement function will not be effective in response to the needs of the stakeholders in the supply chain (Morong, 2018).

The study sought to establish the influence of staff competency on procurement practices. Respondents were thus asked to indicate the extent to which they agreed with various statements relating to staff competency and its influence on procurement practices.

Table 8: Variables of staff competency and its influence on procurement practices

Statements	Frequency					Mean	Std. Dev	Min	Max
	SD	D	S	A	SA				
The sector assign staff based on their skills	25.5%	23.5%	40.3%	8.7%	2%	2.38	1.02	1	5
Procurement staff has standard understanding on procurement practice	14.1%	18.8%	49.7%	14.7%	2.7%	2.73	0.97	1	5
There is enough skilled man power in your section	19.5%	38.3%	28.2%	12.9%	2%	2.38	0.99	1	5
Training given for you to upgrades procurement skill	22.8%	15.4%	37.6%	24.2%		2.63	1.08	1	4
All procurement personnel's are professional and well experienced for their assigned work	27.5%	32.9%	27.5%	10.1%	2%	2.26	1.03	1	5

Sorce: survey result (2020)

Regarding to staff competency factors the participants were asked to show their level of agreement whether staff competency factors are affecting procurement practice of Finance and Economic development offices or not. As indicated on the above table, For the question that the sector assign staff based on their skills majority of the participants (49%) were disagree, 40.27% of them replied satisfactory and the rest 10.7% were agree. With score a mean of 2.38 which indicates that the respondent respond disagree on this statement.

The second indicator was the extent of procurement staff has standard understanding on procurement practice currently in Finance and economic development offices of south west shoa zone. The respondents had varying responses on the subject with 14.1% saying strongly disagree, 18.8% saying disagrees, 49.7% said satisfactory, 14.7% agree and 2.7% saying strongly agree extent with the mean value 2.73% indicate satisfactory level. The result has the lowest deviation which has 0.97standard deviation.

The third performance indicator was designed to measure the existence of enough skilled man power in the section, 57.8% of respondents replied strongly disagree/disagree, 28.2% satisfactory and 14.9% of them agree. The mean and standard deviation result indicate 2.38 and 0.99 respectively. For the training given to upgrades procurement skill idea forwarded for the respondents, 38% of them not agree, 37% of them satisfactory level where as 25% are responded as agree. The mean and standard deviation for this indicator is 2.63 and 1.08 respectively. Which leads to more of the participants were on disagree level for the training given for the purpose of upgrade skill of procurement staff. For the question to identify that all procurement personnel's are professional and well experienced for their assigned work, 60% of them disagree, where 28% are as satisfactory and the 12% are agree. In addition to these under demography part of the respondents only 14.09% of the respondents have direct profession with procurement practices.

Based on respondent rate of respond obtained from procurement staff, the summarized result of five performance indicators of staff competence of the above indicator, the average mean and standard deviation were 2.47 and 1.02 respectively. From this it can be conclude that Finance and economic development offices of south west shoa zone is performing in low level on staff competence. Even though procurement staff has standard understanding on procurement practice but there is a gap on assigning staff based on their skills. The number of employees and their competency is not as such adequate. Furthermore the procurement personnel's professions are not direct to the position they assigned.

For best performance of procurement practice building staff competence is better. Person who is trained and experienced devoted to their field and is capable of doing any specific work efficiently. Proper education, certain skills, and the right experience of staff improve the performance of the organization. Lack of professionalism towards procurement is a risk because it may destroy the firm's relationship with other immediate stakeholders such as customers, the production department and suppliers, to mention a few (Saruchera, 2015).

In addition (Morong, 2018) suggest that the staff ought to be equipped with the necessary skills for enhanced performance. If the staffs lack core competences professionally, they will not be able to address customer needs appropriately hence a low service level to the customers and procurement function will not be effective in response to the needs of the stakeholders in the supply chain. According to (Russell, 2004) absence of adequate knowledge in procurement

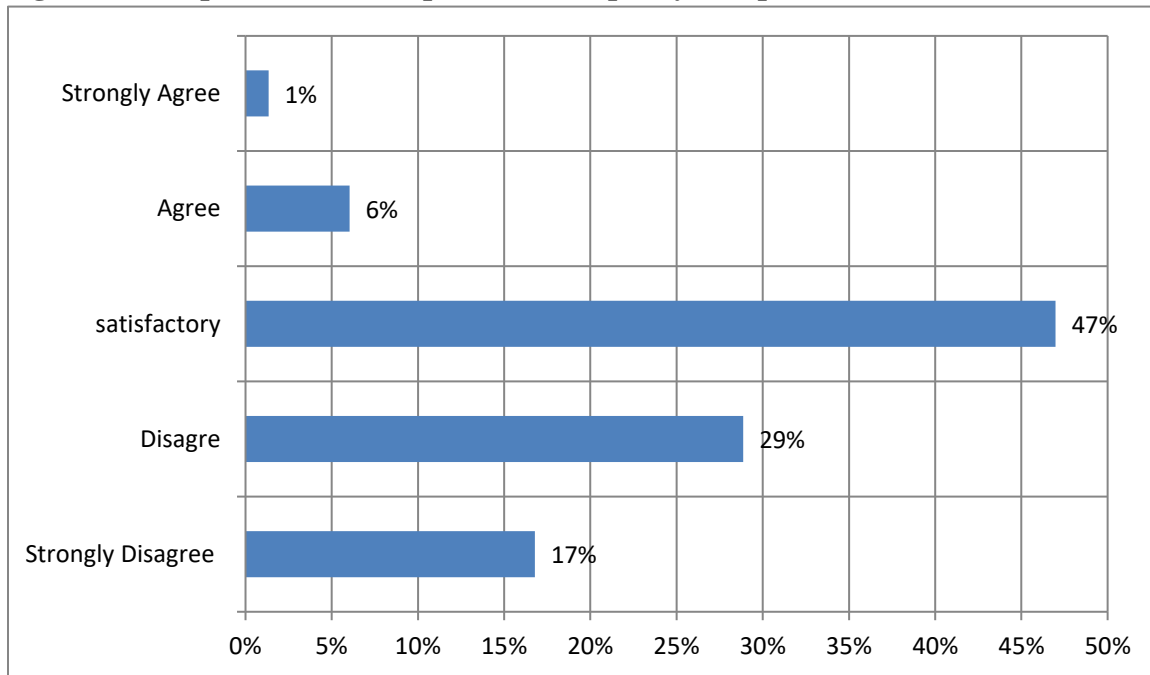
matters may end up with serious consequences including breaches of codes of conduct. So, there is a need for extensive external training for human resources to be able to improve and contribute to the efficiency of organizations (Appiah, 2010)

4.4.3 Survey result on legal framework implementation aspect

A legal framework encompasses the laws, regulations and policies that are put in place to govern an organization or an activity. Procurement policies are important from a development perspective. Reducing poverty and attaining health, education, and other objectives requires getting the most out of the limited funds available for state purchases of goods, services, and infrastructure. Efficient public procurement practices also contribute towards the sound management of public expenditures more generally (Hunja, 2003). According to (Bank World, 2005) sound public procurement policies and practices are among the essential elements of good governance. (Otieno, 2004) notes that irregular procurement activities in public institutions provide the biggest ambiguity through which public resources are misappropriated.

This section of the questionnaire sorts the respondents' response on existences of legal framework implementation on procurement practices.

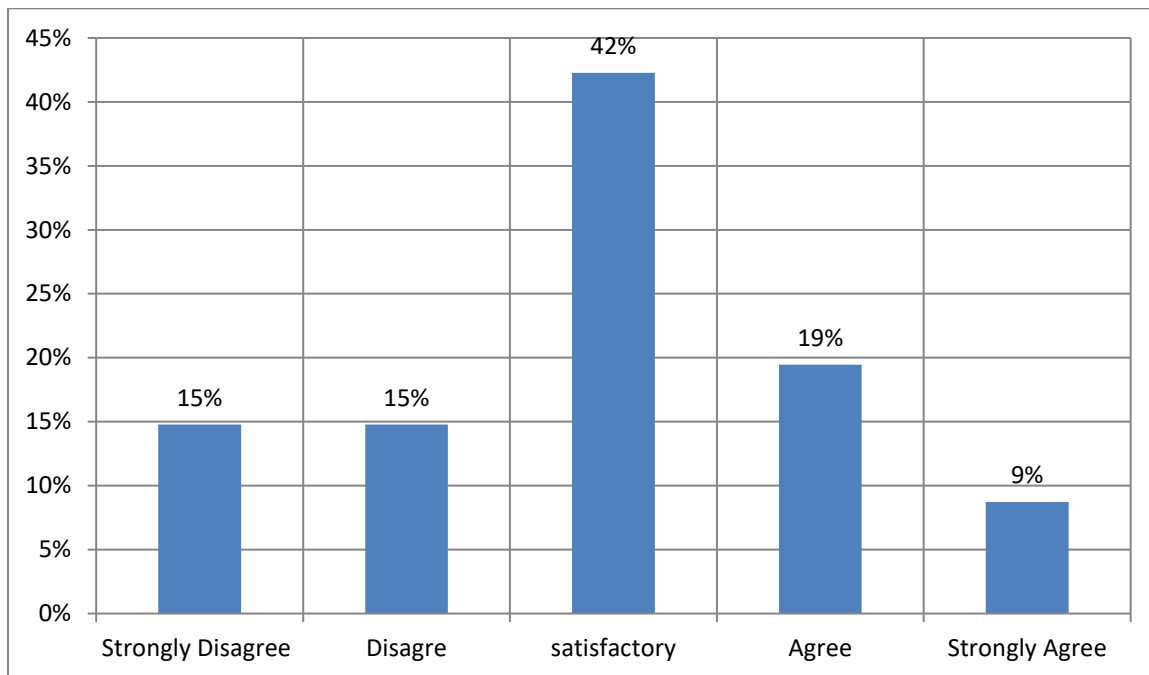
Figure 4.5: Implementation of procurement policy and procedure



Sorce: survey result (2020)

As indicated in the above figure from the total respondents only 7% of the respondents agreed that procurement practice is properly applied as procurement policy and procedure. And majority of the respondents responded in a moderate level (satisfactory) for the application of procurement practices as policy and procedure. However, 46% of the respondents responded that strongly disagree/ disagree for procurement practice properly applied as procurement policy and procedure. The mean 2.46 and standard deviation 0.89 indicate that the majority of respondents response on disagree level with the lowest standard error.

Figure 4.6 Transparency in the procurement department



Sorce: survey result (2020)

The respondents were asked to indicate the extent of their agreement on transparency in the procurement department. As it indicate on the above figure 4.7 , 30% of the respondents strongly disagree/disagree on the existence of transparency in procurement department, 42% of them satisfactory and 28% of respondents agree/strongly agree on the existence of transparency in procurement department. The mean 2.9 and standard deviation 1.3 of the results of respondents indicate that on satisfactory (moderate) level for the existence of transparency in procurement department.

In addition to these 41% of the respondents disagree that the decisions on each procurement activities carry out through participator where as 38% of them replied as satisfactory and 21% of

the respondents agree on it. The mean 2.6 and standard deviation 1.0 of the results of respondents indicate disagree for decisions on procurement activities carry out through participatory.

The respondents response also indicate that 32% of participants strongly disagree/disagree for chances that participate all candidates without discrimination 30% of respondents satisfactory and 38% of respondents strongly agree/agree for participation of candidates without discrimination. The mean 3.07 and standard deviation 1.05 indicate satisfactory level of agreement.

Notably, 48% of the respondents felt that cabinet's decision affects the procurement practice negatively where as 24% of respondents disagree and the left 28% of the respondents neutral indication.

Based on respondent rate of respond obtained from procurement staff, the summarized result of six performance indicators of legal frame work implementation of the above indicate, the average mean and standard deviation were 2.88 and 1.04 respectively. The interviews made with procurement department heads, and internal audit department in selected governmental offices concerning the implementation of legal frame work associated with procurement process, sometimes there may fail to implement as procurement policy and procedures. The policy itself may tie the work of procurement accordingly. Rigidity on the bureaucracy of proclamation affects the procurement practices. This does not mean turn down policy and procedures. But there are different factors that affect us to implement according to policy and procedures.

From this it can be conclude that there is limitation on the implementation of essential procedures of public procurement legal framework. Especially there is absence of transparency and enforcement of cabinet's decision on procurement practices. But in general better policy implementation lead to better procurement practice and the vice versa was true. The weakness of the essential procedures of public procurement legal framework results may create the chances for misuse, fraud and corruption on procurement practices. Especially legal framework indicators such as of transparency, enforcement of cabinet's decision that oppose legal framework may leads procurement funds to embezzlement and personal use. In addition to this, the study of (Awino, et.al, 2014) emphasize that if the procurement process is not transparent and efficient, it results in the loss of taxpayers' money which in turn reverses the gains made with the attendant

consequences of poverty, insecurity, poor infrastructure, inadequate health services among others.

4.4.4 Survey result on economic condition aspects

The reports of (United Nation, 2019) state economic conditions remain challenging for many commodity exporters, underscoring the vulnerabilities faced by countries that are overly reliant on natural resources. The study sought after to ascertain the influence of economic condition on procurement practices. Participants were thus asked to point out the level to which they agreed with different statements relating to economic/market condition and its influence on procurement practices.

Table 9: Variables of economic/market condition and its influence on procurement practices

Statements	Frequency					Mean	Std. Dev.	Min	Max
	SD	D	S	A	SA				
Inflation highly impact procurement practice	6.71%	8.72%	18.79%	49.66%	16.12%	3.60	1.07	1	5
Usually due to inflation quantity of procurement required decreased	0.67%	0.67%	11.41%	59.73%	27.52%	4.13	0.68	1	5
Due to economic condition usually quality of procurement practice decrease	2.01%	2.68%	16.78%	48.32%	30.21%	4.02	0.87	1	5
Low purchasing power of money affects quantity/quality of procurement required	8.72%	17.45%	26.18%	46.31%	1.34%	2.38	0.81	1	4

Sorce: survey result (2020)

More than half of respondent's i.e 66% of respondents strongly agree/agreed that inflation highly impact procurement practice where as 19% of respondents were impartial and the 15% of respondents were not agree with the impact of inflation on procurement practice. Due to this 88% of respondents agree that inflation decrease the quantity of procurement required where as 11% of respondents were neutral and 1% of respondents disagree on this idea. According to 78% of respondents the inflation also decrease the quality of procurement required where as 17% of respondents were neutral for the effect of economic condition on quality of procurement and 5%

of respondents disagree on it. In addition to this it is forwarded that whether the procurement practice affected due to low purchasing power of money, 48% of respondents responded as it affect, 26% of respondents impartial for its effect and 20% of respondents were disagree for the effect of low purchasing power of money on procurement practice. The average means 3.7 and standard deviation 0.9 show that economic condition highly affects procurement practices.

The interviews result from procurement department heads and planning & budget officer from selected offices concerning the impact of economic condition on procurement practices encourage this results. "Currently due to dynamic change in economic condition the value of currency's purchasing power, having the effect of an increase in price. The amount of money planed to procurement will be worthless when actual procurement practices. This enforced procurement departments to reduce the quantity or quality of the procurement". Hence, economic condition is the main factor that affects procurement practices.

From this it can be conclude that economic condition has impact and the main factor that affects procurement practices of Finance and economic development offices of south west shoa zone. It is a universal and dynamic problem that can't be controlled by government. It affects procurement practice in quality as well as quantity.

The study of (Świadek, 2017) Confirm that the expectations regarding an improvement in economic conditions have an additional stimulating effect on such an activity, whereas the recession itself, as well as the expectations in that respect, has a de-stimulating effect. It turned out that the expectations with regard to the future economic situation are the most important.

4.5 Correlations between procurement and its indicators

Correlation indicates the strength of a relationship between variables with a value that can range from -1.00 to 1.00; when 0 indicates no relationship, -1.00 indicates a negative correlation, and 1.00 indicates a perfect positive correlation. For the rest of the values is a small correlation for value 0.1 to 0.29, medium correlation of 0.3 to 0.49, high correlation for 0.50 to 1.0 (Pallant, 2010). This study generated a correlation result between the variable and presented the findings as follows.

Table 10: Correlation result between the variable

```
. cor proc budga stac lefim econc
(obs=149)
```

	proc	budga	stac	lefim	econc
proc	1.0000				
budga	0.1887	1.0000			
stac	0.7193	0.0627	1.0000		
lefim	0.6741	0.1599	0.7124	1.0000	
econc	-0.0284	0.0821	-0.1246	0.0213	1.0000

The correlation matrix in the table above indicates that procurement practice has a positive correlation with budget allocation, staff competence and legal framework implementation R=0.18, 0.71 and 0.67 respectively whereas economic condition have negative correlation with procurement practice. Staff competence and legal framework implementation are highly correlated to procurement practices. Generally it indicates that as one score increase the other also increases except for economic condition. As economic condition increase result to decrease in predicted procurement practice on average and vice verse, given that all other variables in the model are held constant.

4.6 Test Results Regression Model Assumptions

In this study the regression diagnostic tests were carried out to ensure that, the data fit the basic assumptions of the regression model. Diagnostic test suggests that the model passes the test of normality, multi-collinearity and heteroscedasticity, , and Model specification error associated with the model the results of the tests by their owen testing requirement are presented as follows:

1. Test for Normality

```
. swilk resid
```

Shapiro-Wilk W test for normal data					
Variable	Obs	W	V	z	Prob>z
resid	149	0.96289	4.293	3.302	0.00048

As Shapiro-Wilk test of normality tests on the above there is null hypothesis that is normally distribute. In addition to this the histogram plot showing the normality distribution of the residual (fegure below)

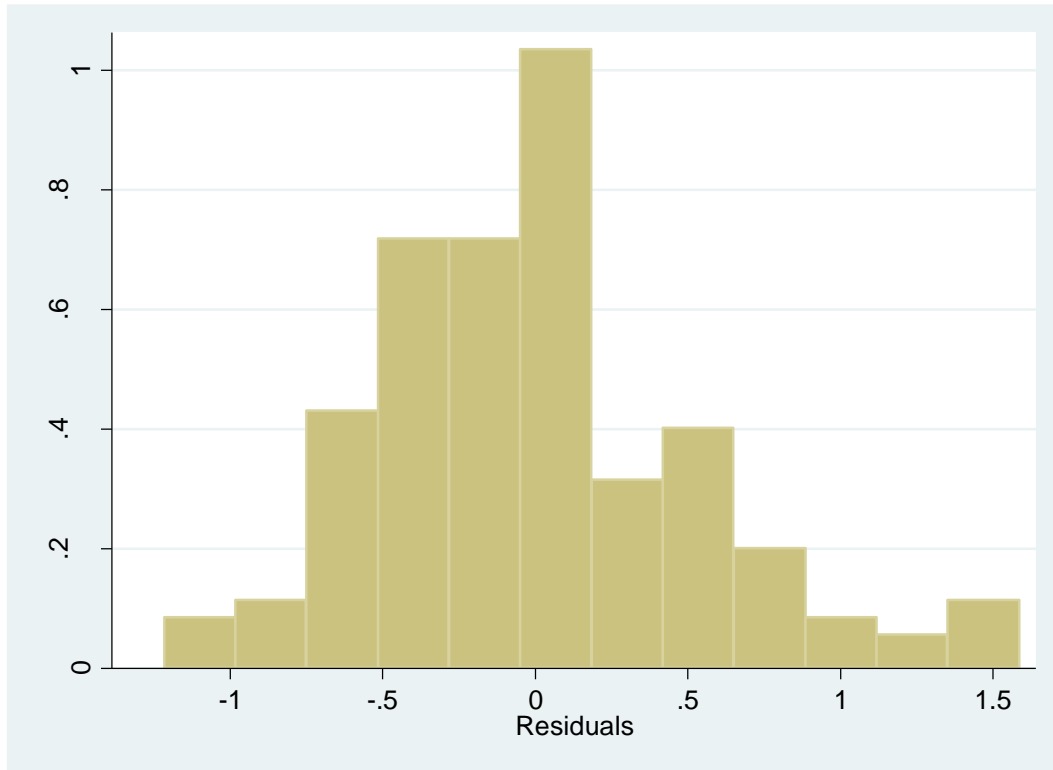


Figure 4. 7 Hestogram plot indicating normality in STATA

The figure above shows a bell-distribution of the residuals. X-axis shows the residuals, whereas Y-axis represents the density of the data set. Thus the histogram plot confirms the normality tests results. The depenent variable is normally distributed. The errors of regression equation are also normally distributed.

2. Multicollinearity

. vif

Variable	VIF	1/VIF
lefim	2.37	0.421922
stac	2.32	0.431449
econc	1.12	0.896467
budga	1.06	0.945806
Mean VIF	1.72	

If the mean of VIF of all varrables are less than 10 it conclude that the model has no evedience of multicollinearity. In this case the mean value VIF is 1.72. Hence the model has no evidience of multicollinearity.

3. Heteroscedasticity test

`. estat hettest`

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of `proc`

`chi2(1) = 2.66`

`Prob > chi2 = 0.1027`

The data was tested for heteroskedasticity using the Breusch-Pagan test and the results indicate that it has the evidence of heteroscedasticity because $\chi^2(1) = 2.66$ higher than 0.1027. So, require to robust in order to shrink the coefficient variables.

`. reg proc budga stac lefim econc, robust`

Linear regression

Number of obs = 149

F(4, 144) = 86.32

Prob > F = 0.0000

R-squared = 0.6110

Root MSE = .53104

proc	Robust		t	P> t	[95% Conf. Interval]	
	Coef.	Std. Err.				
budga	.1467795	.0668759	2.19	0.030	.0145943	.2789648
stac	.6333482	.1038277	6.10	0.000	.428125	.8385714
lefim	.239434	.1206375	1.98	0.049	.000985	.4778831
econc	.1199696	.0953774	1.26	0.210	-.068551	.3084902
_cons	-.7194596	.3782509	-1.90	0.059	-1.467101	.0281816

As obtained from R-squared and F-value the coefficients shrink and the heteroscedasticity problem solved.

4. Homoscedasticity

One of the main assumptions for the ordinary least squares regression is the homogeneity of variance of the residuals.

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	44.97	14	0.0000
Skewness	11.11	4	0.0254
Kurtosis	3.80	1	0.0512
Total	59.88	19	0.0000

The P-value is very small that indicate the variance is not homogenous. It has no homoscedasticity.

5. Omitted variable test/ Model specification error

```
. ovtest
```

```
Ramsey RESET test using powers of the fitted values of proc  
Ho: model has no omitted variables  
F(3, 141) = 1.49  
Prob > F = 0.2197
```

Ho model has no omitted variables.

$F(3,141)=1.49$

Prob >F= 0.2197

4.7 Regression Analysis

The relationship between the dependent variable and independent variables was analyzed using regression analysis.

The summary regression results produced by STATA that the independent variables statistically significantly predict the variable, $F(4, 144)=64.37$, $P<0.0005$ so the regression model is a good fit of the data. Hence the group of independent variable is reliably predicts the dependent variable that is procurement practice.

Table 11 Regression result

. reg proc budga stac lefim econc

Source	SS	df	MS			
Model	60.788467	4	15.1971168	Number of obs =	149	
Residual	43.5963218	144	.302752235	F(4, 144) =	50.20	
Total	104.384789	148	.705302627	Prob > F =	0.0000	
				R-squared =	0.5823	
				Adj R-squared =	0.5707	
				Root MSE =	.55023	

proc	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
budga	.1446849	.0735615	1.97	0.051	-.000715	.2900848
stac	.5289294	.0826414	6.40	0.000	.3655824	.6922764
lefim	.3460063	.091083	3.80	0.000	.1659739	.5260388
econc	.0327954	.0955632	0.34	0.732	-.1560925	.2216833
_cons	-.4792769	.4342738	-1.10	0.272	-1.337652	.3790979

Source: STATA Result

Table:11 demonstrates the regression summary of the dependent and independent variable and, the results showed that all the explanatory variables (Budget allocation, staff competence, legal framework implementation and economic condition) explained procurement practices by 58 percent and the remaining 42 percent the model is by extraneous uncontrollable variables (external factors).

There is a rule of thumb which can be used to determine the R² value as follows: 0.1: poor fit, 0.11 to 0.30: modest fit, 0.31 to 0.50: moderately fit, > 0.50: strong fit (Muijis, 2004). Therefore, in this study R² is account 0.58 indicates which is greater than 0.50 and then the model is strongly fit for predicting dependent variable that is procurement practice.

Hence, the p value for both staff competence and legal framework implementation P<0.05, the estimated coefficient is statistically significant at 5% significance level.

The result obtained from regression analysis with the regression equation for predicting the dependent variable from the independent variable is:-

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon$$

Where:-

Y = Procurement practice (Dependent Variable)

β_0 = is the regression coefficient/constant/Y-intercept,

$\beta_1, \beta_2, \beta_3$ & β_4 are the slopes of the regression equation,

$x = [x_1, x_2, x_3, x_4]$ represents a vector of Independent Variables where x_1 = budget allocation, x_2 = staff competence, x_3 = legal frame work implementation and x_4 = economic condition and ε =is an error term

$$\text{Proc} = -0.4792769 + 0.1446849\text{budga} + 0.5289294\text{stac} + 0.3460063\text{Lefim} + 0.0327954\text{econ} + \varepsilon$$

With functional forms as quantitative (OLS) variable:

1. A unit increase in budget allocation result to increase 0.1446849 in predicted procurement practice on average, given that all other variables in the model are held constant.
2. A unit increase in staff competence result to increase 0.528929 in predicted procurement practice on average, given that all other variables in the model are held constant.
3. A unit increase in legal framework implementation result to increase 0.3460063 in predicted procurement practice on average, given that all other variables in the model are held constant.

In addition to this to compare the strength of coefficient to the coefficient for another variable the researcher regresses with beta, the standardized regression coefficients as follows.

Table 12 Regression result beta

. reg proc budga stac lefim econc, beta

Source	SS	df	MS	Number of obs = 149	
Model	60.788467	4	15.1971168	F(4, 144) =	50.20
Residual	43.5963218	144	.302752235	Prob > F =	0.0000
Total	104.384789	148	.705302627	R-squared =	0.5823
				Adj R-squared =	0.5707
				Root MSE =	.55023

proc	Coef.	Std. Err.	t	P> t	Beta
budga	.1446849	.0735615	1.97	0.051	.1078395
stac	.5289294	.0826414	6.40	0.000	.5020956
lefim	.3460063	.091083	3.80	0.000	.2987384
econc	.0327954	.0955632	0.34	0.732	.0189062
_cons	-.4792769	.4342738	-1.10	0.272	.

The regression results based on the standardized beta coefficients show that: A unit standard deviation increase in budget allocation result to increase 0.1078395 in predicted procurement practice on average, given that all other variables in the model are held constant, A unit standard deviation increase in staff competence leads to increase 0.5020956 in predicted procurement practice on average, given that all other variables in the model are held constant. A unit standard deviation increase in legal framework implementation leads to increase 0.2987384 in predicted procurement practice on average, given that all other variables in the model are held constant.

CHAPTER FIVE

MAJOR FINDING, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This final chapter provides the summary of the findings from chapter four, and it gives the conclusions based on the objectives of the study. The researcher then presents the recommendations for both Finance and economic development offices, and for governments.

5.2 Summary of major findings

Based on the analysis and interpretation of the data obtained from respondents the researcher has come up with the following summary of findings:

- The results of respondents indicate that allocated budget for procurement is always insufficient to achieve its objective; Even the allocated budget doesn't consider the market condition. Due to delay of on time budget review, the variance analysis is also not on regular bases and the approval for the usage of budget variance is not on time. The summary result of budget allocation explained with moderate mean. It has positive correlation with procurement practices. That is as increase in budget allocation result to increase in predicted procurement practice on average and vice verse, given that all other variables in the model are held constant.
- The result obtained from respondents indicates that the number of skilled man power in the section and their professional is not as such adequate. There is low consideration on upgrades procurement skill. Furthermore the procurement personnel's professions are not direct to the position they assigned. The regression results of the study also point out that staff competence had a positive and a significant association with public procurement practice. It affects procurements practices directly. As increase in staff competence result to increase in predicted procurement practice on average and vice verse, given that all other variables in the model are held constant.
- There is also the weakness of the essential procedures of public procurement legal framework which had a positive and a significant association with public procurement practice. Lack of participatory decisions on procurement activities, lack of transparency

and cabinet's decision which affects the procurement practice negatively are the indicators of lack of legal frame work implementation. The legal framework implementation is highly correlated to procurement practices and increase in legal framework implementation result to increase in predicted procurement practice on average and vise verse, given that all other variables in the model are held constant.

- The result of economic condition (such as price rises, decreasing purchasing power of money) leads decrease the quantity/quality of procurement required. It has negative relationship with procurement practices. As economic condition increase result to decrease in predicted procurement practice on average and vise verse, given that all other variables in the model are held constant. But as consideration of economic condition increase, the procurement practices also increase. Low consideration in economic condition leads to low achievement of procurement practices.

5.3 Conclusion

Based on the finding obtained from the study the researcher has made the following conclusion on the current procurement practices. Hence, this section discusses some of the major conclusion that emerged in the study and summarized the most important recommendation that has been in the study.

- As indicated on discussion and analysis parts it is believed that budget allocation time is common and satisfactory. But there is insufficient budget allocation and the allocated budget doesn't consider the market condition.
- There is delay of on time budget review, the variance analysis is also not on regular bases and the approval for the usage of budget variance is not on time. It has positive correlation with procurement practices. Changes in budget allocation result to change procurement practices.
- There is low performing in on staff competence. Even though procurement staff has standard understanding on procurement practice but there is a gap on assigning staff based on their skills. The number of employees and their competency is not as such adequate. There is also lack of upgrades procurement skill. Furthermore the procurement personnel's professions are not direct to the position they assigned. This staff competence had significant impact on public procurement practice. A change in staff competence

leads to change procurement practices. That is as a unit increase in staff competence result to increase in predicted procurement practice on average.

- There is weakness of the essential procedures of public procurement legal framework. Especially there is lack of participatory decisions on procurement activities, absence of transparency and enforcement of cabinet's decision on procurement practices. It had positive and significant impact on public procurement practice.
- From the findings of the study it is apparent that economic (such as price rises, decreasing purchasing power of money) leads decrease the quantity/quality of procurement required. also impact on procurement practices. It has negative relationship with procurement practices. As economic condition increase result to decrease in predicted procurement practice on average and vice versa, given that all other variables in the model are held constant. But as consideration of economic condition increase, the procurement practices also increase. Low consideration in economic condition leads to low achievement of procurement practices.

5.3. Recommendations

Based on the findings the following, recommendations are forwarded in order to improve public procurement practices:

- As it is essential to use scarce resources efficiently and effectively, insufficient budget allocation holds back procurement practices. As procurement holds back it affects the delivery of quality services. So, the government should allocate budget based on a set of assumptions that are generally consider the dynamic economic condition.
- To minimize the risk of price fluctuation due to dynamic environmental change procurement department should carry out periodic market surveys in order to help budgeting department to allocate sufficient budget to procurements that consider the market condition.
- In current situation timely budget review, variance analysis and explanation as well as approval to use for budget variance is essential for procurement practices. As time go up the price of goods and service may rise up. Hence, Finance and economic development office should review and revise the allocated budget on time regularly.
- In each and every type of organization man power is the key asset. Success comes from wisely use of manpower. The same is true for Finance and economic development offices.

Creating a competent procurement staff with the right skills and capabilities leads to sound public procurement. Failure of it also highly affects procurement practice. Hence Finance and economic development offices and civil service offices should consider to assigning staff based on their professions, capacitating them with short and long term training, refreshment and experience sharing makes staff more competence and help to increase a good procurement practice. As the quality of procurement practice increase the service quality of public institution also rise up.

- The weakness of the essential procedures of public procurement legal framework such as lack of participatory decisions on procurement activities, lack of transparency and enforcement of cabinet's decision may lead procurement funds to embezzlement and personal use. It may create the chances for misuse, fraud and corruption on procurement practices. To minimize such risk, public procurement agency and concerned governmental agency should give attention and make independent verification with policy and procedures regularly.
- The impact of economic condition is universal and dynamic. It affects procurement practice in quality as well as quantity. So the government should consider unpredictable economic condition at the time of budget allocation.

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Appendix



Wolkite University

Business and Economics College

Department of Management

Questionnaire for employees

Dear Respondents.

I am conducting a research work on Factors Affecting Efficiency of Public Procurement Practice: The Case of Selected South West Shoa Zone Finance and Development Offices for partial fulfillment of Masters of Business Administration. I kindly request you to genuinely complete this questionnaire and this would greatly enhance the quality of my research.

I assure you that the information that you provide will be used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with confidence, freely and to the best of your knowledge.

Thank you in advance for taking your precious time to fill it on for us.

Researcher's Address:

Solomon Asfaw

Mobile: +251 913 17 42 22

E-mail: solomonasfaw@rocketmail.com or solomonasfaw2005@gmail.com

SECTION ONE

General Instruction:

A. Do not write your name

B. You are kindly requested to make a tick mark (✓) on an item of your choice.

Part I: General Information

1. Sex : A. Male B. Female

2. Age : A. 18-30 B. 31-40 C. 41-50 D. Over 51

3. Educational Level : A. Grade 10 completed
- B. Grade 12 completed
- C. Level I-Iv
- D. College Diploma B.Sc. or B.A. Degree
- E. Post graduate and above

4. Your qualification: A. Purchasing
- B. Accounting/ Accounting and Finance
- C. Banking and insurance
- D. Management
- E. Economics
- F. others (please specify)_____

5. Year of Service:
- A. Below 3 years
- B. Between 3-5 years
- C. Between 6-10 years
- D. Above 10 years

SECTION TWO

General question related to Public Procurement Practice

You are kindly requested to make a tick mark (√) on an item of your choice

1. Impacts of budget allocation on procurement practice

S/ N	Variables	Rating Numbers				
		Strongly Disagree (1)	Disagree (2)	satisfact ory(3)	Agree (4)	Strongly Agree(5)
1.1	Allocation of budget is on timely basis					

1.2	Allocated budget for procurement is always sufficient to achieve its objective					
1.3	Allocated budget usually consider inflation/market condition					
1.4	There is on time budget reviews to consider for changes in the economic condition					
1.5	Variance analysis is conducted regularly and explanations is provide for significant variations					
1.6	Approvals for usage of budget variance take place on time					

a. As your opinion what is/are the effects of budget allocation on procurement practice_____

2. Statement related to effects of staff competence on procurement practice

S/ N	Variables	Rating Numbers				
		Strongly Disagree (1)	Disagree (2)	satisfactory(3)	Agree (4)	Strongly Agree(5)
2.1	The sector assign staff based on their skills					
2.2	Procurement staff has standard understanding on procurement practice					
2.3	There is enough skilled man power in your section					
2.5	Training given for you to upgrades procurement skill					
2.6	All procurement personnel's are professional and well experienced for their assigned work					

b. How you think staff competence affect procurement practice_____

3. Legal framework implementation impact

S/ N	Variables	Rating Numbers				
		Strongly Disagree (1)	Disagree (2)	satisfactory(3)	Agree (4)	Strongly Agree(5)
3.1	Procurement practice is properly applied as procurement policy and procedure					
3.2	There is transparency in the procurement					

	department					
3.3	Decisions on each procurement activities carry out through participatory					
3.4	No Candidate excluded from participating in public procurement					
3.5	It gives equal chances for all candidates without discrimination					
3.6	Cabinet's decision affect the procurement practice negatively					

c. Is there any impact if interruption of policy and procedures on procurement practice? Would you list it? _____

4. Effects of economic condition

S/ N	Variables	Rating Numbers				
		Strongly Disagree (1)	Disagree (2)	satisfactory(3)	Agree (4)	Strongly Agree(5)
4.1	Inflation highly impact procurement practice					
4.2	Usually due to inflation quantity of procurement required decreased					
4.3	Due to economic condition usually quality of procurement practice decrease					
4.4	Low purchasing power of money affects quantity/quality of procurement required					

In your point of view what is/are the impact of economic condition on procurement practice? _____
