

# Assessing the Significance and Efficiency of Framework Agreement: In Case of Ethiopian Federal Public Organisation

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## ABSTRACT

In public procurement large extent of budget is translated into service through government's procurement of goods and service. Besides this, several developed countries have taken steps recently to revise their public procurement systems to improve their efficiency and generate savings. However, developing countries like Ethiopia have been left behind in attention due to decentralised procurement system they were practicing within numerous public organisations so that government cannot benefit the society in terms of using scarce resource in these countries. Recently, Government of Ethiopia has practiced implementing the centralised procurement system at federal and some regional states in which all budgetary public organisations are made possible to procure under single organisation and contract system for those goods which are commonly procured among a number of public institutions. By taking this unease under consideration the study assessed the significance of framework agreement and its efficiency in public procurement by identifying use of work force in procuring quality goods, providing goods on time, and minimising administrative costs as main focus of this paper. This study has employed semi-structured interview and questionnaire as primary data source, and review of key official documents, organisational reports as secondary source of information. The result identified that, there is frustration in providing goods on time, procuring variety of item and quality products, and using trained professionals/experts. On the other hand, there is significance achievement in minimizing price of goods and cost of processing procurement. Based on these findings, the study suggested that, the concerned bodies should work in collaboration with each other, increasing types of items identified for procurement, employing qualified experts, and there should be expedition among the suppliers and public organisations. In addition, strengthening the competency levels of domestic suppliers and upgrading the capacity of work force by giving long term and short term training accordingly will help public entities in achieving expected outcome.

**Keywords:** Public Procurement, Framework Agreement (FA), Public Procurement and Property Disposal Service (PPDS)/ Procuring Entities, Common User Item

## INTRODUCTION

Public procurement is a core function of public financial management and service delivery. To a large extent, public budget gets translated into services through the government's purchase of goods and services. But the mechanism through which public procurement is implemented is a vital component service delivery system in developing countries. Due to this, the study deals with one of the mechanisms of procuring public goods and its significance in achieving public procurements efficiently.

According to Arrowsmith (2005, p.165), public procurement affects at least three interest groups directly:

the state, which funds the procurement; the citizens, on behalf whose interests the procurement is done and who indirectly pay for the procurement through taxes; and the private sector, which participates in the procurement process. In addition, according to African Development Bank, cited in World Bank (2009) procurement policy gives due recognition to the main economic objective of value for money by its reference to economy and efficiency in the project implementation and by providing equal opportunity for eligible suppliers in order to enhance competition.

But in implementation, within both developed and developing country, public procurement practitioners have

faced and will always face many challenges. Some of the challenges are efficiently handling size of procurement outlays, how to comply with procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements in developed as well as developing countries, disregarding their economic, social, and political environment. A sound procurement system has to accomplish two sets of requirements: management requirements and policy requirements and needs to be well managed as public procurement is an important tool for achieving economic, social and other objectives, and it has been perceived as an area of waste and corruption (Thai, 2001).

In order to achieve the economic, social and political objectives, public sectors are incurring unnecessary administration costs through duplicating procurement activities and undertaking expensive procurement activities rather than using existing framework agreement contracts. Since frameworks are often used to buy standard commodities (goods), works or services are needed by a number of contracting authorities where the intention is that the greater volumes lead to better prices and terms. These are also used where contracting authorities identify a need to make repeat purchases over a period of time and use purchase goods immediately when the needs arise (Construction Excellence, 2009).

According to Tesfahun (2011, p.4) in Ethiopia, out of the total public spending, more than 60 percent goes to procuring public goods and services. Efficiently and effectively handling this size of procurement outlay has been a policy and management concern and it has not been given due attention so far in the country. Until recent years, overseeing public procurement has been the responsibility of a smaller department under the Ministry of Finance and Economic Development.

On the other hand, currently in Ethiopia, execution of large value procurements is concerned in order to fulfill similar procurement requirements of various public bodies under Public Procurement and Property Disposal Service. The central government body has been established by the Council of Ministers Regulation No. 184/2010 dated July 9, 2010 in order to enable timely supply of goods and services, which are commonly used by public bodies as well as goods and services which have national significance, in desired quality and at prices attributable to economics of scale resulting from bulk purchases. Concerning the implementation the body administering framework procurement (PPPDS) enters into framework agreements with suppliers so that public bodies may obtain value for money in their purchasing whilst being

assured that their procurement is compliant with (PPPA, 2011).

However the basic foundation for this study is that, public procurement efficiency cannot come alone without well coordination and cooperation of human resource, supplying of goods and service timely, reduction of procurement cost and wastage of resource, procuring right quality and quantity product. Specially, the public procurements with huge amount and cost of procurement which are commonly procured among public organisations need improvement in cost, time and human resource exploitation. Due to these, this research assesses the significance of framework agreement in enhancing public procurement efficiency and is designed to appraise the intended results of framework agreement on common users' items procurements specifically.

### Statement of the Problem

Many studies in public procurement showed that, the subject of public procurement would not get due attention from key decision-makers in government since, it was mainly practiced at decentralised level in every organisation which is difficult to manage. Due to this, decentralised/split public procurement is exposed to mismanagement of public finance, low quality product, absence of suppliers reliability and delivery promise on time, least price focus purchasing evaluation, lack of skilled experts, shortage of stock, and not complying with the legislation and guidelines.

Despite this, several developed countries have taken steps recently to revise their public procurement systems to improve their efficiency and generate savings, while the developing countries like Ethiopia have left behind in attention to improve efficiency in public procurement and resulted in wrong quality and issues like, purchases are excessively delayed, purchasing process takes too long resulting in additional cost inflation, suppliers stock out items, items become obsolete and shortage of accessories. But, challenges, limited public resources, none complying with myriad of legislation and guidelines are the major reason behind poor public procurement (Wayne, 1999; Tewodros, 2007; David, 2011; Shaw *et al.*, 2010; Gizachew, n.d., p.1267).

However, there are interesting and unexplored research avenues available in public procurement, especially regarding the framework agreement and its contribution in enhancing efficient public procurement. So, this study focuses on framework agreement implementation which

affects public organisations in their procurement activities. Due to this, the study focused on the extent to which Framework Agreement can bring efficiency in public procurement where taxpayer's money is spent by giving due attention to efficiency on value for money, efficiency in deployment of human resource, in providing quality products, timely providing goods, and in minimising administrative costs of procurement.

### **General Objective**

General objective of this study is assessing significance and efficiency of Framework Agreement in case of Ethiopian Federal Public Organisation.

### **Specific Objective of the Study**

The study also has the following specific objectives:

- ◆ Assess the significance of framework agreement in procurement of common user item
- ◆ Assess efficiency of Framework Agreement in utilising work force, providing quality product, timely access of goods and minimising administrative cost of procurement

### **Delimitation of the Study**

Theoretical issue of public procurement focuses on various disciplines and several dimensions. Those issues include procurement challenges, procedures, practice, objectives, nature, scope, other public sector procurement significance and its implication on economies of different country. The study was specified only to assess and elaborate the significance and efficiency of framework agreement in public procurement and its implication in enhancing efficiency in public procurement.

In relation with this, framework agreement merely sets out terms of agreement under which public body may purchase goods and service. Public Procurement and Property Disposal Service (PPPDS) collects the needs of different Federal Public Organisations and procure goods and services besides those organisations authorised to participate in aggregate framework agreement. In this regard, the study was limited to assess only the main aspects of efficiency and how framework agreement enhances efficiency in public procurement of goods.

Concerning the geography, the study deals with the federal public offices located in Addis Ababa including the case study Federal Public Procurement, Property Disposal Service and some purposively selected departments within the organisation as well as those public organisations frequently participated by sending their needs to procuring entities.

Even though the organisation started operation in 2003, the study is limited to the period from 2004 to 2006, in terms of time management, because the organisation started its operational practice of common user item procurement since 2004.

The specific challenges faced in the course of the study include lack of reference materials, unwillingness, and busyness of key informants which make the researcher to repeatedly go to one organisation and it took longer time than expected and shortage of finance was among the major delimiters which hindered the researcher from an in-depth investigation of the study.

### **Significance of the Study**

Since public procurement in developing countries is given focus due to the key role that public procurement plays in achievements of development goals such as reducing poverty and providing health, infrastructure, education and other services, and huge contribute to best utilisation of public resources.

There is no achievement of those goals rather the government gives high attention to the efficiency of public procurement through designing policy and strategy. While doing so, government should consider a situation that perceives efficiency in human resource, returns gain from money invested, insuring quality of goods/service procured, minimising administration costs, and promoting openness and competition in procurement. If this is not done the wish of development will come to an end without achieving the goal.

The findings of the study are expected to contribute a lot for different stakeholders. Specifically, the study informs PPPDS, public organisations, policy makers, and public in large about the significance of aggregate procurement using framework agreement. In addition, the study will be giving insight to other fellow researchers for their widespread research of the field which is the most elapsed function by researchers in Ethiopia.

## LITERATURE REVIEW

### Overview of Theoretical Literature

Even though the efficiency and effectiveness of public procurement is different in different countries, its objectives are almost the same. Therefore, this chapter seeks to elaborate and highlight public procurement, its scope, and related literature on challenges, efficiency and process of public procurement as well as characteristics of framework agreement in public procurement, coordination of Framework Agreement, the role of public procurement on public expenditure, comparison of public procurement with private procurements, feature of Framework Agreement, and key principles of public procurement. Finally the literature review concludes with the summary of the overall literature concepts.

### Overview of Public Procurement

In order to fulfill their obligations to their citizens, all governments need to carry out different function. In fulfilling such functions, one of the major economic activities all governments are involved in is the purchasing of goods and services. Such goods and services can be provided either in-house or by purchasing them from outside entities. Because of the wide variety and huge volume of goods and services needed by governments, they generally have to meet their needs by means of procurement from private parties (Thai 2001).

According to Arrowsmith (2004) the primary objective of public procurement is “the acquisition of goods or services fulfilling a particular function on the best possible terms”. She identifies the objectives shared by most systems as “value for money, integrity, accountability, fair treatment, and social/industrial development, all of which must be implemented through a cost-efficient process”.

In addition, Wittig (1998) indicates that today governments all over the world have received a great deal of attention as providers of essential services, such as health, education, defense, and infrastructure. To be able to meet the demand for these services, governments purchase goods and services from the marketplace. In other words, governments are purchasers of works, supplies, and services from the open market, placing their demands alongside those of the private sector. The business operations of governments in the marketplace or public procurement have thus both economic and political implications. Yet, until not too long ago, the subject of public procurement has received little attention

by academic researchers and policy makers, because it was considered an administrative function too mundane to worry about.

In the process of procurement, public bodies are incurring unnecessary administration costs by duplicating procurement activity. Since the main goal of public procurement is to make best value for money by applying quality, efficient and effective public procurement system, such waste of time and public money must avoided while procuring standard commodities such as stationery and computer (Medved, 2005).

However, the conceptual agreement is essential to establish the contractual terms which applies to subsequent orders made for goods and services procured commonly to be covered by the framework agreement over the period of time during which it is in force (Porter, 1980).

The above discussion implies that for a particular government in order fulfill their citizens’ needs it is must and important to provide goods and service either through in-house made or purchasing from outside. It is also important to provide essential service such as health, education, defense and infrastructure by incorporating accountability, non-discrimination among potential suppliers, avoiding unnecessary cost by implementing framework agreement which allows making subsequent order for goods and service over a period of time contract in force. And this has to make in a best manner to achieve value for money.

### Public Procurement Related Concepts

There are many concept of the framework agreement. Among these concepts the most suitable one from the public procurement point of view is that framework agreements are used typically where procuring entity has a long term programme of work in mind and is looking to setup a process to govern the individual construction or supply packages that may be necessary during that framework term. In addition it is the conceptual agreement is that essentially establishes the contractual terms which will apply to subsequent orders made for goods, services or works covered by the framework over the period of time during which it is in force (Porter, 1980).

Framework agreements are sometimes called “Indefinite Quantity Contracts” or “two-phase procurement instruments”, in which the first competitive round generates sometimes one but more often multiple awards to contractors generally able and available to perform specific task yet to be ordered by the procuring entity.

The second round of completion, between one or more of the contracts now in the qualified pool, yields as specific contract with one of them to supply the particularly goods or services required (Mills & Reeve, 2009).

It is evident from the above reflection that there are many concepts of public procurement. Among these the framework agreement is the most suitable where procuring entity has a long term programme of work in mind and is essential to establish a contractual terms which will apply to subsequent orders made goods, service and work within period contract in force. And also when the quantity needs to be procured is indefinite by yielding two round competitions among the competitors.

### Key Principles of Public Procurement

The key principles underpinning procurement, principal hallmarks of proficient public procurement area and how they can be benchmarked in the public procurement process has been discussed as follows.

#### Value-for-Money

As per Bauld and McGuinness, cited in Raymond (2008), value-for-money (VFM) is the most important principle of procurement. In the public sector entails consideration of the contribution to be made to advancing government policies and priorities while achieving the best return and performance for the money being spent.

According to Thai (2009), value-for-money is more than just price, since quality issues also need to be addressed. Moreover, lowest initial price may not equate to lowest cost over the operating life of the item procured. But the basic point is the same: the ultimate purpose of sound procurement is to obtain maximum value for money.

On the other hand value-for-money remained a focus while broader concepts were “consistently overlooked in the rush by procurement managers and other supply chain managers to demonstrate the efficiency of their purchasing function” (Callender & Matthews, 2002, p. 4).

Finally, as stated in the above literature value-for-money in public sector entails consideration of the contribution to be made to advancing government policies and priorities in achieving best return. Besides, recently procurement professionals have started looking to structure their activities to seek out the concept of value-for-money from its contribution to organisational goals in addition to fair price. In addition value-for-money holds other stakeholders’ attention as the public procurement professions.

#### Ethics

Ethics is another important principle of government procurement. Purchasing professionals are held to higher standards of ethical conduct than people in other professions, yet some do not even know what is expected of them (Atkinson as cited in Raymond, 2008). In addition, if the workforce is not adequately educated in such matters, this may lead to serious consequences; including, breaches of codes of conduct.

As of the above literature discussion we can comprehend that purchasing professionals are held to higher standards of ethical conducts than people in other professionals. Although some do not know what is expected from them which results in breaches of codes of conduct. Due to this the procurement related corruption tends to be a serious problem in developing countries than developed counties, this could be due to poverty and weak enforcement of the rule of law in these regions.

#### Competition

According to Raymond (2008, p.784) competitive tendering is the means by which most goods and services are procured. In competition the most important information source for suppliers is the tender advertisement and, for the contracting authorities, the bids submitted and provision of inaccurate data will result in misunderstandings and increased costs (Erridge *et al.*, 1999).

In addition, Arrowsmith (2010) opines that competition is not only important as an aid to value-for-money but it also provides fair access to work paid for the tax payer. It is also important to realise that the concept of equal treatment in public procurement may take on two different roles. First, equal treatment may serve simply as a means to achieve other objectives of the public procurement system such as value-for-money in obtaining goods, works and service, preventing corruption, and opening up market to competition.

Second, it is a means to support other procurement objectives. In selecting its business partners, a procuring may determine who will be benefited from the economic advantage inherent in a contractual relationship with it.

For the above literature we can conclude that, competition is a means for source of suppliers because inaccurate source of suppliers increases costs and better quality information resulting in unsatisfactory purchase. Due to this, competitive tender avoids occasion of favouritism and fraud, for the reason that it encourages more suppliers

to participate which increases competition, reduces price, and improves quality.

### **Transparency**

The function of transparency is also important in procurement and it refers to openness (Raymond, 2008, p.785). Therefore transparency is an essential aspect of ensuring accountability and minimising corruption, and has gained prominence in Organisations for Economic Cooperation and Development (OECD), and is particularly associated with the rise of the governance agenda as transparency is a core governance value (Smith-Deighton, cited in Raymond, 2008).

In addition to this, good procurement establishes and then maintains rules and procedures that are accessible and unambiguous which is seen to be fair. Accountability is a key inducement to individual and institutional probity, a key deterrent to collusion and corruption, and a key prerequisite for procurement credibility (Thai, 2009).

In all markets, lack of transparency in the sense of absence of information on rules and practices could operate as a barrier to trade and may affect foreign suppliers more than local ones (Arrowsmith, 2003).

In addition to the above concepts, the transparency idea relates to fair treatment of the suppliers. In that the concept of procedural fairness (or “due process”) to which suppliers have a right to have their case heard before a decision is made, affects them, and they have a right to know reasons for such decision to debar them from government contracts (Arrowsmith, 2010).

Therefore from the above literature review, we understand that transparency in government procurement will provide an assurance for both domestic and foreign investors that contracts will be awarded in a fair and equitable manner by allowing suppliers to put their own case before and after being debarred from procurement and can improve quality of the debarment decision, which can perhaps avoid debarment of the firm.

### **Accountability**

Accountability is an important principle of government procurement, which comes into play at both the national and international levels. At the international level, governments are often involved in trading and procure goods and service which these activities result in financial risk exposures, and accountability problems (Department of Foreign Affairs and Trade, cited in Raymond, 2008). At the national level, public sector managers have to deal

with a more competitive environment than that has been a common practice in the past. The public is also demanding greater accountability and better service (Gunasekaran, cited in Raymond, 2008).

Due to the reasons stated in the above literature good procurement holds its practitioners responsible for enforcing, obeying the rules and subjects them to challenge and to sanction, for bending those rules and this will result in an affair of accountability.

### **Efficiency**

The best public procurement is simple and swift, producing positive results without protracted delays. In addition, efficiency implies practicality, especially in terms of compatibility with the administrative resources and professional capabilities of the purchasing entity and its procurement personnel (K.V. Thai, cited in Peterkiman Njoroge, 2005).

To a certain extent this is complementary to other goals that good suppliers will be more willing to participate in an efficient process and this can produce better value for money. However, this will be successful if only if through open tender any qualified firm can participate (Arrowsmith, 2010).

From the above literature we can understand that the final goal of public procurement is to ensure efficiency and get better value for money through improving efficiency in public procurement by giving equal treatment to suppliers’ contracts awarded by equally open tender to any qualified firm.

### **Fairness**

Good procurement is impartial, consistent, and therefore reliable. It offers all interested contractors, suppliers and consultants a level playing field to compete and thereby, directly expand the purchaser’s options and opportunities (Thai, 2009).

According to Arrowsmith (2010) the principle of fair treatment might suggest that a supplier who has invested significant resources in a procurement process and then has been excluded because doubts have been raised over its integrity should be allowed to defend itself against these allegations before the contract is awarded, so that it does not lose the chance to compete if the allegations are ill-founded.

Due to these reasons, fairness ensures the public procurement expand procurement options and may help suppliers to invest significant resource in the procurement

and not to lose the chance of competing and winning effectively.

### Public Procurement Process

There are many descriptions on the literature of procurement process by different authors. Among them Weele's (2005) procurement process description is the one of the most precise and comprehensive ones. Accordingly, the procurement processes is divided in to specification, supplier selection, contracting, ordering, expending, and follow up (evaluation).

### The Specification Phase

The specification phase concerned with determining the need can be specified technically and/or functionally. Functional specification describes the functionality for the user, while technical specification describes the technical properties and characteristics of the product and activities the supplier has to perform (Weele, 2005).

However, specifications are simpler to achieve when procurement is highly rule driven, and are problematic when an innovation is required (Caldwell, Roehrich, & Davies, 2009).

Furthermore, 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 organisations have standard specifications for the most regularly procured items and services such as medical and construction (Shaw, 2010).

According to Thai, Araujo, Carter, & Callender (2005) a specification is a detailed description of design, service, or materials. Not only to suppliers, but it also must be clear to all parties, i.e. users, procurement, and the supplier. Factors to be considered in specifying a product include physical attributes, technical specification, and intended use.

Finally, from the above mentioned five major theories one can infer that, the specification must be clear, precise, and accurate and also it has to be clear to all concerned parties.

### The Selection Phase

The selection phase consists of supply market exploration, sourcing, awarding, and selection of suppliers. In practice this often occurs in parallel to setting the specification. Although it is not deemed to be a good public procurement practice, which expects a level playing field in supplier selection. Specifications can be written with particular suppliers in mind. In other cases, such suppliers may have

been involved in the process through request for cost estimates or technical specifications. Hence the selection phase is influenced by the specifications that have been set it can limit through determining which suppliers can be considered for selection (Caldwell *et al.*, 2009). This can be avoided by introducing non-price factors in selection process of public procurement (knight *et al.*, 2007).

In addition, Hinson and McCue (2004) say that sourcing is the process of identifying sources of supply and the adoption will depend on situation and on the time available to carry out sourcing, for instance, responding quickly to the emergency need.

Furthermore, Shaw (2010) contended that it is very important for the procurement department to assess and consult on any big price variations, to avoid potential conflict of interest, undue influence, price fixing and favouritism, and to ensure consultative decision making and sharing of responsibilities, the tender box should not be opened by one person only, and the criteria used to evaluate bids should be tested and validated by the committee before reception of bids.

Finally, from the above mentioned major theories one can understand that the selection phase consists of sourcing and awarding suppliers. Its tendency to be influenced by the supplier is high. Due to this the specification should be set and limited through determining which supplier can be considered for selection by introducing non-price factor with regard to the situation and time available to carry out sourcing.

### Contracting and Ordering Phase

According to Lenders *et al.* (1989), contacting usually involves preparation of a purchase order forms unless the vendor's sales agreement or a release against a blanket order is used instead. Failure to use the proper contract form may result in serious legal complications. Additionally, the transaction may not be properly recorded.

In addition Shaw (2010) states that, in emergency situations the approval levels and limits are adjusted based on an approved process, to speed up the process of acquiring goods and services. Besides the features of a contract involves cost, specification/description, quantity, delivery place, lead time/delivery time, date of issue, and terms and conditions (including penalties for breach of contract).

From the above discussion it is clear that there are many obsessions taken into consideration while preparing purchase order to the vendor and failure to use the proper

contract may result in serious legal complication and disappointment to record transactions properly. In case of emergency situation there must be an adjusted and approved process to speed up acquisition. The contract must also include cost, description, quality, lead time, date of issuance, and terms and conditions of penalty for breach of contract.

### **Follow Up and Expediting**

Follow up is the routine tracking of an order and contract to assure that the vendor will be able to meet delivery promises. Expediting on the other hand, is the application of pressure on vendors to get them either to meet the original delivery promises or to deliver ahead of schedule (Lenders *et al.*, 1989).

Additionally, according to Bovis (2007) once the order is placed and the supplier has confirmed receipt and agreed to the contract terms and conditions, the role and the amount of work that staff in procurement have to undertake will be affected by the performance of the suppliers.

From the above discussion it is clear that each phase of procurement process has its own consequence. Understanding and tight controls of those significant steps enhance efficient and effective public procurement. In contrary to this, giving little attention will result in the serious problems on public budgets.

Since procurement process is the key factor determining the efficiency of public procurement in sourcing and awarding the right supplier, selecting right quality product, follow-up and expedition of timely supply of goods are highly related to operational characteristics of the framework agreement. Due to this the research focuses on procurement process which indirectly influences/contributes to the efficiency Framework Agreement in public procurement.

### **Role of Public Procurement on Public Expenditure**

In most organisations, procurement represents a very large proportion of the total expense which should be managed effectively to achieve optimum value. Procurement works about turning around requests into actual products/commodities or services to fulfill the needs (Caldwell *et al.*, 2009).

In addition, Benslimane (2013) declared that the overall aim and objective of procurement is to carry out activities related to procurement in such a way that goods and service so procured are from right source, at right cost,

and can be delivered in right qualities, right quantities, right place, and right time.

According to Thai (2001), the basic principles of good procurement practice include accountability, where effective mechanisms must be in place to enable procuring entities to spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement to be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes on equal treatment of all bidders irrespective of race, nationality or political affiliation. An ideal procurement system should also focus on effectiveness, where procuring entities should meet the commercial, regulatory, and socio-economic goals of government in a manner that is appropriate to the procurement requirement.

From the above discussed literature, giving special attention to public procurement is also a means protecting public funds from waste and misuse. This will be achieved through proper implementation of procurement principle of efficiency, time, quality as well as sustainability considerations along with proper communication with the users of public funds. Unless this has been done well, procuring entities would not spend limited resources carefully, in addition, coupled decentralisation of the procurement function benefits public organisations by involving professionals e.g. in tendering, procurement, evaluation, disposal and others, which are very costly, and time consuming.

### **Efficiency in Public Procurement**

Since efficiency is about value for money, public procurement has to be practiced based on ensuring value for money. In order to do so governments have put increasing efforts into rationalising and increasing efficiency of procurement. There has been recognition that procurement officials need to be equipped with adequate tools for improving planning and management and that their decisions need to be well informed (OECD, 2007, p.13) so as to enhance efficiency in procurement. Good practices reduce costs and produce timely results, and poor practices lead to waste and delays. Lack of efficient procurement highly affects development issues such as service delivery, economic growth, private sector development, and decentralisation.

According to BSI group (2008, p.10) public procurement is challenged to make savings by improving efficiency. Standards can enable procuring entities and suppliers to work together so that they share the advantages of

innovation and collaboration. Efficiency and value for money are delivered through the whole procurement cycle, from planning stage to contract management stage. The level of efficiency in public procurement is basically measured by the proper application of complete written procedures and standards of procurement such as pre and post qualification procedures. In addition professionalisation of public procurement, institutional and professional capacity, extent of e- procurement, and the performance of procurement department indicate the level of efficiency.

According to Schapper *et al.*, (2006) operational efficiency in public procurement is as the process relates both to government and to business. Efficiency of process is a concurrent consideration regardless of whether procurement is defined as a regulated process or managerial task. And it intended to deliver value-for-money outcomes not neutral to the degree of centralisation or devolution. Indeed, the sources of efficiency available to best-practice procurement are multiple. The efficiency and effectiveness of procurement are often sensitive to scale and coordination and involve both public administrative processes and industry structural and transactional issues. In this way, efficiency overlaps with the concept of value-for-money outcomes.

According to NASPO, cited in Schapper (2000) the second avenue for efficiency relates to costs of transactions. Transaction costs are greater in public sector because of the generally more demanding requirements of transparency. Also, the great majority of transactions are small purchases, typically a few hundred dollars or less, such that the cost of transaction processing becomes a large or even a dominant proportion of the purchase.

From the above discussed literature it can be said that since efficiency is about value for money, governments have to put increasing effort into rationalising and increasing of procurement by equipping procurement officials with adequate tools for improving, well managing their decision, efficiency. Value-for-money is delivered through all procurement cycle starting from planning to contracts. It is also related with government, business, costs of transaction. Savings emerges through redefining the outcomes requirements and representing overlap efficiency and performance.

### Challenges of Public Procurement

Public procurement is an important function of government, but procurement practitioners are constantly

facing a number of challenges. According to Shaw (2010), firstly, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed.

Furthermore, in developed as well as developing countries, disregarding their economic, social, and political environment, a sound procurement system has to accomplish two sets of requirements: management requirements and policy requirements. The procurement management requirements normally include quality, timeliness, cost, minimising business, financial and technical risks, maximising competition, and maintaining integrity. The procurement policy requirements normally include economic goals, environment protection or green procurement, social goals (Thai *et al.*, 2005).

Finally, from the above literature we can understand that, since public procurement is significant in efficiently handling the size of public outlay it has to be managed through complying with the legislation and guidelines, policy maker and procurement practitioners have to make optimum decision toward minimising tendency of threat in quality, timeliness, cost, minimising business, financial and technical risks, maximising competition, and maintaining integrity.

### Features of Framework Agreement Contracts

According to Walker, Essig, Schotanus, and Kivisto *et al.*, (2006) within the programme of rationalisation of public spending, public agencies both at central and local level, are entitled to make purchase order from the FA awarded by the central procurement agency. The main features of the FA are that quality price competition is entirely concentrated in the first stage, whereas the second stage, at which the specific contracts are awarded, increased degree of competition and process streamlining, may deploy their full potential for the following reasons.

In addition Walker *et al.*, (2006) state that first, bundling separate procurement strategies a single process will avoid repeating the same tasks and allows specialised personnel to check the tender document more carefully and standardisation of the procurement language. Standardisation helps reduces barrier to entry into procurement market. Second, framework agreement contract is that, if several purchase orders are squeezed into the same contract, the contractors are likely to operate at much lower unit's costs than the level that would be attainable when the overall value is split in many separate contracts.

Moreover, a number of perceived benefits are stated to apply through the use of framework agreements including more effective and efficient tendering procedures for clients, continuous improvement from engagement of best practice, greater depth of understanding between all participants due to longer term relationships, ability for suppliers to gain a higher success rate with bidding for projects, and higher level of commitment for a client due to longer term relationships (Construction Excellence, 2009).

In general, from the above discussed literature we can understand that it is not only the features of the framework agreement in choosing the methods, but also the benefits like avoid repeating the same tasks and allow specialised personnel and squeezed purchase orders into the same contract the procuring entities have to perceived while choosing the appropriate means of procurement.

### **Coordination of Framework Agreement in Public Procurement**

Within the state administration, framework agreements have been concluded for authorities that cover many products and services. Authorities under the Government shall comply with the ordinance on coordination of government purchasing (1998:796) which states that, framework agreements must be in place to cover products and services that authorities procure frequently, on a large scale or that are of a high value. The aim is to achieve savings for the central government by making procurement more efficient.

Dobler (1996) also supports the idea of cooperate procurement by saying that “more cooperative purchasing are shifting agendas from a short-term view to long-term view, from an internal focus to external focus to an external relationship focus, e-procurement developments, and an increased awareness and importance of purchasing activities”.

More specifically, the concept of cooperative purchasing consists of two central ideas; on one hand the conceptual focus of purchasing has to change towards a strategic perspective; on the other hand cooperatives have to organise a symbiotic structural relationship between purchasing organisation (Essig, 2000). Most of the contemporary authors concentrate on connecting framework agreement as similar to centralised purchasing (Kivisto *et al.*, 2003); in benefits like lower pricing, higher quality, lower transaction costs, reduced workload, reduced supply risk and learning from each other.

From the above literature we can conclude that framework agreement is practiced under the coordinated procurement system and focus of purchasing has to be changed towards a strategic perspective which means shifting agendas from a short-term view to long-term view to improve public procurement practice.

## **Overview of Empirical Literature**

### **Historical Development of Framework Agreements**

Historically, framework agreement started operating in private sector by the name of framework arrangement, where in private sector made arrangements between suppliers as a matter of commercial privilege and therefore was not subject to regulation or publication. Provided arrangements are not anti-competitive and comply with other legal requirements, they make take whatever form the parties decide. Earliest forms of private sector framework arrangements are detected within manufacturing industries. As part of this arrangement, suppliers commit to continuous improvement of their products in order to remain with the manufacturer (Keith, 2013).

In another case, publication of constructing the team by the UK government reviewed procurement and contractual relationships within the industry. Recommendations made by Latham, cited in Keith (2013) focused upon use of collaborative methods rather than adversarial contracts. Earliest forms of collaboration were structured through partnering arrangements between parties in addition to contractual considerations.

Public sector organisations start to use framework agreements under strictly regulated procurement regulations. A transition from framework arrangements into framework agreements followed development of industry standard legal documentation to encourage wider usage, cumulating in publication of standard contract forms such as the Framework Agreement version of the New Engineering Contract 3rd Edition NEC, 2005, cited in Keith (2013).

### **Public Procurement Efficiency and Its Focus**

According to NASPO, cited in Schapper (2000) one of the major avenues for efficiency relates to the costs of transactions. Transaction costs are greater in the public sector because of the generally more demanding requirements of transparency. Also, the great majority of transactions are small purchases, typically a few hundred

dollars or less, such that the cost of transaction processing becomes a large or even a dominant proportion of the purchase. The significance of transaction costs can be gauged by the cost of processing of a simple procurement commonly estimated between US\$75 –US\$100 and the reality that generally about 70% of public sector procurement transactions are less than US\$500.

The other avenue for efficiency savings emerges through redefining the outcome requirements themselves and represents an overlap between efficiency and performance. This category of opportunity requires significant management data as well as strategic agency management with a strong interagency coordination of efficiency goals. Here, public administration challenges the existing and often traditional modes of business and administration and seeks new solutions. For example, an administration with 10,000 IT ‘seats’ may seek to use this buying power to negotiate a better licensing deal with its desktop systems, or it may consider alternative solutions altogether such as outsourcing of all or part of the function, use of a shared service centre, or a total re-engineering of the relationship with its clients and stakeholders, such that much of the processing is done outside the organisation as has occurred with e-tax in the taxation industry in Australia (ATO, 2004). The first option represents an example of aggregate buying while the latter ones are examples of more strategic approaches.

All of these issues and options are further complicated by the structure of public procurement which in most countries is dichotomised between low values, high volume procurement (such as office supplies) and high value, low volume procurement such as major capital works.

### Public Procurement Challenges and Its Consequence

In reality, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10-30 % of GNP (Caldwell *et al.*, 2009).

This shows efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners. Secondly, public procurement has been utilised as an important tool for achieving economic, social, and other objectives (Arrowsmith & Trybus, 2008; Shaw, 2010).

Here it is therefore, a need to comply with a myriad of legislations and guidelines and this presents a challenge.

Another challenge is that, due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and corruption (Shaw, 2010).

### Public Procurement and Public Expenditure

There is need for transparency to enhance openness and clarity on procurement policy and its delivery (World Bank, 2002). Various studies have shown that procurement and revenue management form the core functions of public financial management, particularly within the Medium Term Expenditure Framework (MTEF). The main objectives of the MTEF include linking policy, planning, budgeting; achieving fiscal discipline through a realistic macro-economic framework; resource allocation, efficiency in line with strategic priorities and operational efficiency through delivery of quality managerial services.

According to Aketch, cited in World Bank (2002), in most developing countries public procurement serves a greater role than it does in developed nations. This is because in developing countries, governments are the main buyers of goods and services.

In general in dealing with the oversight problem, many countries have coupled decentralisation of the procurement function with the creation of central entities with oversight and enforcement responsibility. This involves involving professionals e.g. in tendering, procurement, evaluation, disposal and others, which are very costly, and time consuming.

### Institutional Framework and Implementation Procedure of Framework Agreement in Ethiopia

The procurement of items which are of common use to public bodies shall be carried out in accordance with the provisions of the Procurement and Property Administration Proclamation and Procurement Directive. Based on this the following figure shows the establishment of Framework Agreement and its implementation procedures in procurement of common user item.

This shall be done while Public Procurement and Property Administration Agency shall undertake a survey of the similar requirements of public bodies, issue a list of goods and services constituting such requirements, update the list regularly, and communicate the list to the Public Procurement and Property Disposal Service and all public bodies. Each public body on the basis of the list issued by the Agency submits its annual procurement

requirements to the body administering framework procurements (Public Procurement and Property Disposal Service) and all public bodies within the time frame set for this purpose.

Fig. 1 and 2 show the questions which need to be asked in order to establish how a framework agreement should be treated;

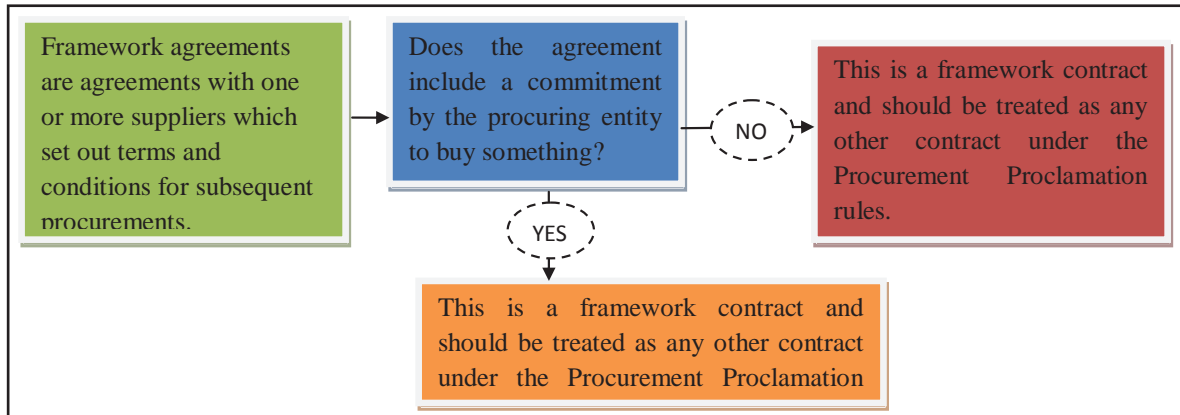


Fig. 1: Framework Agreement Implementation Procedure

Fig. 1 shows that, framework agreements can be concluded with a single supplier or with several suppliers for the same goods or services in order of their rank in the bid evaluation result. This will apply, if the quantity of goods to be supplied under the framework agreement is out of proportion with the capacity of the selected supplier; where it is felt to be appropriate to extend to

more than one supplier the opportunity to sale to the government, considering the number of suppliers in the market having the potential to supply the requirements in a contract of similar magnitude; and/or where the level of volatility of the price of the required items is so high that it is necessary to carry out the procurement urgently with the price offered by the selected supplier.

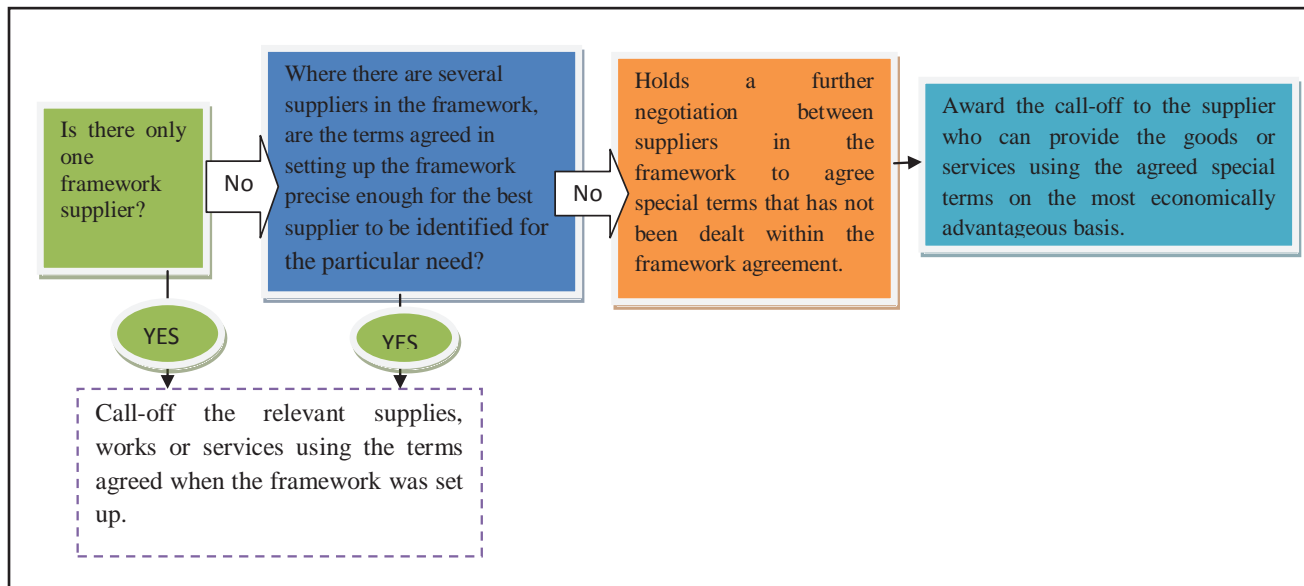


Fig. 2: Call-off Stage

Source: Manual on the Use of Framework Agreements (Version 2, May 2011)

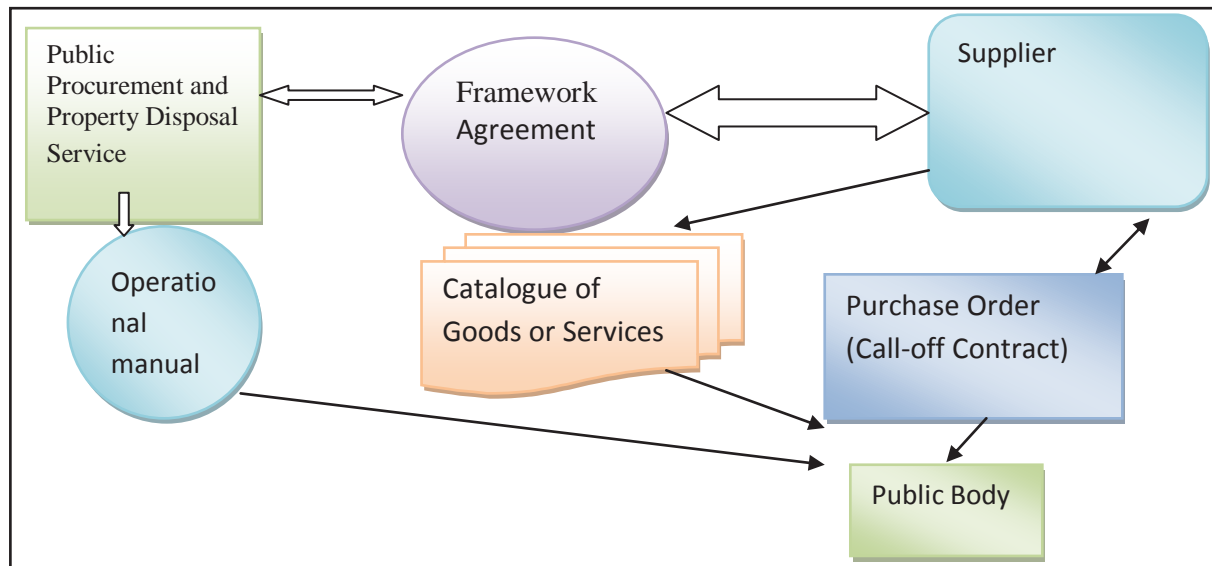
Fig. 2 implies that, under framework agreement call-off the relevant supplies where there is only one framework

supplier and where there are several suppliers in the framework are the terms agreed in setting up the

framework precise enough for the best supplier to be identified for the particular need. However, in case where it is not possible to do so, holding a further negotiation between suppliers in the framework is required to agree special terms that have not been dealt within the framework agreement. And then award the call-off to the supplier who can provide the goods or services using the agreed special terms on the most economically advantageous basis.

### Contractual Relationships between the Parties

Fig. 3 illustrates the contractual relationships between the parties to framework agreements.



**Fig. 3: Contractual Relationship between Parties**

Source: Manual on the Use of Framework Agreements (Version 2, May 2011)

Fig. 3 shows the relationship between the parties involved in the framework agreement. Concerning this relationship public bodies are the stand points, i.e. the needs of common user items rise from public organisation. The needs based of the lists of goods in the catalogue which is accessible to both suppliers and public organisations. Public procurement and property disposal service is the body administering and operating framework agreements on behalf of those public organisations based on the directions of operation manual and in such a way framework agreements are open to suppliers. In case the winner suppliers are known, the purchase order is issued to the suppliers by public organisation based on the awards announced to them by procuring entity.

### RESEARCH METHODOLOGY

This chapter sets out various phases that are followed in completing the study. It involves a blueprint for the collection, codifying, and analysis of data. This is an overall scheme, structure conceived to help the researcher in answering the raised research questions. Specifically

the following subsections were included; research approaches and design, data source and collection instrument, sampling design and procedure, and finally data processing.

### RESEARCH APPROACHES AND DESIGN

For undertaking this study, mixed research approaches were used, as it involves both qualitative and quantitative data which often rely on data in the form of descriptions and statistical summary or analysis. Qualitative approach was used for primary data like questionnaire, interviews and observations without formal measurement. Concurrently, quantitative approach was used in analysing secondary data by applying statistical tools.

Descriptive research design was used to undertake this study. Descriptive study sets out to describe and interpret the data. It necessitates having a clear picture of the phenomena on which you wish to collect data as well as to examine the state of affairs as it exists at present, since the objective of the study was examining some aspects/phenomenon of framework agreement in public procurement.

## Data Sources and Collection Instruments

For the purpose of this study, data have been obtained both from primary and secondary sources. The primary data were collected from selected Federal Public organisations (Ministry of Education, Ministry of Urban Development, Ministry of Agriculture and Addis Ababa University, Public Procurement and Property Disposal Service (PPPDS) etc.), in the form of semi-structured interview questions. Furthermore, a questionnaire booklet has been distributed for these organisations. The secondary data were collected from a review of key public procurement document, procurement articles, official documents, organisational reports, newspapers, and books.

## Sampling Design and Procedures

To carry out this study, the researcher has employed purposive sampling, because the study is expected to deal with persons more related and expected to know about the topic of research. It also allows the researcher to select units purposively. Total population for this study was federal level public organisations which are under the umbrella of framework agreement. And there were around 173 federal public organisations including higher education institutions/universities according to information taken from Public Procurement and Property Disposal service (PPPDS).

Based on this fact, the sample size for this study was totally 86 (eighty six) public organisations which were selected based on frequency of using framework agreement and based on the expectation of significant practical knowledge about implementation and which accounts to 50% of the total population. Data concerning their involvement has been taken since 2010/2011 to 2014/2015 G.C (for the last 3 year) records on framework agreement from public procurement and property disposal service/procuring entity. In addition, questionnaires have been distributed to 70 public organisations and interviews have been made with 16 federal public organisations including the implementer (PPPDS).

From the above samples size, data were collected from 65 and 13 federal public organisations through questionnaires and interviews respectively. Interviews have been made by focusing on higher and middle level officials. And also through both interviews and questionnaires data response rate shows 92.85% and 81.25% respectively.

## Data Analysis Techniques

Due to the nature of study, a mixed approach was used and data were presented in form of numeric and non-

numeric as well as the study employed both qualitative and quantitative data analysis techniques.

## DISCUSSION AND RESEARCH FINDINGS

Under this section the research presents the data found on an examining significance and efficiency of framework agreement in term utilising human resource, procuring quality goods on time and cost of procurements through analysing data collected from federal public organisation. The information made available for the purpose of this study was collected using different techniques such as primary source questionnaire, interview and secondary source organisational reports, tender evaluation minutes and like records. The analysis started with dealing the implementation of framework agreement, the significance and efficiency in term utilising human resource, in procuring quality goods on time and in minimising cost of procurements which incorporates all data collected through questionnaire, interview and secondary source.

This study has made use of frequencies and percentage on multiple response as well as Likert scale questions in analysing the data whereby a scale of 0-5 points was used in computing the frequency and percentage of response. These are then presented in tables and figures as appropriate with explanations being given in text. Then it is concluded with a discussion of the analysis overall by establishing and implication of the theory.

Out of 210 questionnaires that were administered to 70 organisations, totally 65 organisations, 150 experts, 45 procurement endorsing committee members, and auditors returned and gave responses successfully. Questionnaire was the proportion of the sample that participated as intended in all the research procedures. Considering interviewees from 15 organisations, 13 were interviewed successfully. Interviews have been made by focusing on higher and middle level management officials. And through both interviews and questionnaires data response rate shows 92.85% and 81.25% respectively.

### Research Objective 1 (one) Sought to Determine the Significance of Framework Agreement to Public Organisation.

Framework agreement is used in procuring common user item and it is also kind of procurement used for framework agreement. For more information see the following tables and result discussions.

As shown in Table 1, 80% of the respondents' idea indicated that framework agreement is very much significant, while 20% of the respondents rated at moderate level. So, it is clear that framework agreement is useful in procuring common users items.

**Table 1: Significance of Framework Agreement to Public Organisation in Procuring Common User Items**

No	Item	Frequency	Percent
1	Very Good	52	80.0
2	Moderate	13	20.0
	Total	65s	100.0

Source: Field work, May 2014

According to interviewees' responses, there is no doubt that the significance of framework agreement to public organisation is high, especially they expected framework to be better than what they procure in decentralised procurement systems; in buying quality goods, using time, in reducing workload and price (including overhead cost) of procurement except those costs added up on public organisations due to suppliers stock holding financial capacity problem/supply capacity and delays of processing procurement cases from the sides of procuring entities, organisations were exposed to procure themselves. Such problems particularly happened when emergency need occurred. But, there is distrust that framework agreement solves the problems of timely accessing goods and reducing workload due to weak implementation result observed on these variables.

Alike in objective to Ordinance on Coordination of Government Purchasing (1998, p.796), framework agreements or other joint agreements must be in place to cover products and services that authorities procure frequently, on a large scale or that are of a high value. This aims to achieve savings for the central government by making procurement more efficient.

Generally there is significant gain on the price and quality of goods procured. However, there is problem of delay in responding to the needs of organisations on time from the suppliers and procuring entities side. Due to this, few organisations are exposed to procuring themselves after presenting their needs to procuring entity and they were forced to waiting for additional months as voiced by organisations. This creates inconvenience and increases workloads on the organisations as a result of contrary response to their needs.

**Table 2: Kind of procurement Framework Agreement and Procurement Applied to Items**

No	Item	Frequency	Percent
1	Strategic goods	5	8.0
2	Common User item	57	88.0
3	Short term use	3	4.0
	Total	65	100.0

Source: Field survey, May 2014

As described in Table 2 the other issue is related to the significance of FA in relation to kind of procurement. And large numbers of respondents, about 88% signified that framework agreement is mostly significant in procuring common user item. The rest respondents, i.e.5% indicated it is important in procuring strategic goods and the rest 2% indicated it is useful for procuring short term use goods, which means a modest as well as no use of framework agreement to procure other items rather than common user. Besides, most of the respondents agreed that they executed framework agreement to procure common user items.

In the same manner to the above case elaborated under Table1, this also supported the argument framework agreement placed to cover products and service public entities procure frequently on a large scale and that are of a high value and intensively used by many organisations commonly. This helps to achieve saving form the large volume (Ordinance on Coordination of Government Purchasing, 1998, p.796). Therefore, framework agreement is used to procure large volume common user items and enables the organisations to make subsequent order within period contract under enforcement and also helps to make saving from volume procurement as mentioned by respondents and past study results which magnifies the reality of this study.

**Table 3: Benefits FA to Public Organisation**

No	Item	Frequency	Percent
1	Value for money	8	12.30
2	All	51	78.46
3	Others	5	7.69
	Total	65	100.0

Source: Field survey, May 2014

The other core issue under this objective is the benefit public organisation due to employment of FA in their centralised procurement system. As indicated in Table3,

public entities are benefited from framework agreement with respect to value for money (considering all necessary cost and benefit in procurement system), efficiency in human resource utilisation (using minimum work force as much as possible), quality of goods and non-discrimination in selecting suppliers, effective and fair competition which is 51%, value for money 12%, and others 5% which indicated it has very low benefits than those prioritised above.

In addition, as per interviewee response, there is better performance and improvement due to implementation of framework agreement on a small number of items than before (the year before this data was collected). This better performance and improvement has been observed on price of items, where almost all items were procured at better market price. Concerning qualities of few goods there is improvements than before (preceding year) in performance. For example; toner is one of few goods which were redundantly mentioned among the interviewees' as among better quality items. In addition as an objective, procuring entity was planned to procure the whole types of common user items in quality, variety, price, market stabilisation, and in reducing running cost, corruption, risks of suppliers supplying inability, and delivering items procured within short period of time. But, there is interruption in announcing and changing real awarding time to work as well as suppliers' stock holding capacity problems are there among visible drawbacks.

In advancing the findings of Walker *et al.*, (2006) among the main features of framework agreement quality, price competition, reducing purchase orders, increased degree of competition, avoiding repeating the same tasks and allowing specialised personnel to check the tender document more carefully, and standardisation of the procurement language were mentioned among the noticeable results. Standardisation helps to reduce barrier to entry into procurement market, several purchase orders are squeezed into the same contract, and the contractors are likely to operate at much lower unit's costs than the level that would be attainable when the overall value is split in many separate contracts.

In addition, Kivisto *et al.* (2003) state that framework agreement is similar to the centralised purchasing in benefits like lowering pricing, higher quality, and lower transaction costs.

From this finding it is important to note that, even though the evidence from the above literature and respondents implies quality, efficiency in use of human resource, value for money, efficient, fair and non-discrimination

competition were major among the benefits public organisations expected from framework agreement. But also in actual operation the organisations have achieved good quality on few items and price of nearly all items among the core objective of framework agreement. Besides variety and timely delivering of items, coverage and expectation of the organisations due to lately awarding contract and suppliers facing shortage of stock holding will directly be linked to their financial capacity.

### The Second Objective (2) Deals With FA And Operational Efficiency In Public Procurement, Specifically By Taking Under Consideration The Following Question And There Is Also Result Of Discussion As Well.

#### Question1: Does Framework Agreement Enhance Procurement Performance of Public Organisation?

**Table 4: Framework Agreement and Its' Procurement Performance**

No	Item	Frequency	Percent
1	Strongly agree	21	32
2	Agree	39	60
3	Neutral	5	8
	Total	65	100.0

Source: Field survey, May 2014

As shown in Table 4, the respondents were required to rate their level of agreement based on a Likert scale coding from 0 to 4, where 0= strongly agree, 1= Agree, 2= Neutral, 3=Disagree, 4= strongly disagree. From this data presentation, 60% agree, 32% strongly agree and 8% are neutral to the enhancement in public organisation due to the implementation of framework agreement. This shows that, public organisations were improved due to use of FA in their use for procurement of goods for their office consumption and further out of office consumption.

In addition, according to interview informants' responses, procurement service and improvements have been seen from different perspectives like cost reduction, time waste, quality, quantity, and human resource. The procurement overheads like transportation, document duplication which is in separate/decentralised procurement acquire high costs of operation. But, with reference to quality, quantity, and human resource utilisation, framework agreement is better than split/separate procurement. Besides this,

it implies that as there are point's improvements, but limited to only product price, document duplication cost, transportation cost and human resource utilisation.

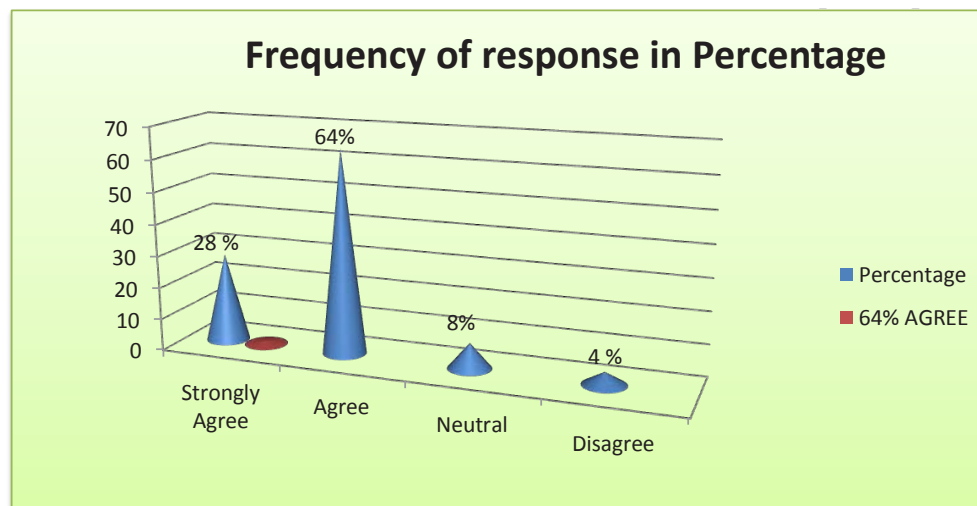
But, data taken from organisation reports imply that there is quality problem due to specification, suppliers questioning for additional price than awarding/winning price etc. Due to that, organisations are exposed to additional costs of buying few items on their own e.g. printer toner.

According to OECD (2007, p.13) good procurement practices reduce costs and produce timely results, and poor practices lead to waste and delays. Lack of efficient procurement highly affects development issues such as service delivery, economic growth, private sector development, and decentralisation. In order to achieve these, there has been recognition that procurement officials need to be equipped with adequate tools for

improving planning and management and that their decisions need to be well informed so as to enhance efficiency in procurement.

These indicates that, due to the implementation of framework agreement in procurement of common user item there is improvement in price of goods, document duplication cost, transportation cost, and human resource utilisation in comparison to the decentralised one. However, there is lack of efficiency in time use and quality, which results in addition cost, waste of time and money as well as it results in delays of procurement and it highly affects the needs and use of goods for intended purpose. This happened due to lack of immediate and speedy response and lack of supervision from PPPDS which takes almost more than four to six months. As that time suppliers supply poor quality good in place of good quality and they took long time in order to respond to single organisation.

#### Question 2: What are benefits of collective versus separate procurement in Human resource utilisation?



**Fig. 4: Benefits of Collective Versus Split Procurement in Human Resource Utilisation**

Source: Field survey, May 2014

As shown in Fig. 4, 64% of the respondents agreed that public organisations are benefited from collective/FA than separate procurement in using human resource efficiently, 28% of the respondents strongly agreed that public organisations are benefited from collective than separate procurement, 8% neutral and are not sure of the benefits while comparing the two cases and 4% disagreed with the idea.

According to interviewees' responses taken from public organisations concerning human resource utilisation, each

organisation has a minimum of five (5) experts and many of them employed six (6) experts including team leaders. Among those, there is a participation of 3 (three) to 5 (five) experts for a single tender evaluation. On the other hand as per the interview informants from procuring entities/PPDS, even though it depends on the type of procurement to increase number of experts to be involved on single procurement case, evaluation didn't exceed five (5) to nine (9) experts' involvement. However, these experts are used to evaluate not less than 81 organisations' procurement needs under single contract in case of framework

agreement. This shows that, organisations are being more commonly using FA than procuring separately. efficient in human resource utilisation while procuring

**Table 5: Information on Framework Agreement Efficiency in use of Work Force**

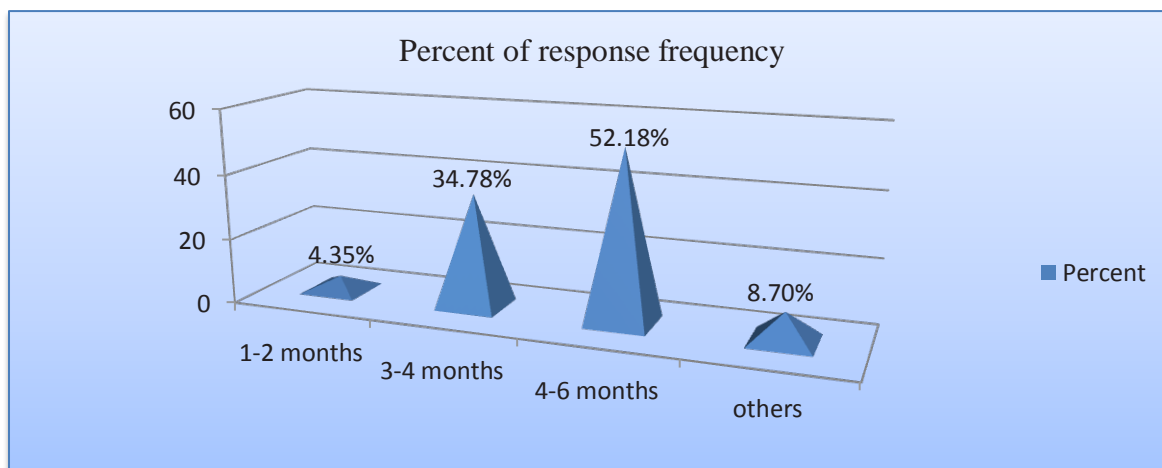
Procurement type	Procurement reference number	Number of experts involved	Number of Organisation that send their needs	Item types
Procurement of difference type of fixed office equipment, stationary and other consumable	PPPDS/NCB/FA/02/2004	5	173	19 type
Procurement of difference type of stationary materials	PPPDS/NCB/FA/01/2004	3	81	12 type
Procurement of difference type of fixed office equipment, stationary, sanitary and other consumable	PPPDS/NCB/FA/01/2005	9	175	21 type
Procurement of difference type of fixed office equipment(computer desktop and laptop and Ups)	ICB:PPPDS/FA/01/2005	7	175	3 type

As shown in Table 5, numbers of experts utilised means maximum number of experts used by procuring entities for the evaluation of the whole process under single procurement excluding follow up and supervision works. In 2012/2013 G.C. budget year 3 experts were used to process the procurement of common user item from 81 different public organisations to procure 12 types of different items. In addition, according to the responses of the interviewees, the minimum number of experts involved in a single procurement is only 3 in number. From this we can understand that a minimum of 243 experts were involved for procurement of 81 public organisation needs for items if they procure separately.

From this evidence, one can induce that government is beneficial in exploitation of human resource while procuring commonly than separately or using FA than decentralised one. But, this has also contrary consequences

with that of jobless graduate within Ethiopia country since the above mentioned figure shows that the difference is very big. So, even though on one side it is good for government to save this basic corruption prone public sector with high annual expenditure from everywhere mischief through centralising procurement system, on the other side it will affect job opportunity for this sector (graduate in procurement experts) which leads to more shortage of interested learners to join the field. This will, as a consequence, result in no professional to learn the field in addition to what currently the graduates of the field are facing to overtake job opportunity with other professions due to customary superiority of other professions.

**Question3: What is average time acquired for procurement of single common user item/ contract?**



**Fig. 5: Average Time Acquired for Procurement of Single Common User Item**

As shown in Fig. 5, 52.18% of the respondents indicated that 4-6 month long, 34.78% of the respondents 3-4 months long, 8.7% responded other frequency, and 4.35% replied 1-2 months as an average time taken in for single common user items procurement. Based on this fact, for processing procurement case it takes 4-6 months for a single common user item contract.

On the other hand responses taken from interview participants show that it took too long time in almost all items except certain items and even too late than when the organisations procure themselves. This delay can be seen from two perspectives; delays before contract and after contract. The reason of delays before contract is due to organisations lately sending their procurement need and bulk purchase which took longer times. Additionally, delay after contract mainly puts emphasis on problems like the suppliers' supply/financial capacity, customs clearance procedures, and letters of credit (LC).

Moreover, the data taken from procuring entities on Framework Agreement evaluation report and minutes of 2012, 2013 and 2014, show that, for procurement of 2012/2013 fiscal period framework agreement it takes around 5 months starting from date of issuance of bid document i.e. September 09, 2012 to contract signing date February 19, 2013. Besides, in 2013/2014 fiscal period, processing framework agreement takes from June 15, 2013 to September 2013. And also by 2013/2014 fiscal period procurement process takes from May 28, 2013 to September 10, 2013.

From these one can infer that, the minimum time taken for single procurement case starts from date of issuance of bid document to the date of contract signing which takes four (4) months without taking into consideration the time that has been taken for needs assessment, compiling needs, and document preparations activities. So, organisation must improve their time management including procuring entity if the ongoing case continue affecting the result in long term.

#### Question 4: Analysis on efficiency of Framework Agreement in uses of time?

**Table 6: Data analysis on efficiency of Framework Agreement in uses of time**

Items	Response measure	1-2 weeks	3-4 weeks	5-6 weeks	More than 6 weeks	Total
Time require to collect needs	Frequency	13	16	36	0	65
	Percent	20	55.38	24.61	0	100
Time require to compile needs	Frequency	0	23	15	27	65
	Percent	0	34.6	23.1	42.3	100
Time require to evaluate Framework Agreement	Frequency	26	13	13	13	65
	Percent	40	20	20	20	100

Source: Field survey, May 2014

As shown in Table 6, 55.38% of the respondents indicated that 3-4 weeks, 20% of the respondents 1-2 weeks and the rest 24.61% responds 5-6 weeks. Based on the findings, majority of the respondents response show that 3-4 weeks' time is taken to collect the needs of the common user items from the organisations.

Regarding second question, time taken to compile common user items needs to be collected from different users. 34.6%, 23.1% and 42.3% of the respondents replied 3-4 weeks, 5-6 weeks and more than 6 weeks respectively. But, according to annual procurement plan schedules by 2012/2013 G.C. the procuring entity has planned to collect and compile taking two (2) months only.

From the above discussed two questions we can understand that, even though it was planned to take 2 months for need

assessment other succeeding activity of compiling; the actual facts from respondents show that it lasts for more than four (4) months for accomplishing this basic activity for preparation before bidding for common user items.

In relation to third question, time received to evaluate a single framework agreement is 40%, 20%, 20% and 20% of the respondents' replies i.e. 1-2 weeks, 3-4 weeks, 5-6 weeks, and more than 6 weeks respectively. From this case we can understand that, in view of the fact majority of the respondents' replied that it takes 1-2 weeks to evaluate the tender proposals of a single framework agreement.

In contrary to this response, the actual performance of the 2013/2014 Framework Agreement procurement minutes shows that, from starting of preliminary evaluation i.e. July 24, 2013 to final financial proposal result report of

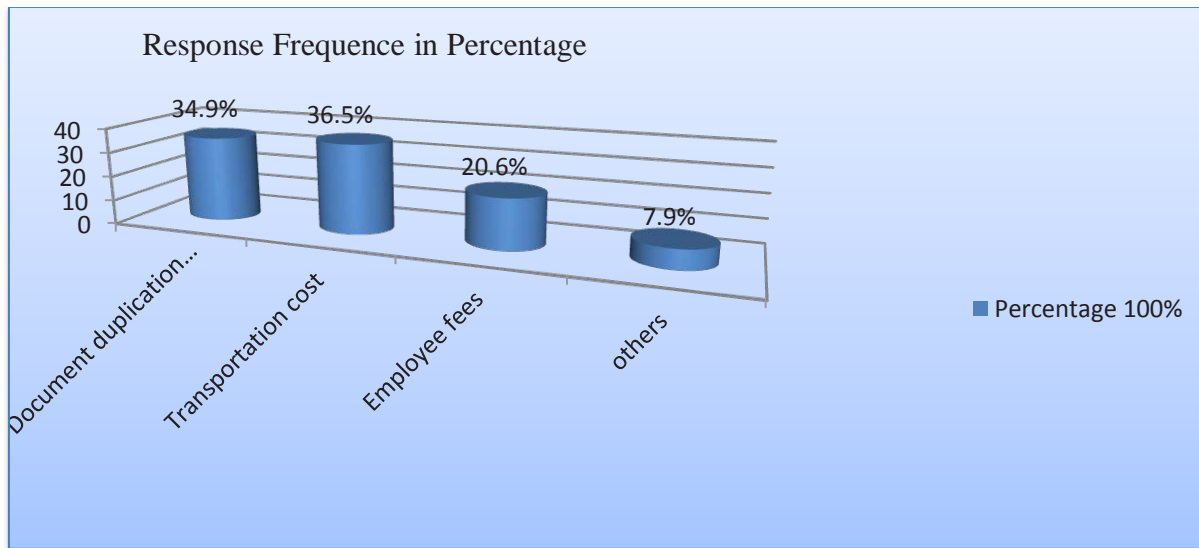
September 16, 2014 it takes more than two and half(2 1/2) months of consequent calendar date. In addition to this, the 2014 framework agreement procurement minutes shows that, from starting of preliminary evaluation May 28, 2013 to final financial proposal result report August 21, 2013 it takes more than two months and three weeks of consequent calendar date. But, according to the annual procurement plan schedules of the 2013/2014 “common user item procurement preliminary evaluation taking from May third week of 2014 to final financial proposal result report of July first week 2014 it stays for almost one month and two weeks”. This indicates completely difficult for the procuring entity to match their activity with the annual time plan.

According to Benslimane (2013) the overall aim and objective of procurement is carrying out activities in a way that goods and services are procured and delivered in right time. There is cost savings from procurement which

includes economies gained from reduced order cycle time and greater timeliness in ordering and delivery (Peters & Hogenson, 1999).

From the above discussion, the evaluation performance of framework agreement shows delay in need assessment, compiling needs, evaluation process and activities as well. This has its own effects both on financial and time resource since cost saving from procurement has economies gained from reduced procurement time and delivery of the goods for organisation. So that organisations are loser in both time and cost advantage if continued with this distrust activities among procuring entities and public organisations.

#### Question 5: What extra cost can public organisations save in enforcing of Framework Agreement?



**Fig. 6: Extra cost Public Organisations save in operation of Framework Agreement**

Source: Field survey, May 2014

As shown in Fig. 6, 36.5%, 34.9%, 20.6%, and 7.9% of the respondents indicated transportation cost, document duplication cost, employee fees, and others cost respectively. From discussion the majority of the respondent replied document duplication and transportation are the cost that public organisations save because of framework agreement implementation.

In addition to the above presented facts interview taken from participants inform that, labour cost, transport cost, time cost including tender document preparation,

and duplication cost are among avoided cost due to implementation of framework agreement. This continues to be useful until the face out of the contract and often contracts are enforced for one year only in Ethiopia.

Transportation cost, document preparation, and duplication costs are among costs avoided by the organisations for period of one year under implementations of framework agreement and continue to be useful if the procuring entity be worthy of doing more and giving emphasis to framework agreement.

**Question 6: Framework Agreement in term of Administration cost****Table 7: Administration Cost and Framework Agreement**

Items		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Framework Agreement reduces the administration cost procurement of the public organisation	Frequency	26	23	8	2	2	64
	Percent	41.7	37.5	12.5	4.2	4.2	100

Source: Field survey, May 2014

From the information shown in Table 7, 41.7%, 37.5%, 12.5%, 4.2% and 4.2% respondents replied that they Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree respectively. This shows that, majority of the respondents i.e. around 79.2% strongly agree and agree that framework agreement reduces the administration cost of procurement. This shows FA reduces administration cost of procurement since its implementation to common user items procurement.

According to Essig (2000), main aim of collective procurement is to change issue of procurement towards a strategic perspective. The strategic perspective is reducing unnecessary costs and generating savings from volume procurement through incurring little cost of organisations. Hence these costs include administration costs. Framework agreement reduces the administration costs of the organisation by generating savings from collective procurement of organisations.

**Question 7: What are the complaints in Framework Agreement?****Table 8: Framework Agreement Complaint point**

Item	Rate of response	Yes	No
Quality	Frequency	44	21
	Percent	16.3	10.6
Procurement Time	Frequency	37	28
	Percent	13.5	10.6
Price of Product	Frequency	32	33
	Percent	11.5	12.5
Source of Product	Frequency	29	39
	Percent	10.6	14.4
Total	Frequency	30	50
	Percent	41.9%	47.1%

Source: Field survey, May 2014

As shown in Table 8, the respondents replied that complaint on quality of product 16.3% 'Yes', and 10.6% 'No', procurement time 13.5% 'Yes' and 10.6% 'No', price of product 11.5% 'Yes' and 12.5% 'No', and source of product 10.6% 'Yes' and 14.4% 'No'. This implies quality, procurement time, price and source of goods matter to the framework agreement as the means to complaint among the users. But, the rate of 'Yes' and 'No' responses is almost similar with no difference.

According to interview participants' response;

“Among the quality of products, procurement time, price

of product and source of product; the most redundant claim happens on procurement delays, quality to some extent, advance payment, additional price on few items and source of product in relation with suppliers low stock holding capacity.”

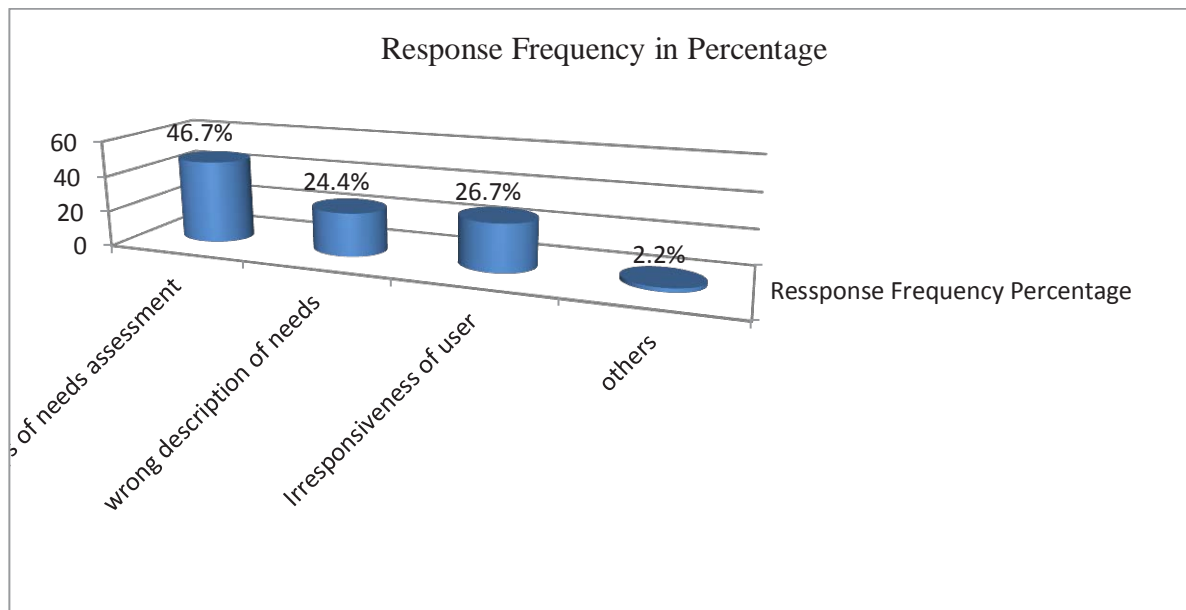
In addition, data taken from the secondary source framework agreement procurement of code PPPDS/NCB/FA/01/2005 E.C (2012/2013 G.C) contract revealed that, around 20 organisations are claimed through writing letters to procuring entity on different issues including quality, source and time delay.

As per Caldwell *et al.*, (2009) there are three important principles of procurement. Among these principles, principle of efficiency and cost effectiveness advocate about meeting right source, right cost, right qualities, right quantities, right place, and right time.

Therefore, the principle of efficiency and cost effectiveness of the procurement is measured by right source, right cost, right qualities, right quantities, right place, and right time. However, right source, right time, quality, and price are

among the problems mentioned as claims arise among public organisations in the implementation of Framework Agreement and the point from which procuring entity/ PPPDS was ineffective at responding to organisations' needs. This can affect the future acceptance of procuring entities purchasing items centrally on behaviour of other organisations.

### Question 8: What are the challenges faced by FA operation?



**Fig. 7: List of Obscurity of Framework Agreement**

Source: Field Survey, May 2104

As shown in Fig. 7, 46.7%, 24.4%, 26.7% and 2.2% of the respondents reply delays of need assessment, wrong description of needs, irresponsiveness of users, and others respectively. From this result, we can understand that a delay in common user items needs collection from federal public organisation which is a major challenge faced by FA implementations. But, this does not mean that wrong description of needs and irresponsiveness of users have no effect as the result indicated.

According to interview participants' response:

Among the challenges facing the procuring entities the most redundant one is the delay of needs collection due to public organisations lately sending their common user item needs. In addition the specification and user feedback also matter to overcome the challenges.

From this result, one can understand that there is challenge faced by framework agreement practice due to users'

delays in sending procurement needs on time and others (wrong description of items and unresponsive users) with significant effect to be taken under consideration as not being emerging challenges to achieve the objective of framework agreement.

### Question 9: Framework Agreement in terms of Procuring Standard Quality

As shown in Table 9, under the first question 20%, 28%, 24%, 24% and 4% of the respondents replied Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree respectively. Framework agreement encourages high standards of quality due to long term relationships with suppliers. This implies that the relationship between suppliers and procuring entity which is in long term will affect the issue of standard quality. The relationship can be seen in the view of long term self-benefiting and mutually benefiting from framework agreement.

**Table 9: Status of Framework Agreement in Encourages procuring Standard Quality and high volume item**

Items		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Framework agreement encourages high standards of quality due to longer term relationships with suppliers	Frequency	13	18	16	16	2	65
	Percent	20	28.0	24.0	24.0	4.0	100
High volume procurement is more effective in Framework agreement than the other traditional methods	Frequency	29	24	9	3	0	65
	Percent	44.4	37.0	14.8	3.7	0	100

Source: Field survey, May 2014

According to information taken from secondary sources, in framework agreement procurement complaints have happened among practice as which we have tried to discuss in Q.7 earlier. On the other hand, it has an advantage of long term supply of products not less than one year.

As per Porter (1980) Framework Agreement is used typically where procuring entity has a long term programme of work in mind and is looking to setup a process to govern the individual construction or supply packages that may be necessary during framework term in force.

As it is shown in Table 4, under the second part of the question 44.4%, 37%, 14.8%, and 3.7% of the respondents replied strongly agree, agree, neutral, and disagree respectively. High volume procurement is more effective in FA than other traditional methods. Results from this data shows that framework agreement is more effective and beneficial while procuring entity has the procurement of high volume item in mind and implemented it effectively.

According to Mills and Reeve (2009) framework agreements are sometimes called “Indefinite Quantity Contracts” or “two-phase procurement instruments”, yielding as specific contract with one of them to supply the particularly goods or services required.

So, framework agreement enhances long term contracts with suppliers and it also encourages long term relationship with suppliers and essentially establishing the contractual terms which will apply to subsequent orders made for goods covered by the contract over the period of time during which it is in force. But, quality, time etc. are the issues users claim. In addition to this, it is tested whether framework agreement is effective in procuring high volume item or not. More than traditional procurement methods, framework agreement is effective in procuring high volume procurement since it is “Indefinite Quantity Contracts” used under volume procurement.

## Summary of Finding and Conclusions

The following are short summary of findings. Under each bullets there is summary for objective:

Framework Agreement is significant in procuring common user item, result is better price, low administration cost, balanced transportation cost, and low document duplications cost as well as efficient human resource utilisation. The point indicates better performance regarding price of goods procured among advantageous and significant improvement that many public organisations are benefited from framework agreement, since the procurement is very huge in volume and there is also valuable gain from the volume as already stated in the findings. This implies that if the variety of goods procured increase, the significance gain from the framework agreement will also increase. Due to this reason, framework agreement is a tool for achieving economic, social objective as well as procurement outlays which has a great impact and implication on the economy of Ethiopia hence the large share of annual expenditure around 65%-70% in the country is spent on procuring goods for different uses.

Concerning FA efficiency in utilisation of work forces, providing quality products, timely providing goods and minimisation of administrative cost of procurement are other issues of this study. The evidence from this study indicates there is difficulty on utilisations of procurement time due to delay in response to target user/public organisations. This happens due to inefficient procuring of entity/PPPDS in handling procurement cases and due to suppliers’ failure of responding effectively. In addition, there is a short coming of procuring variety of item, poor quality on few items, inadequacy of competent and capable suppliers in numbers compared to organisations, and intensity of procurement needs they were serving, which indirectly affects the effectiveness of the competition and

organisations' effectiveness in serving their customer and efficiency in achieving their goals. Procuring entity will also be affected at long serving their customers and at fitting to the objective of establishment.

Among the main reasons behind poor performance; delays in sending their procurement needs to procure entity from the sides of public organisations, suppliers low competence of holding stock, procuring entities very late, awarding and announcement of winner suppliers, placement of suppliers for users organisations, behind schedule assessment performance, compilation and evaluation activities are major one. This has its own effect on user organisations to properly utilise their financial resource (budget) efficiently and effectively, due to this public organisations are exposed to extra cost of processing and undertaking procurement activities. And also as over delay phase-out the needs of goods for intended purpose and planned works of the organisations remain undone. This in turn, affects the intention of organisation to achieve their goals, procuring entity desire to serve the customers and lastly development aspiration of the nation as whole will also be affected.

Concerning quality claim, even though quality defect is not seen on many items, the problem of quality directly affects the durability of goods. This implies that the perception of achieving the best return and performance for the money being spent will not be achieved which have setback on the budget allocation. Actually the problem of quality comes due to specification gap and misunderstanding among the procuring entity and suppliers. Many times, specifications are done by somebody experienced in procurement or through traditional naming of items of good quality by previous experience of items, rather telling about the functions of items. This is obvious in the developing countries like Ethiopia which has high shortage of educated human labours.

Concerning administration costs such as transportation and document duplication cost, when organisations are procuring themselves the administration cost increases as the number of organisations involved in procuring separately increases. However using FA, cost reduction is what has been achieved due to the implementations at centralised level where more than 150 federal public organisations procurement needs are collected to one centre of procurement. This means every cost allocated for experts travel and car transportation cost to process the procurement activity will be centralised to one centre. And this also decreases the operation cost despite the fact that, organisations are procuring individually. They operate transportation individually and at that time the

cost of operation will be high since organisations are forced to procure themselves. To some extent this is in line with the objective of the establishment of the centralised procuring entity (Ethiopian Public Procurement and Property Disposal Service/PPPDS).

Other critical issue concerning the cost of procurement is duplications of procurement bid document which is multi-cost in nature. Organisation could decrease this cost due to implementation of framework agreement which enables to outsource bid document as using single bid document on behalf of more than 150 public organisations can reduce the cost. In case of framework agreement the costs to be incurred will only be the costs of facilitating the procurement process and organisations are not exposed to other costs.

## RECOMMENDATIONS

Based on the findings the study suggested the following points:

The concerned bodies i.e. procuring entities, public organisations, and suppliers should work in collaboration with each other. These concerned bodies have their own role in improving their performance on the achievement of framework agreement objectives. E.g. having well prepared plan for making procurement and preparing well organised needs to the procuring entity.

Increase variety of common user items as it increases gains from framework agreement. This will be achieved if and only if there is large portion of items procuring among each federal public organisations taken to centrally procurement entity because, with this procurement operation only maximum of 12 types of items are included under framework agreement.

Employing qualified experts and giving recognition to procurement experts. As mentioned in discussion section procurement experts in Ethiopia are believed to be someone with low academic and experience levels and lower achiever workers traditionally. This believe is prevalent among the corrupt higher officials and rent seekers bosses even though the researcher has no more evidence to tell on this.

There must be follow up and control over the suppliers' performance. Here many of late deliveries and supplies happened due the poor performance and as a result of weak follow up and suppliers' weak financial capacity to hold stock. Procuring entity is highly responsible to solve the problem, developing necessary means of expeditions and follow-up.

Strengthening the competency levels of domestic suppliers. This will be solution for Ethiopian government which faces high shortage of competent and capable suppliers which results in dependence on foreign suppliers for every kind of items. By capacitating domestic supply, country will have significant improvement on country citizens' income generation which again can result in creating source of income and job opportunities for many jobless educated and non-educate people.

Upgrading the capacity of work force by giving long term and short term training. As we know educated work force can help developing in their way to achieve development and improvement. Government should provide training for work force both in Ethiopia and abroad since developed world moves forward in achieving their societies' need for development and growth.

The floor is open for further research on the same topic by itself and other topic related to framework agreement. In particular research on framework agreement does not get emphasis as other areas of public procurement and other contracts. Due to this researchers should look for this area of research as the gap by itself.

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