



**St. Mary's University  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF FRAMEWORK AGREEMENTS IN the  
PUBLIC PROCUREMENT and PROPERTY DISPOSAL  
SERVICE**

**By  
TADESSE MERESSA**

**May, 2014  
Addis Ababa,  
Ethiopia**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY,  
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## DECLARATION

I, Tadesse Meressa, declare that this work entitled " Assessment of Framework Agreements in Public Procurement and Property Disposal Service" is an outcome of my own efforts and study and that all sources of materials used for the study has been duly acknowledged. I have produced it independently except for the guidance and suggestions of my advisor.

This study has not been submitted for any degree in this university college or any other university. It is offered for the partial fulfillment of the requirements for the award of Degree of Masters in Business Administration (MBA)

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## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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## **List of Abbreviations and Acronyms**

|          |  |
|----------|--|
| PPPDS    | Public Procurement and Property Disposal Service   |
| PPPAA    | Public Procurement and Property Administration Agency  |
| PE       | Procuring Entity   |
| CSA      | Central statistics Agency  |
| MoFED    | Ministry of Finance and Economic Development   |
| FDRE     | Federal Democratic Republic of Ethiopia  |
| FAs      | Framework agreement(s)   |
| SMEs     | Small and medium sized enterprises   |
| IBRD     | International Bank for Reconstruction and Development (World Bank)                             |
| IDA      | International Development Association  |
| UNCITRAL | United Nations Commission on International Trade Law   |
| OECD     | Organization for Economic Co-operation and Development   |
| OGC      | Office of Government Commerce UK   |
| SIGMA    | Support for Improvement in Governance and Management in central and Eastern European Countries |
| SPPN     | Scottish Procurement Policy Note   |
| CONIPS   | Central Procuring Agency of Italy  |
| SKI      | Central Purchasing body of Denmark   |
| PWGSC    | Public Works and Government Services Canada  |
| CPB      | Central Procuring Bodies   |
| WB       | World Bank   |

## **Abstract**

An assessment of framework agreements is an important issue in improving procurement challenges and contract management. The thesis begins by elaborating the background of Public Procurement Property Disposal Service with regard to its framework agreements in the past three years. The purpose of this paper is to suggest possible solutions that may address this problem in the area of framework agreements by assessing the existing practice. In order to do so, the researcher has identified three major areas on which framework agreement is assessed. These are legal and regulatory frameworks which are used to regulate the procurement activities; contract administration; and organizational structure including its workforce. A descriptive type of research method study was used in conducting this study. The researcher has made unstructured interview with nine concerned professionals. Out of which four of them are from PPPDS and three from the end-users and the two from the suppliers. From the total population of PPPDS 30 samples were distributed but 25 of them were provided their respond. Based on both qualitative and quantitative analysis PPPDS is not in a position to satisfy its customers. The study recommends PPPDS to strength its relationship with stakeholders like Banks and custom clearance authority and the government as well as MoFED should give continuous support to PPPDS.

Keywords: PPPDS, PPPAA, FAs, Common user items

## **CHAPTER ONE**

### **INTRODUCTION**

In the field of procurement and related disciplines one of the scholars concern is the assessment of framework agreements. The concept of framework agreement is that, it is an agreement with suppliers to establish terms governing contracts that may be awarded during the life of the agreement.

The aim of this research paper is to assess framework agreements in Public Procurement and Property Disposal Service (PPPDS).

Public Procurement and Property Disposal Service is a government institution which was established on the 9<sup>th</sup> day of June 2010 with the aim to enable the timely supplying of goods and service which are commonly used by public bodies as well as goods and services which have national strategic significance. The PPPDS is also responsible to make disposal or carry out the sale of public properties at fair price and to assist public organizations in the procurement of goods, services and disposal of assets.

The importance of establishing PPPDS is mainly benchmarked from the government of South Korea's public procurement service (PPS).

PPPDS is mainly conducted two basic procurement activities. These are commonly required items by the public bodies using a framework agreement and goods which have a strategic significance to the government. Currently more than 175 government institutions are benefited from the bulk purchase of common user items procured by PPPDS. Therefore, making an assessment on framework agreements is believed to show how much the selected organization is exercising its responsibility in terms of procurement principles and economic benefits.

## **1.1. Background of the study**

The Procurement and Property Disposal Service (PPPDS) is the first federal institution to practice the concept of Framework agreements in Ethiopia.

Framework agreements are generally used for purchases where there is a repeat need but exact quantities or timings are unknown. They allow contracting authorities to make individual purchases without repeating many of the stages of a full competitive tendering process required by the Regulations (SPNN 2010/5).

According to Admasu (2008), public procurement in Ethiopia dates back to 1940s and was established to procure military equipments and supplies for soldiers. However, the emphasis given to public procurement reform was very weak comparing to other countries efforts made to improve their procurement system.

Nowadays the government of Ethiopia has given high attention to the public procurement sector in terms of improving timely supplying of goods, obtaining quality of products, reduction in costs, improved customers' service delivery, preventing miss utilization of resources and preventing corruption.

Therefore, due to these and other setbacks, the government of Ethiopia has decided to establish the Public Procurement and Property Disposal Service under the Councils of Ministers Regulation no. 148/2010.

The study specified to Framework agreements in Public Procurement and Property Disposal Service is mainly focused on the procurement of goods which are commonly used by all public bodies.

FAs are becoming more popular in both developed and developing countries due to their advantage of optimizing volume purchasing discounts and minimizing repetitive purchasing tasks.

According to SIGMA Brief 19 (2011), FA is an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given time limit, in particular with regard to price and, where appropriate, the quantity envisaged,

As cited by the PRAG for European Union external actions (2013, p.22), a framework contract is an “agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing specific contracts which may be awarded during a given period, particularly as regards the duration, subject, price, maximum value, implementation rules and the quantities envisaged.

In Korea the centralized public procurement service (PPS) purchases goods and services, and contracts construction projects for central and local governments. PPS accounts for 30% of the Korean public procurement. Korea has the world-class Internet infrastructure in which more than 70% of Korean households are connected to the broadband Internet network (Procurement Service of Korea November 5, 2003).

Basically the lessons that can be taken from Korea, Canada and other countries are the economic benefits that are obtained from centralized bulk purchases. That’s why the government of Ethiopia decided to introduce centralized procurement of common user items using a framework procurement method.

Therefore, the research will try to assess carefully the framework agreements conducted in PPPDS for the last three years.



## 1.2. Statement of the Problem

According to Thai (2009), in a developed or developing country, public procurement practitioners have and will face always many challenges. Each country has its own economic, social, cultural and political environment, and each country's public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts in other countries.

CPBs often run tenders for large contracts and it is often the case that an SME will not be able to participate in its own capacity, since it is probably unable to meet the qualification criteria or to compete with large economic operators (SIGMA Brief 20, 2011).

The other issue is the life time of FAs and price adjustments. According to the PPPDS and WB procurement guidelines, the FA period is 3 years. But, from its establishment up to now PPPDS is signed a FA valid only for a period of 1 year. In addition to that no price adjustment is made so far as per the contract agreements signed with suppliers.

Timely supplying and delivery of goods as per specification is also one of the problems that PPPDS faced. The reasons for this issue can be classified into three basic things. One is shortage of foreign currency and the second one is complex custom clearance procedure and third weak contract administration.

Lack of qualified human resource and insufficient office rooms are the existing problems of PPPDS. Generally due to these and other related reasons complains are repeatedly raised in different meetings and training programs prepared by the PPPAA which is the regulatory body of procurement and PPPDS.

Therefore, it is believed that PPPDS has learned a lot to solve the problems related to the above indicated points.

### **1.3. Research questions**

The main purpose of the study was to empirically examine the assessment of framework agreements in PPPDS. Accordingly the following research questions will be tested:

- 1) What are the constraints of framework agreements made in PPPDS?
- 2) What are the impacts of framework agreements to the public bodies and suppliers
- 3) What institutional effects of controlling and over sighting the FAs made with different suppliers.

### **1.4. Objectives of the study**

The general objective of this paper is to assess framework agreements in PPPDS. In line with this main objective, the specific objectives are also as follows:

- To review application of framework agreements in PPPDS.
- To assess the effects of framework agreements to the public bodies and suppliers
- To examine the contract administration of Framework agreements

### **1.5. Significance of the Study**

The findings of the research are expected to contribute a lot for PPPDS and other concerned parties such as the board of directors, Ministry of Finance and Economic Development, Public Procurement and Property Administration Agency and public bodies by exploring a solution for problems related to FA practice. It is also hoped that the research will give an insight to any individual who has an interest to study or write related to this area.

Lastly, it is expected to provide recommendations on the basis of the conclusions to enhance efficient procurement practice.

### **1.6. Delimitation/Scope of the Study**

This study is intended to examine the framework agreements at the PPPDS. The existing literatures show many different perspectives of framework agreement practices. However, the researcher bounds the study on only three aspects (variables) of framework agreements, which are framework management, Contract administration and Centralized and decentralized procurement. The study will not cover the regional public procurement activities and it is also mainly focused on framework agreements related to goods rather than services. Except the Oromiya Region, other regional states are on processes to establish their own procurement centers with the aim similar to that of PPPDS.

### **1.7. Definition of Terms**

For clearer understanding of the terms used in the study, below are their meanings.

**Framework agreement/contracts/:** mean a general agreement of procurement establishing unite price and other terms and conditions of contract which serve as a basis for supplies to be delivered under future specific contract (The Ethiopian Federal Government Proclamation No. 649/2009).

**Common user items:** are similar or common requirements of various public bodies or requirements of a public body (The Federal Government Public procurement directive 2010).

**Price adjustment:** means a mechanism to share the risk between the Contracting Authority and the Supplier related to the potential for price fluctuations throughout the duration of the Contract; (Public Procurement and Property Administration Agency,2010), Framework agreement-SBD Goods and Related Services.

**Call-off Contract:** means individual contract concluded between Contracting Authority or any Procuring Entity and Supplier according to the terms and conditions established in the framework-agreement and to which may be annexed the additional special terms that have not been dealt within the framework agreement determining in detail Goods and Related Services to be supplied by the supplier. A Call-off contract is a contract that is binding on both parties. The signed Purchase Order incorporates the Call-off terms and conditions and forms the Call-off Contract (Public Procurement and Property Administration Agency,2010), Framework agreement-SBD Goods and Related Services.

**Procuring entity:** means the Public Body or Third Party Beneficiary placing the Purchase Order and entering into call-off contract with the Supplier under the Framework Agreement;

**Public body:** mean any public body, which is partly or wholly financed by the Federal Government budget, higher education institutions and public institutions of like nature; (The Ethiopian Federal Government Procurement and Property Administration, Proclamation No. 649/2009).

**Public Procurement:** means the measures taken by a contracting authority with the aim of awarding a contract or concluding a framework agreement regarding products, services or public works (Swedish, Act, 2011 p12).

**Supplier:** is bidder with whom was concluded framework agreement or public procurement contract; (**novi Zakon,2013**).

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

## **2.1. Introduction**

In the literature review the main areas considered are FA definitions and concepts, Centralized and Decentralized procurement, management of FAs, Contract management and experience of other countries on performing frame work agreements. This theoretical review will help for making analysis on the actual practice of FAs in PPPDS.

## **2.2. Definition of Framework agreement /Contract/**

In the introductory part the researcher has tried to explain briefly the meaning of Framework agreements. However, as an important procurement method, further clarification of the term will help users of this paper to clearly understand about the subject matter.

According to the Ethiopian Federal Government Procurement and Property Administration /PPPAA/ Proclamation No. 649/2009, Framework Contract mean “a general agreement of procurement establishing unit price and other terms and conditions of contract which serves as a basis for supplies to be delivered under future specific contract;”.

Further to the above proclamation, the definition of framework agreement is more elaborated in the PPPAA manual of framework agreement issued on May 2011, as follows:

FA means “a basic agreement with supplier which sets out terms and conditions that allow public bodies to order goods or services throughout the term of the agreement under the terms and conditions specified in that framework agreement (i.e. it provides a mechanism for calling off purchase orders from a catalogue of goods or services as and when public body needs to buy something within the scope established for the Framework Agreement)”.

As cited by the OECD (2000), a framework agreement is an agreement where the prices for each good/service to be supplied are set but the quantities to be purchased are not specified. Indeed, there may well be no obligation whatsoever to buy anything whatsoever from the

seller. A FA is a way of locking in prices on items when quantities cannot be set at the time of signing. Framework agreements are in common use both for the purchase of goods and for the use of services. Where, for example, a project needs further specification as to exactly how many consultants will be used and over what time period, a framework contract may be ideal.

On the Guidelines procurement of goods, works, and non-consultancy service under IBRD loans and IDA Credits and grants World Bank borrowers January 2011, a framework agreement is defined as “a long term agreement with suppliers, contractors and providers of non-consulting services which sets out terms and conditions under which specific procurements (call-offs) can be made throughout the term of the agreement. FAs are generally based on prices that are either pre-agreed, or determined at the call-off stage through competition or a process allowing their revision without further competition. FAs may be permitted as an alternative to the Shopping and NCB methods for: (a) goods that can be procured off-the-shelf, or are of common use with standard specifications; (b) non-consulting services that are of a simple and non-complex nature and may be required from time to time by the same agency (or multiple agencies) of the Borrower; or (c) small value contracts for works under emergency operations. The Borrower shall submit to the Bank for its no objection the circumstances and justification for the use of an FA, the particular approach and model adopted, the procedures for selection and award, and the terms and conditions of the contracts. FAs shall not restrict foreign competition, and should be limited to a maximum duration of 3 years.

From the above definitions it easy to understand that FAs are long term agreements made with one or more suppliers which determines important terms of public procurement contract such as price, quantity, deadline, etc.,

### **2.3. The concept of Framework Agreements**

There is a long tradition of using framework arrangements in a number of EU member states including the Nordic countries, France and the UK. This method of purchasing has generally involved a contracting authority (or authorities) advertising an opportunity and then entering into a contract or other arrangement with one or more economic operators for the provision of works, supplies or services over a fixed period (SIGMA Brief 19, 2011 p.1).

According to the Public Procurement and Disposal of Public Assets Guidelines (2011), framework contract provides an efficient, cost effective and flexible way of procuring supplies or services that are needed continuously or repeatedly over a period of time by reducing procurement costs and time. Typical examples include common user items such as office stationery, tonner, tyres, spare parts for routine vehicle repairs, medical supplies, foodstuffs, road materials, bitumen, aggregates, cement, courier services etc.

Generally a FA is composed of two stages: the first stage is the process of advertising biddings and selecting potential suppliers by the central procurement or contracting authority. This enables the winners to sell their products within the time horizon of the FA at the prices determined during the award notification and based on the price adjustment agreements stated in the contract agreement. Each FA winner can be awarded to provide one or more of the products/services in the FA. In the second stage, the different government offices can buy their products from the FA winners as per the formal bidding results sent to them from the central procurement entity.

When organizations decide to conduct procurement using a FA, it will be important to consider whether a FA, is the right approach for the particular goods, works or services to be purchased. This will be a value for money judgment for the contracting authority or authorities' concerned taking account of the kinds of purchases involved and the ability to specify such purchases with sufficient precision upfront (SPPN 5/2010).

The other important point which requires clarification is how contracts are awarded under a framework agreement? Different literatures explained that FAs can be concluded with a single provider or with several providers, for the same goods, works or services. The decision on whether to award a single or multi supplier framework needs to be considered early on in the process, before the Invitation to Tender (ITT) is issued and the answer will very much depend on the goods or services being bought.

According to the Wales (2012), it is explained in the following way:

A single supplier framework could mean a framework agreement awarded to one supplier for the whole requirement: or a framework agreement consisting of various lots where there is one supplier per lot. Single supplier frameworks tend to suit straightforward, generic goods such as stationery, paper and computer consumables, where there is an element of standardization and it is relatively simple to establish exact pricing and terms up front.

A multi supplier framework is a framework agreement that is awarded to more than one supplier for the supply of certain goods, works or services. These can be useful for more complicated service contracts such as consultancy, training, social care or construction, where it is more difficult to establish exact pricing and user requirements will vary.

In PPPDS a single supplier framework agreement is conducted if the second and third bidders are not willing to accept the order or award. On the other hand if the second and third winners are agreed to supply goods based on the first winner price, each of them shared 20% of the total contract amount.



In the SPPN (5/2010), it is elaborated that a contracting authority may find that more than one framework agreement could meet its needs. For example, it may be looking to award a new contract for IT services and find there is a choice of three established framework agreements that it could use. In this situation, it should consider the suitability of each of the framework agreements as part of developing its procurement strategy. It should take care, when communicating with the marketplace, to ensure that it engages with suppliers in a fair and transparent way and ensures that the confidentiality provisions of each framework agreement are properly respected. Having chosen a framework agreement, a contracting authority cannot ask suppliers to bid against prices offered under one of the other frameworks. In other words, competitions cannot be held which involve more than one framework agreement.

When procuring a framework the contracting authority must make clear that it intends to conclude the procurement process with a FA. This must be highlighted in the contract notice.

Where the contracting authority concludes a FA, the minimum number of suppliers must be one or three or more; providing that there were enough suppliers to satisfy the selection criteria and there was a minimum of three admissible tenders which met the award criteria.

## **2.4. Advantages and disadvantages of Using Framework Agreements?**

### **2.4.1. Advantages of framework agreements**

According to the “Framework Agreement guidance for Government Social Research, August 2009”, one of the advantages of Framework Agreements is that they provide an opportunity to proactively engage with a wide range of suppliers, and to build up an ongoing relationship with them. This is beneficial both in terms of improving the interaction between the external research community and government, and also can result in improved outputs through engendering a better understanding of departments’ requirements and ways of working.

The benefits or advantages of FAs are also briefly explained in the “Framework Agreements - Practice and Pitfalls 22 May 2008 Jeremy Glover” such as:

- Reduced transaction costs;
- Continuous improvement within long-term relationships;
- Better value and greater community wealth;
- Solutions that delight customers.

In summary, they may make purchasing easier for public bodies because they can be faster, more efficient, and can offer better pricing.

#### **2.4.2. Disadvantages of framework agreements**

As mentioned by way of introduction, one general criticism of FAs is that the large purchasing volumes they often involve favor large suppliers rather than small, new ones. This may restrict competition, with a resulting deterioration in sourcing terms. There are also more specific objections relating to certain types of FA. These apply particularly to procurements of multiple FAs where purchase volumes are not defined at the time when the agreements are signed with the suppliers. This circumstance may mean that suppliers refrain from submitting tenders altogether. SMEs may also find it more difficult than large companies to establish the requisite capacity for orders that may not be realized. Another criticism focuses on the fact that there is normally no guarantee that the supplier with the most advantageous bid will be able to sell the most, and this too may mean that companies refrain from tendering (Magnus Arnek, 2004).

#### **2.5. Management of Framework Agreements**

One of the crucial tasks under procurement is the management of contractual agreements. The bases for this task are the articles stated on the contract document and related international and national laws.

Currently, PPPDS is procuring the common user items for more than 175 public bodies including custom authority branches. This indicates that, how much complex is the task of administering framework procurements. Management of framework procurement includes preparation of bidding documents, evaluating bids, endorsing bids and administering contracts to ensure FAs meets their objectives. To minimize any risk related to framework procurements institutions like PPPDS required dedicated and skilled procurement staff members. However, due to various reasons, the concern given to manage or administer the overall activities of procurement in PPPDS is found unsatisfactory. For instance, complains raised by the end users related to timely supplying of goods and specification can be taken as an evidence of the weak practice in FAs contract management. Actually this is not the only reason for such gaps; lack of commitment in the management area and higher authorities less concern to the subject matter can be mentioned also as a weakness.

In PPPDS, contract administration is structured as one of the core processes. But for the last three years until half of December, 2013, no head process owner was assigned to the position.

## **2.6. Legal and regulatory Frameworks**

As clearly stated on the Federal Democratic Republic of Ethiopia (FDRE) FAs manual, the procurement of common user items will be performed in accordance with the following relevant laws & guidelines:

- i. The Ethiopian Federal Government Procurement and Property Administration No. 649/2009 from September 9, 2010;
- ii. Public Procurement Directive, entered into force on June 8, 2010 by the Minister of Finance and Economic Development Decision;
- iii. Public Procurement and Property Disposal Service Establishment Councils of Ministers Regulation No. 148/2010.
- iv. Standard Bidding Documents for FAs dated May 2011.
- v. Manual on the use of Framework Agreements dated May 2011;

The above list is not exhaustive, but specifies the most relevant legal documents applicable to activities of the body administrating framework procurements.

The management of FAs is following the same principle as that applying to a normal contract, except that, with a framework agreement, there will be an interval between the awarding of the framework itself and the calling-off of the supplies or services under it. There can be no substantive change to the specification or the terms and conditions agreed at the time that the framework is awarded.

## **2.7. Centralized and Decentralized procurement**

The concept of framework agreement is related with the concept of centralized procurement system.

Centralized purchasing is a purchasing system in which all the departments of a company with a wide geographical distribution can make purchases through a common purchasing organization.

As elaborated in different literatures, Centralized procurement is a process where one government organization, representing the collective needs of other departments, carries out procurement functions. For instance, Italy, Denmark and France have their own centralized procurement organizations. The main task of these organizations is to produce framework contracts through tendering for the public sectors.

PPPDS is the only central procurement of the FDRE, which is found at the infant stage. In different countries there are more than one central procurement organizations. For example, Italy has three centralized procurement organizations such as Public Works Authority, CONSIP, and CNIPA (Technical and economic consulting). Among these institutions the objective of CONSIP is similar to that of ours PPPDS.

CONSIP is a joint-stock company totally and directly owned by the Italian Ministry of the Economy and Finance (MEF) acting as a central procuring agency for the central administration (ministries and central public services) through framework contracts (<http://www.consip.it>).

SKI (Statens & Kommunernes Indkøbs Service) is a central purchasing body securing volume discounts on the most ordinary goods and services to the public. SKI establishes FAs

on behalf of the Danish state and municipalities which aims to benefit both providers and public purchasers (PPN December, 2010).

From the objectives of CONSIP, SKI, and ours PPPDS we can easily understand how centralized procurement and framework agreements are related in terms of the advantage they provide to the public bodies or government.

The establishment and use of central purchasing bodies, FAs and electronic procurement systems - which are closely linked to each other - are areas of growing interest among Sigma's partner countries. EC Directive 2004/18 provides rules and procedures for the application of these instruments, which commonly have been transposed into national legislation of the partner countries, although this is not a mandatory requirement of the Directive (OECD, 2011).

When private or a government sectors are decide to choose central or decentralized procurement system, for sure, the criteria would be based on the benefit they can achieve. As far as my understanding from the assessment that I made I couldn't found any public bodies or government fully practiced centralized or decentralized procurement systems.

Due to the nature of private sectors, centralized purchasing system is a widely used approach in manufacturing and retailing as well as in other sectors. Most large companies have central purchasing units specializing in securing a reliable stream of necessary inputs for the company on favorable terms.

The Centralized Public Procurement Body is contracting authority that concludes FAs or awards contracts on goods, services or works intended for contracting authorities, or directly purchases goods or services for the needs of contracting authorities (novi Zakon, 2013).

The advantages of centralized procurement are similar to that of FAs. These are better services at lower cost and increased purchasing power, need for technical standardization, easier performance management of staff etc.

Centralized purchasing systems may also offer advantages that cannot be directly expressed in economic terms. Arguments in favor of centralized purchasing arrangements were summarized as follows in the SIGMA Brief 20 August 2011:

**Increased administrative efficiency:** Centralized and coordinated solutions offered by CPBs may assist in delivering required standardization or increased administrative efficiency within the public administration, for example in the area of IT systems and software applications.

**Capacity:** CPBs may provide the expertise and capacity that many contracting authorities may lack, for example the capacity to prepare and carry out complex tenders in areas requiring specific product or market expertise.

**Certainty:** Professional, centralized purchasing provides certainty to contracting authorities in many key aspects legal, technical, economic and contractual thereby reducing the risks that otherwise would have been borne by the contracting authority, such as the risk of complaints, poor or insufficient quality of products, failure of suppliers, and inadequate contract terms.

**Simplicity:** Call-off arrangements give the procuring entity and its user departments the possibility, even without any professional procurement background, to contract with the economic operators on the framework for the acquisition of works, supplies and services.

**Delivery of policy goals:** Governments may use the CPBs as instruments for the execution of policy goals in specific sectors, such as promoting green procurement, innovations and SME participation in public sector tenders

In contrary, centralized procurement is sometimes seen as encouraging corruption as it can involve large-scale protectionism or favoritism. In such cases, competition is not encouraged and lower prices are not obtained. On the other hand, as noted above, it is easier in a centralized procurement agency for senior management to stress the benefits of transparency and openness and to introduce the necessary control and reporting procedures. Often, corruption may be more prevalent and easier to disguise in smaller procurement operations since corrupt payments are relatively small and do not need to be shared out among many employees.

Another argument against centralized procurement is that it can lead to purchases of unsuitable goods and services as the specific, detailed requirements of all end-users cannot be taken into account. Professional purchasers must always be wary of the distance between their own assessment of their needs and what can be delivered on a central basis. In practice, only certain items will be suitable for central procurement, and that list will vary over time and with technical and commercial developments. The mistakes made by centralized procurement systems in selecting unsuitable goods and services may in fact affect a large volume of purchases and result in substantial overspending (OECD, 2000).

Contradictory form to centralized purchasing is decentralized purchasing. In the decentralized model separate business units within an organization are responsible of their own purchasing (Hytinen, 2013).



Decentralized purchasing refers to purchasing materials by all departments and branches independently to fulfill their needs. Such a purchasing occurs when departments and branches purchase separately and individually

<http://accountlearning.blogspot.com/2010/05/dicentralized-purchasing-advantages-and.html>.

Decentralized Procurement is where the purchasing decision making process is “localized”. Decentralized purchasing involves having the procurement managers, project, subsidiary, office or departments purchasing their own products or services. Decentralized purchasing normally has individuals attached to the project manager or office responsible for the purchasing needs of the project or office (Karani May 24-26, 2011).

The rationale for relying on a decentralized approach is that by placing the procurement function closer to the needs of the final user, it is likely to be more economically efficient and better able to promote the development of the private sector, including small and medium-sized enterprises (OECD 2000).

In a decentralized purchasing organizational structure, all units negotiate their own contracts, or possibly by from the market on a need basis without a long-term contract in place. Processes used between units, and even within them may vary, and be situational and rather informal at times. However, when moving to a more centralized structure, purchasing process and procedures tend to become more formalized (Stanley, 1993), and the approach to supplier selection, negotiations etc. is more structured. This is especially the case in public procurement, which is regulated by directives at both the national and EU levels (Karjalainen HSE print 2009).

As per the CIPS Australia (2006), the key arguments for decentralized procurement are:

- Reduced opportunities for corruption
- A closer matching to end-user requirements
- Reduced in scope for large-scale error and unnecessary over-
- Less bureaucracy
- Shorter time frames
- More opportunity for SME's to compete successfully for contracts;
- More opportunities for lower prices from local producers; and
- More scope for responsibility and a 'service mentality.'

The choice of strategy to use centralized or decentralized procurement depends on the culture and circumstances of the country concerned, including the level of economic and market development.

Under decentralized purchasing, there is no one purchasing manager who has the right to purchase materials for all departments and divisions. The defects of centralized purchasing can be overcome by decentralized purchasing system. Decentralized purchasing helps to purchase the materials immediately in case of an urgent situation.

A system that mixes elements of decentralization and centralization is likely to work well in many countries. Adaptations over the long-term to the requirements of e-commerce need also to be considered.

## **2.8. Common user items**

Common user items are items which are commonly required or used by most public bodies. The list or categories of common user items identified by most countries are more or less similar. As indicated in the website of PPPAA, the lists of common user items are as follows:

**I. List of common user items**

| S/No. | Description of the items          |
|-------|-----------------------------------|
| 1.    | Vehicles                          |
| 2.    | Stationery items                  |
| 3.    | Computers                         |
| 4.    | Printers                          |
| 5.    | Office furniture                  |
| 6.    | Cleaning materials                |
| 7.    | Medicines and Drugs               |
| 8.    | Books and Magazines               |
| 9.    | Uniforms                          |
| 10.   | Electrical Equipments             |
| 11.   | Laboratory Supplies and Equipment |
| 12.   | Pipes and Fittings                |
| 13.   | Filing Cabinet                    |
| 14.   | Herbicide and Insecticide         |
| 15.   | Laboratory Chemicals              |

Source: Survey 2014

PPPAA can be revised the list of common user items based on the interest of the Ethiopian Federal Democratic Republic Government.

**2.9. CONTRACT MANAGEMENT**

The idea of this topic is similar to that of the FA management. But as we understand from the procurement guidelines, FA is one of the special methods of procurements. That means the points that I tried to elaborate are insufficient to clearly understand the concepts and existing problems related to contract management.

The term “contract management” and “contract administration” are often used synonymously. However, “Contract management” is commonly understood as a broader and more strategic concept that covers the whole procurement cycle including planning, formations, execution, administration and close out of a contract and goes beyond the day to day “administrative” activities in the procurement cycles (UN, 2006).

According to Walton (2009), contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. It also involves building a good working relationship between customer and the service provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.

One of the key aims of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimizing the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the customer and service provider relationship. Contract management may also involve aiming for continuous improvement in performance over the life of the contract.

Contract administration (management) is the process of turning the intentions stated in the contract document into reality. Obviously, if the contract is not implemented as per the written agreement, the procuring (buyer) will not get the required “products” or will suffer a

financial loss. However, the implications of weak contract administration are greater than this (UN Capital Development Fund, 2013).

The FDRE has a five years growth and transformation plan (GTP) which helps in alleviating poverty on the coming 10 up to 15 years. Under the GTP a lot of projects are implemented by different concerned public bodies. Some of the materials required for these projects are procured by PPPDS. For instance, reinforcement bar is used for different construction activities which have a strategic significance procured centrally. In addition to that the source of fund for procurements is not only from the government side.

PPPDS is procuring common user items through a FA for more than 175 public bodies. Therefore anybody can assume how much the budget could be huge. As studies indicate more than 60% of the government budget is allocated for procurement purpose. Accordingly the emphasis given to procurement by the government is growing from time to time.

In principle, the contract management system of any organization is similar; but due to the nature of organizations and projects it can be slightly differ. For example international organization those provide funds to the developed and developing countries like the WB, UNDP, European Investment Bank and ADB may have a strict policy in its implementation.

Contract Management involves monitoring the implementation of a contract after it is placed to ensure timely completion of all the supplies and related services shown in the contract as per terms & conditions incorporated therein (Dr. Adarsh Kishore, 2006).

As explained in the A guide book on Public-private partnership in infrastructure (2011p72), Contract management is an important activity in Public-private partnership (PPP)

programme/project administration. The management process needs to be in place from the outset to ensure timely completion and satisfactory operation of a project. A separate process may also be considered to monitor the PPP programme performance of a sector or for the country as a whole. The contract management process not only helps to fix responsibilities, but also allows timely response to any deviation in project implementation or operation from the provisions in the contract agreements and thus helps to avoid disputes between the parties at later stages.

Organizations in both the public and private sectors are facing increasing pressure to reduce costs and improve financial and operational performance. New regulatory requirements, globalization, increase in contract volumes and complexity have resulted in an increase recognition of the importance and benefits of effective contract management.

Once a contract has been awarded and signed, contract management is the process, which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The contract management process allows a Business Unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks.

The main challenges in PEs in contract administration, is to properly appreciate the importance of it. Often procuring entities give full attention to the contract selection process, but then walk away from the procurement once the contractor is in place. It is imperative that the PE devote adequate staff and resources to the phase of contract administration. Unless this happens the PE risks a failed procurement and the additional time and money to go through the process again (RPPA, 2012).

In addition to the above explained points contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process. Further, contract management ensures that all residual obligations, such as warranties, guarantees and after sales services and support are clearly defined in terms of responsibility, liability, procedures and timeframes.

Contract management is similar to project management. Each contract is a mini-project. It has a unique goal, consumes resources, has a beginning and end date, and requires coordination and planning of relevant activities, as well as documentation in a contract file throughout the process.

According to OGC (2002 p11), Good contract management goes much further than ensuring that the agreed terms of the contract are being met – this is a vital step, but only the first of many. No matter what the scope of the contract, there will always be some tensions between the different perspectives of customer and provider. Contract management is about resolving or easing such tensions to build a relationship with the provider based on mutual understanding, trust, open communications and benefits to both customer and provider – a ‘win/win’ relationship.

Contract management is a wide and complex task that requires cooperation with all concerned parties for its effective implementation. Starting from the request of foreign currency for opening letter of credit until the acceptance of goods to the nominated destination place, local and foreign banks, suppliers, custom clearance authorities, insurance organizations, airlines, shipping lines etc. are involved. Therefore, the responsible body to administer contracts must be knowledgeable in the area of the field and smart in communication skills.

According to Walton (2009), if contracts are not well managed from the customer side, any or all of the following may happen:

- the service provider is obliged to take control, resulting in unbalanced decisions that do not serve the customer's interests;
- decisions are not taken at the right time – or not taken at all;
- new business processes do not integrate with existing processes, and therefore fail;
- people (in both organizations) fail to understand their obligations and responsibilities;
- there are misunderstandings, disagreements and underestimations;
- too many issues are escalated inappropriately;
- progress is slow or there seems to be an inability to move forward;
- the intended benefits are not realized; and
- opportunities to improve value for money and performance are missed.

All the above indicated points clarify that how much contract management is a crucial task of procurement.

On October 3, 2013 at MoFED assembly hall, PPPDS was held a meeting on the topic “Framework agreement, suppliers’ participation and faced challenges” with Ethiopian chamber of commerce, federal budgetary institution, regional state and city administration procurement bureaus’ delegates.

During the occasion, the PPPDS Deputy Director Ato Tesfaye Birhanu presents a paper. In the presentation, he tried to figure out the actions of the service in 2011/12 and 2012/13 fiscal years. According to his presentation, in 2011/12 fiscal year the service accomplishes 7.1 billion Birr strategic procurement and 32.4 billion birr framework procurements. Similarly, in 2012/13 fiscal year the service achieved 7.4 billion Birr and 32.4 billion Birr strategic and framework procurements respectively.



In addition to that, Ato Tesfaye has explained the internal and external factors which affect the performance of PPPDS. According to him, the external problems arise from suppliers and public bodies. Likewise the internal challenges emanate from manpower and capacity to perform (<http://www.pppds.gov.et>).

From the above figure we can easily understand that how much the budget allocated for procurement is too high in terms of our country's economical growth. Therefore, such huge amount of money has to be well managed by establishing very strong contract management department.

The PPDS initiation on preparing consultative meetings with all concerned parties will help to see the gaps on contract administration and related issues. This kind of meeting by itself can be taken as a positive reaction. But this alone is meaningless unless the service (PPPDS) management and staff members are committed for the achievement of their organizational objectives.

The supporting idea for the involvement of concerned parties in the contract management is elaborated on the "Victorian Civil Construction Industry - Best Practical Guide for Tendering and Contract management May 2008", as follows:

Parties involved in executing contracts should:

- ensure that a recognized quality assurance process is used for all aspects of contract management;
- cooperate with other parties in the administration of contracts to enable them to fulfill their contractual obligations;
- employ quality management principles without excessive use of audits and with a focus on avoiding waste, rework and duplication;
- protect 'commercial-in-confidence' information;

- appoint employees or staff with an appropriate level of competence and authority to administer contracts;
- respond promptly to reasonable requests for advice and information;
- submit accurate and fair progress claims;
- deal with contractual claims strictly in accordance with the terms of the contract;
- process and pay contractual entitlements in a timely manner and strictly in accordance with the timelines set out in the contract;
- cooperate to minimize problems, claims or disputes; and
- adopt a cooperative approach to dispute resolution so that adversarial action is minimized and legal proceedings initiated only as a last resort;
- execute the contract in a timely manner in accordance with the specified timelines; and
- provide full and open detail costing of any variations to the contract.

According to Walton (2009), after a contract has been signed there are a number of matters that should be addressed to provide the foundation for successful contract management. An early step is to ensure that sufficient resources and senior management support are available to manage the contract. It is equally important to understand both the contract provisions and contractual relationships at the outset. In the case where the contract manager has been involved in earlier procurement phases, we expect that the contact manager will already have knowledge of issues relevant to implementation.

## **2.10. Experience of other countries on performing frame work agreements.**

As explained by the Republic of Tanzania Policy drafting team (2012), public procuring entities have been facing problems of increasing clerical and routine works in procurement process. Other associated problems include: increased in price differences among procuring entities, long lead time, high inventory levels, recurring stock out situation and price rise during the period of contract coverage. These problems have resulted into cost increase in tendering processes. The call for the use of Framework Agreements is conceived as a solution to those problems.

FA is a special method of procurement which is widely exercised in different countries. Under the FA a bulk purchase of repeatedly required or common use items is conducted. For this purpose international agencies like the World Bank and European Investment Bank have their own framework agreement guidelines. Therefore, assessment of other countries experience is found important to broaden the concept of FA to the users of this paper.

According to the SIGMA Brief 19 (2011), it explains the long tradition of using FAs in a number of EU member states including the Nordic countries, France and the UK. This method of purchasing has generally involved a contracting authority (or authorities) advertising an opportunity and then entering into a contract or other arrangement with one or more economic operators for the provision of works, supplies or services over a fixed period.

Generally most countries have their own laws or regulations governing framework agreements. But more or less the laws or regulations are similar except in few points.

In Africa the practice of FA and review of procurement guidelines is considered as a part of reform in procurement activities and it is basically benchmarked from the donors or financier banks.

The government of the United Republic of Tanzania has long realized the importance of the public procurement function and role in the economic development of the country and its contribution to poverty reduction starting from the mid 1990s.

The Standard Bidding Document has been prepared by the Public Procurement Regulatory Authority (PPRA) for use by the Government Procurement Service Agency [GPSA] in the procurement of Common Use Items and Services using Framework Agreements.

Each financial year the Agency invites tenders for procurement of common use items and services from suppliers and services providers and conduct tendering process up to award of FAs. The list of suppliers awarded framework agreements is published and posted in the GPSA website, [www.gpsa.go.tz](http://www.gpsa.go.tz) and distributed to procuring entities ("[www.ggpsa.gov.tz](http://www.ggpsa.gov.tz)").

The Republic of Ghana Public Procurement Authority has released update of prices for common use items on October 2012. When we compare the list of common user items with ours (FDRE, PPPDS) Ghana's common use items are very wide. Herein below are some of the lists.

Table 1: Common users item list

| Common User Items /Goods/                          |  |
|--|--|
| 1. Cleaning Materials                              | 9. Motor vehicles                        |
| 2. Computer, Accessories, and Consumables          | 10. Office Furniture                     |
| 3. Drugs   | 11. Office tools, Equipment and Utensils |
| 4. Electrical Equipment and Materials              | 12. Office stationery                    |
| 5. Household Appliances                            | 13. Printers                             |
| 6. Fire Fighting Equipment and Protective Clothing | 14. Toner Cartridges                     |
| 7. Fuel and Lubricants                             | 15. Photocopier and Fax Machines         |
| 8. Tyres, Tubes and Batteries                      | 16. Medical Expendables                  |

Source: [www.ggpsa.gov.tz](http://www.ggpsa.gov.tz)

**Ireland** has had a central purchasing agency for the central Government sector which puts in place contracts for commonly acquired goods and services (office supplies, energy, uniforms and clothing, printing, advertising services etc.). While there was not a legal obligation on authorities to use the agency contracts, they were required to use them under an administrative circular issued by the Minister for Finance. A National Public Procurement Operations Unit has recently been established with an expanded remit to manage the purchase of goods and services common to all areas of the public service.

Many frameworks have been established in accordance with the provisions of Directive 2004/18/EC. Uses of these are generally not mandatory, but, since they are designed to represent good and efficient purchasing practice, authorities welcome them and willingly use them where they meet their requirements.

Italy: Consip S.p.A. – acronym for Concessionaria Servizi Informatici Pubblici – operates exclusively on behalf of the state, with the aim of engaging in information technology, consultancy, and support of public administration activities. The company was established in 1998, initially as an operative tool to radically change IT management. With the 2000 Budget Law, Consip was identified as the service structure for the provision of goods and services on behalf of public administrations. Consip is a joint-stock company owned by the Ministry of Economy and Finance. The operations of Consip are financed by the Ministry of Economy and Finance through a three-year framework agreement, which is partly incentivised.

The central government is mandated to use Consip's framework contracts, while other agencies are free to use them. In 2009 the total turnover of Consip's framework agreements amounted to 1.7 billion EUR (OECD (2011)).

**Denmark:** On the basis of the feedback received from the procurement officers and market studies, the central procurement office (SKI) selects a range of new opportunities of framework agreements, which are carefully examined. If the outcome is positive, an advisory

body is set up with those procurement officers who will become bulk customers of that selected product. The awarding process is carried out in partnership between SKI and the advisory body (“Belgian Court of Audit, February 2008”).

**United Kingdom:** Centralization of public procurement is a fairly recent trend in the UK. Until the late 1990s, the approach to procurement in the UK was best described as decentralized. Departments and government agencies were responsible and accountable for obtaining value-for-money from their expenditures on goods and services, and most departments had procurement units with staff having had procurement training. Central buying agencies existed, but there was no obligation to use them. As a result of a review conducted in 1999 to consider whether the structure of procurement was suitable for future needs, the Office of Government Commerce (OGC) was set up to provide greater co-ordination of the government’s procurement activities.

OGC is an independent office of the Treasury, established to help the government deliver “best value” from its spending. OGC, among other functions, provides policy standards and guidance on best practice in procurement, projects and estate management, and it monitors and challenges the performance of departments against those standards on the basis of information supported by verified evidence.

Buying Solutions, the executive branch of OGC, is the largest of over 40 Professional Buying Organizations (PBOs) in the wider public sector. The company provides easy access to more than 500,000 products and services, through a range of framework agreements as well as a number of managed services, including telecommunications, e-mail and Internet services, energy and e-commerce SIGMA, (2010)3/REV2.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

Methodology is a system of explicit rules and procedures in which research is based and against which claims of knowledge are evaluated. This chapter explains the research methodologies that includes, research design, Population and sampling technique, types of data and tools, procedures of data collection and method of data analysis

### **3.1. Research Design**

The objective of this study is to assess framework agreements conducted in PPPDS with regard to public and suppliers benefit. From the four core processes of PPPDS the study were mainly focused on procurement business process and contract administration business process. In addition to that from the supporting process the finance procurement property administration and the legal processes were included. In this study, a descriptive type of research method is adopted with the help of quantitative and qualitative study techniques. The respondents' responses were done through a self developed questionnaire.

### **3.2. Population and Sampling Techniques**

Sampling is a mechanism usually helps to select representatives from the large population. It is also very important to show the picture of the research study. Purposive sampling technique was employed in this research. The current total population of PPPDS is 130 and out of which 25 samples were selected based on the staff responsibility related to the topic under investigation. In addition to that the researcher has made an interview with 3 people from the end-users and with two people from the suppliers' side. In all groups employees with academic qualification of bachelor's degree and above were the target population so as to conduct the research work.

### **3.3. Types of Data and Tools/Instruments of Data Collection**

The study was used both primary and secondary data sources. The primary data were data collected using a self developed open ended and close ended questionnaires and interviews. Questionnaires are designed and distributed to selected staff members of PPPDS, public procurement bodies and suppliers on the basis of their responsibility related to the subject matter. The secondary sources of data used by the researcher are relevant journals, manuals and many provisions related to the study work.

### **3.4. Procedures of Data Collection**

Every study has its own framework for collecting data to ensure that the required data are collected accurately and economically. For this reason, the researcher has prepared a self developed questionnaire and distribute to the respondents. The secondary data were collected from websites, internet sources, procurement guidelines, suppliers, public procurement experts, and journals.

### **3.5. Methods of Data Analysis**

Data collected from the primary and secondary sources have been analyzed qualitatively and quantitatively. After the relevant data collected, the next step was checking and converting the data into formats that is appropriate for analysis and interpretation. Data collected from secondary sources were tabulated because tabulation makes the data orderly and easier for presentation. After tabulation the data was analyzed and interpreted with the help of percentages and against EU, WB and others FA practices; national procurement proclamations and directives. Descriptive analysis was largely employed to analyze data presented in the form of tables.

## **CHAPTER FOUR**

### **RESULTS and DISCUSSION**



## **4.1 Introduction**

In this chapter, the study focuses on the analysis and evaluation of FA performance in PPPDS.

Here, the primary and secondary data collected from different sources have been analyzed and interpreted. Primary data collected from an interview which was held with the procurement experts of PPPDS and suppliers. In addition, secondary data i.e. directives, guidelines, and manuals have been analyzed.

Findings of this study are based on relevant data and information gathered through questionnaire, interview and literature reviews.

## **4.2 Duration of contracts awarded under framework agreements and Price Adjustment**

In the World Bank procurement guidelines, the duration of FA is three years and as per EU the duration of FA is limited to a maximum of four years. However, there is provision to establish frameworks for longer than four years in exceptional circumstances where this can be justified by the subject of the framework contracts. The purpose of this rule is to avoid duplication of works and saving time and reducing cost for tendering process.

In the FDRE FA manual, the duration period of FAs is similar to that of WB procurement guideline and price adjustment is also allowed. But practically FAs are signed only for a period of one year and no price adjustment is so far implemented.

As per the respondents view, the main reasons of the problem are categorized in to two main points. One is lack of commitment to carry out market research or price index by the Central

Statistics Agency and PPPAA. Second the lack of efforts made by PPPDS to solve the problem.

**Table 2: Sample of contract period and Price adjustment**

| <b>GCC Clause Reference</b> | <b>Section 8. Special Conditions of Contract</b>  |
|-----------------------------|---|
|                             | Procurement Reference Number is: <b>PPPDS/NCB/PFA/01/2005</b>   |
| <b>GCC 1.2 (j)</b>          | The Contracting Authority is: <b>Public procurement and property disposal service</b>   |
| <b>GCC 7.5</b>              | The Contract period is for <b>one year starting from the signing date of this Frame work agreement</b>  |
| <b>GCC 33.2 and 33.13</b>   | <b>Price adjustment:</b> Price adjustment is allowed. The fraction for each specified element and exact combination of elements that will be applied in the formula for price adjustment shall be: as stated under clause GCC 33.12 |

Source: **Contract No. 145/2013**

As per GCC33.2 and 33.13, price adjustment must be allowed. But due to the above mentioned reasons this article is not applicable until March, 2014.

#### **4.3. Favor to large suppliers**

One of the drawbacks of FA is that few potential suppliers are more favored than the medium and small enterprises. This is because of the financial capacity and the experience they developed through time. Therefore, medium and small scale enterprises can't compete with the strong ones. In PPPDS this problem is clearly observed on the past three years. For further clarification the list of winners is briefly summarized in Table 3 and Table4.

Table 3: FA winners list in the past three years in terms of selected basic items

|  |
|--|
| <b>Suppliers list and products they won according to E</b> |
|--|

| Year   | Nanodas Trading & Industry Plc  | Bridgetech Plc                                     | Alta Computec Plc                            |
|--|---|--|--|
| 2004   |   |  |  |
| 2005   | Toners  | Desktop computer                                   | Lap top                                      |
| <p>Additionally in the year 2005 E.C --- MFI Trading and Office solutions has won Photocopy machine (Light duty) and L</p> |   |  |  |
| 2006   | Toners  | Box file with rings, Lap top and Desktop computers | Desktop comput. Lap top, Printer, Photocopie |
|  | <p>In the year 2006 E.C.(2013/2014) the following suppliers has also won the following items:</p> <ul style="list-style-type: none"> <li>❖ Jupiter Trading 100% UPS for 175 Federal Government budgetary Offices</li> <li>❖ Gift Trading Plc wins CD-R</li> <li>❖ Amultech Plc has won 20% share of the Desktop computer for advanced purposes</li> <li>❖ Ged Plc 100% Permanent marker for 175 Federal Government budgetary Offices</li> <li>❖ East African Tiger Brands Industry Plc Detergent powder soap 100%</li> <li>❖ Yekatit Paper Converting Plc Toilet tissue 100%</li> </ul> |  |  |

Source:: [www.pppds.gov.et](http://www.pppds.gov.et).

From the above table list (table 3), East African Tiger Brands Industry Plc and Yekatit Paper Converting Plc are only participating in the tender for the supply of sanitary items.

Generally, the winners are few in number and relatively they are also financially strong local suppliers. For instance, under the procurement Reference No. PPPDS/NCB/PFA/01/2005, suppliers are requested to issue bid security amounting Birr 100,000 for one lot only. Similarly on the Bid data sheet section under ITB 1.8, companies are required to have a warehouse premises with (a minimum area of 10 meter (width) x 10 meter (length) x5 meter (height).

Table 4: Some of the awarded suppliers in the year 2006 E.C

| Suppliers who signed framework agreement with PPPDS in the year 2006 E.C |                       |                      |                      |                               |
|--|-----------------------|----------------------|----------------------|-------------------------------|
| Type of Item   | Companies Name        |                      |                      |                               |
|  | Alta Computec         | Bridgetech PLC       | Radical PLC          | Snap trading and Industry PLC |
| Desktop and Laptop   | <b>61,538,834.02</b>  | <b>52,862,095.67</b> |                      | <b>153,905,427.6</b>          |
| Printers & Photocopier   | <b>57,851,922.79</b>  |                      |                      |                               |
| Heavy Duty Copier and Photocopy toner                                    | <b>92,689,130.60</b>  |                      |                      |                               |
| Toners   |                       |                      | <b>36,728,487.45</b> | <b>13,785,012.0</b>           |
| Toners   |                       |                      | <b>10010931.54</b>   |                               |
| Box file with ring   |                       | <b>2,401,600.00</b>  |                      |                               |
| Different items  |                       | <b>26,088,061.62</b> | <b>40,754,276.68</b> | <b>23,510,947.3</b>           |
| <b>Total amount in Birr</b>  | <b>212,079,887.41</b> | <b>81,351,757.29</b> | <b>87,493,695.67</b> | <b>167,690,439.6</b>          |

Source: Notification letter of FA winners and soft copies of contract agreements disseminated to ministry of education and Ministry of water and energy by PPPDS.

(ግንግ 1/4/202/2658 ቀን 11 ጥቅምት 2006 , ግንግ 1/4/1/333/6780 ቀን 03 ጥር 2006 )

One of the criticisms to FA is favor to large suppliers and discourages small and medium scale enterprises. As we can see from the table the awarded amount to each suppliers is too huge amount. In addition to that each winner is required to issue 10% of the total contract amount as a performance security to the public procuring entity. That means only few potential suppliers are capable to participate in such type of tenders. In other words the wealth of money is dominated by few suppliers and this would lead to market monopoly which is against the Federal Democratic Republic of Ethiopia economic policy.

#### 4.4. Late supply of goods and delivery out of specification

Late supply of goods and delivery of products out of specification are also some of the big issues which are repeatedly raised by the most end users. As per the data collected through a questionnaire and interview, these problems are related to three basic things: One is the problem of contract administration, second shortage of foreign currency and third the long bureaucracy process of custom clearance.

In PPPDS contract administration was identified as a core process from its establishment time. But it was performed by the Procurement Business Process owner as an additional task for the past three years. Due to this fact complains were raised by the end users and suppliers. The end users complain is related with the late supply of goods and delivery out of specifications. On the other hand suppliers are complaining because of late payments.

From the public bodies the researcher has made discussions with one senior expert and one director of procurement and property administration in Ministry of Water and Energy and Ministry of Education.

According to the senior procurement expert of the M.o.W.E, the main problems related to late delivery and out of specification are lack of qualified technical expertise to check the specification of delivered products as stated in the contract agreement and the gap of responsibility and accountability in administrating contract agreements.

Similarly as per the Ministry of Education Procurement and property administration directorate head the main problems he stated are basically associated with the overall contract administration and lack of qualified procurement professionals in PPPDS as well as the public bodies.

Further to the public body end users the research has also made discussions with two senior experts of FA participant suppliers.

Accordingly the senior Foreign Procurement expert of Jupiter Trading, has mentioned the following points as basic reasons for late delivery of goods from the side of the suppliers.

- ❖ Shortage of foreign currency to open letter of credit
- ❖ The delay for clearing of goods in Mojo dry port that takes for more than a month.
- ❖ Unfair imposed of tax by the custom authority. For instance, Jupiter Trading has won to supply UPS in the year 2013, but due to the disagreement happened with the custom clearance people, the product had stayed for two weeks until the problem solved.
- ❖ Lack of support from PPPDS to the suppliers on the above mentioned and other related problems.

Further to the above elaborated points the sales department head of Alta Computec plc, has also broadly explained the basic reasons for late delivery and specification issues as follows:

- Regarding late delivery of goods he classified the problem into internal and external factors of both sides. According to him the announcement process of bid results and signing of contract agreements are not concluded on time by the side of PPPDS due to its internal problems related to insufficient human power and contract administration.

From the side of suppliers, he has also mentioned that lack of qualified experts as a basic problem that has to be improved.

Actually the researcher has also approved the late announcement of bid results conducted by PPPDS from the letters and soft copies of winners disseminated to all public bodies. For

instance Alta Computec Plc has signed a contract agreement with PPPDS for the supply of heavy duty photocopier machine and photocopier machine toners on January 10/2014 which is after six months of the budget year according to Ethiopian Calendar.

In relation to specification of products, he noted that the specifications of some items requested by PPPDS are also not advanced and lacks detailed information.

The other important point he raised is concerning the problems to obtain foreign currency and advance payments.

Generally the above stated problems are the existing problems of PPPDS that requires high attention by all concerned parties.

#### **4.5. Organizational structure and work Force**

Procurement is a complex task that requires qualified employees for achieving organizational goals. In this regard the basic existing problems found in PPPDS are similar to that of any public organizations such as turnover, lack of opportunity for professional development, etc. In addition to that most of the staff members are having a maximum of 3 and half years work experience.

Therefore, PPPDS is required to work hard on employee development programs to improve customer service delivery and to motivate employees to perform well.

#### **4.6. Value for money from the bulk purchase\_**

One of the key initial objectives of the establishment of FAs was to obtain significant reductions in prices of goods and services. Whether this objective is achieved or not by PPPDS, the researcher has tried to compare two items price of FAs with the market price collected using pro-forma invoice.

Table 5: Price comparison of items

| Price Evaluation Table in Birr Including 15% VAT |                       |      |         |                              |               |                 |               |                 |               |
|--|-----------------------|------|---------|------------------------------|---------------|-----------------|---------------|-----------------|---------------|
| No.  | Description           | Unit | Qty     | Radical                      |               | Jupiter Trading |               | Mekorom Trading |               |
|  |                       |      |         | U.Price                      | Total Price   | U.Price         | Total Price   | U.Price         | Total Price   |
| 1  | Printer Paper A4 size | Ream | 450,000 | 82.85                        | 37,282,500.00 | 93.00           | 41,850,000.00 | 110.40          | 49,680,000.00 |
|  | Description           | Unit | Qty     | Nanodas Trade & Industry Plc |               | Jupiter Trading |               | Mekorom Trading |               |
|  |                       |      |         | U.Price                      | Total Price   | U.Price         | Total Price   | U.Price         | Total Price   |
| 1  | Toner 53 A            | each | 2,500   | 893.00                       | 2,232,500.00  | 2,499.99        | 6,249,975.00  | 1,437.50        | 3,593,750.00  |

Source: Pro forma invoice collected as referenced below

Radical Plc and Nanodas Trade & Industry Plc are the winners for the shaded items in the FA for the year 2006 E.C. Reference for Radical Plc --- Contract No. 131/2013 and for Nanodas Trade & Industry Plc --- Contract No. 145/2013. The quantity is estimated. If we compare Radical Plc price with Jupiter Trading price we found a difference of Birr 4,567,500.00. Similarly if we compare price given by Nanodas with that of Mekorom Trading we found a difference of Birr 1,361,250.00 (One Million Three Hundred Sixty One Two Thousand Fifty).

The reference for Jupiter Trading is Proforma Invoice Voucher No PROE-1516-14 dated 03/17/2014 and reference for Mekorom Trading is Proforma Invoice No. 7335 dated 8/7/06 E.C. Except Mokokrom Trading, Radical PLC, Jupiter Industry PLC and Nanodas Trade and Industry are the companies who are repeatedly participated in FA tenders. But due to the competition made among them a significant reduction of price is obtained in some common user items.



#### 4.7 Procurement Threshold

One of the differences in FA practices with other countries experience is the means to decide procurement method. In Ethiopia the amount of threshold is fixed based on the type of procurement whereas in South Korea threshold is determined based on centralized and decentralized procurement system.

Table 6: PPS and PPPDS Procurement Threshold

| PPS: Central Government Procurement Agency (South Korea)   |                      |                       |                                   |
|--|----------------------|-----------------------|-----------------------------------|
| - Under the Ministry of Finance, PPS is responsible for the procurement of goods, services and construction works above the following thresholds   |                      |                       |                                   |
| Type   | Goods and Services   | Construction Works    |                                   |
| Central Government Entities  | Above \$ 100,000.00  | Above \$ 3,000,000.00 |                                   |
| Local Government   | Autonomous           | Autonomous            |                                   |
| Source: Introduction to PPS October 2010 presented to Ethiopian delegates  |                      |                       |                                   |
| Korea has a combination of centralized and decentralized procurement. Above the thresholds, public entities are required to make contracts through PPS. Below these thresholds, each individual entity is allowed to make contracts on its own. However, even when the contract amount is below the threshold, they can still choose to ask PPS to make contracts on their behalf. |                      |                       |                                   |
| Table 7: EFDR Threshold  |                      |                       |                                   |
| Source: The Federal Government's Public Procurement Manual, 2010   |                      |                       |                                   |
| Procurement Category   | Restricted Tendering | Request for quotation | International Competitive bidding |
| Works  | 2,000,000            | 250,000               | 50,000,000                        |

|             |         |         |            |
|-------------|---------|---------|------------|
| Goods       | 500,000 | 100,000 | 10,000,000 |
| Consultancy | 300,000 | 60,000  | 2,5000,000 |
| Services    | 400,000 | 75,000  | 7,000,000  |

#### 4.8. Part I Analysis for the open ended questions

In this part except few questions that required general knowledge all the data gathered through a questionnaire and interview are analyzed in tables.

Table 8: Necessity of FA to our country

|   |                    |            |
|---|--------------------|------------|
| 1. From where FA is benchmarked and why it is found necessary to our country? |                    |            |
| Respondents view  | No. of respondents | In Percent |
| To get better price from purchase   | 12                 | 48%        |
| Economic and government reason  | 3                  | 12%        |
| To minimize corruption  | 10                 | 40%        |

Source: Data collected through questionnaires and interview

The respond given in relation to minimization of corruption is argumentative, because bulk purchase by its nature is difficult to manage it efficiently and the gaps may create suitable condition for some people to involve in the practice of corruption.

Table: 9 Measures taken on suppliers who couldn't perform their obligations

|   |                    |            |
|---|--------------------|------------|
| 2. What measures would you taken on the suppliers found guilty of wrong doings? |                    |            |
| Respondents view  | No. of respondents | In Percent |
| Forfeited performance bond & reported to PPPAA                                  | 23                 | 92%        |
| No answer   | 2                  | 8%         |

Source: Data collected through questionnaires and interview

Performance security is issued by a supplier to the buyer as a guarantee for any loss resulting from the supplier's failure to perform its obligations as per the contract agreement. The amount of performance security is also 10% of the total contract amount.

The data indicates how much FA or supplying of bulk purchase is risky and needs high attention from both sides of the suppliers and the procuring entity. Because the action may not be stopped at this stage and may lead both parties for further conflict resolution process.

Table 10: Bid evaluation criteria

| 3. How do you evaluate the bid documents of FAs and what are the basic criteria's? |                    |            |
|--|--------------------|------------|
| Respondents view   | No. of respondents | In Percent |
| Based on evaluation criteria   | 18                 | 72%        |
| Based on evaluation criteria and sample test by Standard authority                 | 7                  | 28%        |

Source: Data collected through questionnaires and interview

The evaluation criteria for goods, services, and works are found on section three of the bidding documents. According to the procurement principles any procurement body cannot evaluate bidders out of the evaluation criteria stated in the bidding document. For goods like A4 paper and Notebooks the thickness or the gram of the items can be tested its quality or specification by the Ethiopian Standard Authority. But this is done only if it is mentioned as a basic criterion in the bidding documents.

Table11: How FA contracts are awarded

| 4. How FA contracts are awarded for winner suppliers |                    |            |
|--|--------------------|------------|
| Respondents view                                     | No. of respondents | In Percent |
|  |                    |            |

|  |    |     |
|--|----|-----|
| If the 2 <sup>nd</sup> and 3 <sup>rd</sup> lowest bidders didn't agree to supply as per the 1 <sup>st</sup> winner price, the winner supplier can be awarded 100% of the items. If the 2 <sup>nd</sup> and 3 <sup>rd</sup> lowest bidders agreed to supply as per the 1 <sup>st</sup> winner price, 60% share will be given to the 1 <sup>st</sup> winner and the rest 40% share equally distributed to 2 <sup>nd</sup> and 3 <sup>rd</sup> winners. | 21 | 84% |
| No answer  | 4  | 16% |

Source: Data collected through questionnaires and interview

The question in Table 11 is used for general knowledge to understand the way how PPPDS awards winner supplier. In most cases bids are awarded at least for three suppliers as per their technical and financial result rank. This information is also partially provided in the Ethiopian Federal Public Procurement Directive (2010, pp90- 91).

Table 12: FA challenge related to contract administration

| 5. What are the procurement challenges related to contract administration                                       |                    |            |
|---|--------------------|------------|
| Respondents view  | No. of respondents | In percent |
| Legal comments are repeatedly requested by the top managers , administrative challenges, PPPDS still in problem | 21                 | 84%        |
| No answer   | 4                  | 16%        |

Source: Data collected through questionnaires and interview

Here, surprising 84% of the respondents are witnessing how much the contract administration in PPPDS is poor.

Table 13: core problems observed on the practices of FAs

| 6. What are the core problems observed on the implementation of FAs |                    |            |
|---|--------------------|------------|
| Respondents view  | No. of respondents | In percent |

|   |    |     |
|---|----|-----|
| Resistance from end users, low capacity of suppliers, lack of qualified human power, contract administration, | 22 | 88% |
| No answer   | 3  | 12% |

Source: Data collected through questionnaires and interview

Majority of the respondents said that the core problems observed on the implementation of FA are resistance from end users, low capacity of suppliers, lack of qualified human power and contract administration.

#### 4.9. Part II Respondents analysis for the Close ended questions

Table 14: Means to advertize FA tenders

|   |                    |            |
|---|--------------------|------------|
| 1) How FA is advertized?                    |                    |            |
| Respondents view                            | No. of respondents | In Percent |
| Using Addis zemen, Herald and PPPDS website | 18                 | 72%        |
| Using the above and also PPPAA website      | 5                  | 20%        |
| No reply                                    | 2                  | 8%         |

Source: data collected through questionnaire

In terms of transparency and a means to obtain sufficient bidders, procurement entities should advertize procurement tenders through different types of Medias that have wide area coverage to ensure participation of many bidders. But according to the respondents view 92% of the advertisement is made only through government Medias in which PPPDS should improve in the future.

Table 15: Is a FA open for international bidders

|   |                    |            |
|---|--------------------|------------|
| 2) Is a framework agreement open for international bidders? |                    |            |
| Respondents view  | No. of respondents | In percent |
| Yes   | 17                 | 68%        |

|                                  |   |     |
|----------------------------------|---|-----|
| No it requires warehouse locally | 8 | 32% |
|----------------------------------|---|-----|

Source: data collected through questionnaire

In principle there is no any restriction for international bidders or foreign suppliers to participate on FA biddings. However, as per the respondents view due to some requirements like availability of warehouse in the local country, international bidders may not encouraged to participate in framework agreement tenders.

Table 16: regular meeting with end users of framework agreement

|  |                    |            |
|--|--------------------|------------|
| 3) Do you have a regular meeting with the end users of framework agreement |                    |            |
| Respondents view   | No. of respondents | In percent |
| Yes  | 13                 | 52%        |
| No   | 7                  | 40%        |
| Sometimes /depend on the situation/  | 2                  | 8%         |

Source: data collected through questionnaire

Making a regular meeting with stakeholders is very important to procurement entities like PPPDS which enables them to get feedback from their customers. From the reply given by the respondents we can easily understand how much PPPDS is not participatory for its staff members which cause the gap of information.

Table 17: Checklist to control contract administration

|  |                    |            |
|--|--------------------|------------|
| 4) Do you have a checklist to control the activities of contract administration? |                    |            |
| Respondents view   | No. of respondents | In Percent |
|  |                    |            |
| Yes  | -                  | -          |
| No   | 22                 | 88%        |

|         |   |     |
|---------|---|-----|
| Neutral | 3 | 12% |
|---------|---|-----|

Source: data collected through questionnaire

22% of the respondents view indicates how much there is a gap in the contract administration part. Contract administration is the fundamental task which determines the success or failure of procurement organizations. This issue is widely discussed under the sub title late supply of goods and delivery out of specification on Page 40 and 41.

Table 18: Customers satisfaction

| 5) 5PPPDS customers are satisfied by the service they obtained |                    |            |
|--|--------------------|------------|
| Respondents view   | No. of respondents | In Percent |
| Strongly agree   | -                  | -          |
| Strongly Disagree  | -                  | -          |
| Agree  | 10                 | 40%        |
| Disagree   | 12                 | 48%        |
| Neutral  | 3                  | 12%        |

Source: data collected through questionnaire

12% of the respondents didn't hide their feelings. Actually all the questions raised and discussed are part of customer's satisfaction. For instance late supply of goods is one of the major problems that affect the plan and budget of end-users.

Table 19: PPPDS workforce

| 6) PPPDS has sufficient human power |                    |            |
|-------------------------------------|--------------------|------------|
| Respondents view                    | No. of respondents | In Percent |
| Strongly agree                      | 20                 | 80%        |
| Strongly Disagree                   | 5                  | 20%        |
| Agree                               | -                  | -          |

|          |   |   |
|----------|---|---|
| Disagree | - | - |
|----------|---|---|

Source: data collected through questionnaire

The current PPPDS employee number is 120. Out of these about 65% of them are involved in procurement supporting activities. Less human power has its own effect on the performance of an organization. As repeatedly explained in this paper PPPDS is serving for more than 175 public bodies with very few staff members.

## **CHAPTER FIVE**

### **CONCLUSIONS & RECOMMENDATIONS**

This chapter summarizes the purpose of the study, the major findings and conclusions, the study implication for theory and practice, and makes recommendation.

#### **5.1. Summary of Major Findings**

The following are the summary of major findings of this study:

With regard to bulk purchase of common user items; the government has obtained significant reduction of price in some items when it compares with the purchase made by different ministry offices using pro-forma invoice and other procurement methods. For instance in the budget year of 2011/12 the unit price for computer paper A4 size through a FA was Birr 70.57 excluding VAT which was the cheapest at that time. Similarly the price for note book large size in the market was above Birr 20.00 including VAT for a piece; but PPPDS has procured with Birr 10.65 before VAT.

Concerning timely supplying of goods, PPPDS is failed to provide satisfactory service delivery to its customers. For example the award notification of FAs for the budget year 2013/14, was distributed to the public bodies on December and January 2014. This means that for more than half of a budget year the public bodies were in trouble to facilitate their



duties efficiently. For instance, one of the sensitive or urgently required items by all end users is the inquiry of sanitary items such as toilet soap and laundry soap. This purchase inquiry was planned to be procured by PPPDS in the budget year 2006. But due to unsatisfactory reasons PPPDS couldn't able to procure these items until the beginning of January. Therefore public bodies would be forced to revise their annual plan due to the failure of PPPDS. In addition to that after the announcement of winners and types of products, normally the suppliers also need extra time to deliver and distribute the ordered goods to all public bodies.

The other important point is the issue related to FA period and price adjustments. According to the FDRE procurement rule, the maximum life period of FA is three years; but PPPDS is entered into framework agreements which stay only for a year. Similarly for bulk purchase items conducted through FAs the manual of procurement is allowed to make a price adjustment based on market information. However, till the establishment of PPPDS these two basic things are ignored due to irrelevant reasons such as lack of market price index. In fact the responsibility of market assessment is given to Central Statistics Agency and PPPAA; but PPPDS can also do this task by its own mechanism instead of keeping them.

With respect to the participation of bidders on FA tenders, very few potential suppliers are dominating the market and this would lead to monopoly and unfair competition which is against the procurement principles.

The most fundamental procurement task which was discussed in this paper is about the contract administration. In PPPDS several weaknesses have been identified in contract administration practices.

The principal problem is that contracting officials spent more time in routing activities rather than administering existing contracts. This often leads to problems in contractor performance, cost overruns, and delays in receiving goods and services.

As per the respondents view long process of custom clearance, complains related to delay in payment and delivery of goods out of specification are the few basic contract administration problems.

The last basic issue is related to the work force. In PPPDS the actual human power and the burden of work is unbalanced.

## **5.2. Conclusion**

Based on the results of the study obtained and summary of findings the following conclusions are given.

In many instances, PPPDS is not efficiently serving the government as well as the public bodies in terms of timely supplying of goods, appropriate administration of contracts, and customers satisfaction.

These constraints are related to lack of commitment, lack of experience, lack of integration among the parties with PPPDS which are directly or indirectly involved in procurement activities such as the public bodies, PPPAA, MoFED, Central Statistics Agency, Banks, Custom clearance authority, and the business society.

Especially in relation to lack of integration among all concerned parties both the end-users and the public society are forced to face several problems. For instance the delay on supplying of goods has a great impact on the efficiency of public bodies which is also forced them to revise their annual plan. Similarly suppliers are forced to pay an expected extra expenses related to clearance of goods and administrative costs.

Generally from the findings of this study no party is well satisfied with the current performance of PPPDS. Therefore the Government of Ethiopia, the board of directorates and the ministry of finance and economic development should strictly follow and give support to PPPDS.

### **5.3. Limitations of the Study**

The researcher has officially submitted a request letter for cooperation from the university to PPPDS for helping it in providing relevant information; but some of the management members didn't like to provide him some quantitative relevant data. Lack of textbooks and previous researches in the area of FAs was one of the major pitfalls in this research. Further, busyness of the key informant groups has forced the researcher to cancel lots of appointments and it took longer than the expected time for the completion of the research. As an alternative the researcher has forced to collect some relevant data from the end-users of PPPDS that is the Ministry of Education and Ministry of Water and Energy.

### **5.4. Recommendations**

On the basis of the conclusions given above the following recommendations are suggested.

- To avoid the delays on the process of procurement, PPPDS can early start the process of planning based on the early received inquiries. Because in FA exact quantities or timings can be adjusted.
- The problem related to foreign currency can be solved through discussions with all concerned banks before the signing of FAs or by arranging prior availability of foreign currency.
- PPPDS has three options to alleviate the lack of price index data. One is establishing a department or a unit of marketing experts to gather and analyze price index data and the second one is to make contacts with local and foreign organizations who are engaged in price index studies. Third to use price index data released from different organizations through internet.
- The composition of staff members which are mainly engaged in procurement activity and contract management must include graduates of different disciplines. For instance engineers are very important for the sector.
- If merit based evaluation system is applied in some common user items; it can help to easily manage suppliers who are trying to submit products out of specification.
- Special concern should be given to contract management because it is an engine part of procurement in solving basic issues raised from both the public bodies and suppliers. In addition to that any negligence in this area may lead to a great risk to the procuring entity.
- PPPDS should be supported by different Consultants until strength its capacity.
- The scope of the requirement should promote competition and help avoid or limit the problems associated with the presence of dominant suppliers. If the scope is too wide there is a danger that the framework agreement will effectively kill off any competition in the market. In addition to that revision of policy may be important how small and medium sized enterprises (SMEs) can be supported.
- Regular assessment on the implementation of framework agreement helps PPPDS to solve basic problems and to improve customer service delivery.

- One of the mechanisms to assess the implementation of government policies and regulations is performance auditing. In PPPDS the points discussed by the researcher related to contract administration can be evaluated or audited by the help of internal auditors. Therefore PPPDS should strength its internal audit service business process to make corrective actions.
- Applying important benchmarked lessons in contrast with our country situation is also recommended

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## Appendix I

### List of interviewees

The following table shows the list of PPPDS staff members who participated in the interview.

|    | Name             | Title                     | Educational Background | Work Experience           |
|----|------------------|---------------------------|------------------------|---------------------------|
| 1. | Trufat Negash    | Senior Procurement expert | BA Proc. & Sup. Mgt    | 23 years 2 years in PPPDS |
| 2. | Werku Gezahegn   | Procurement expert        | BA Proc. & Sup. Mgt    | 3 & ½ year in PPPDS       |
| 3. | Tadesse Mengesha | Procurement expert        | BA Proc. & Sup. Mgt    | 3 years in PPPDS          |
| 4  | Ezana            | Procurement expert        | BA Proc. & Sup. Mgt    | 3 years in PPPDS          |



Appendix II  
Questionnaire

I. Open ended questions designed to collect data for the assessment of FAs in PPPDS

My name is Tadesse Meressa, candidate for Masters in Business Administration. I am doing a research entitled “Assessment of Framework Agreements in PPPDS”. I have designed few questions about the subject matter. Completion of this information is voluntary. Any response given will be kept confidentially and wouldn’t be used for any other purpose other than for the research work. Hence, I kindly request you to give me your personal response for the following questions:

Thank you in advance.

**Personal Background**

Full Name: \_\_\_\_\_

Sex:    Male     Female

Your education level: \_\_\_\_\_

Work experience: \_\_\_\_\_

### **Questions**

- 1) From where the framework and central procurement method is benchmarked and why it found necessary to our country?

\_\_\_\_\_

- 2) PPPDS is established with the aim to enable the timely supplying of goods and service which are commonly used by public bodies as well as goods and services which have national strategic significance. In your opinion is this objective achievable or not? What ever your answers is try to explain by supporting with evidences?

\_\_\_\_\_  
\_\_\_\_\_

- 3) What measures would you take on your suppliers found guilty of wrong doings in related to the framework contract agreements?

\_\_\_\_\_  
\_\_\_\_\_

- 4) How do you evaluate the bid documents of FAs both technically and financially?

\_\_\_\_\_  
\_\_\_\_\_

- 5) How contracts are awarded to framework agreement bidders?

\_\_\_\_\_  
\_\_\_\_\_

- 6) What are the core problems so far you observed on the implementation of Framework agreements?

\_\_\_\_\_

- 7) If you have any suggestion in relation framework agreements conducted in PPPDS please share your comments.

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Part II. Close ended questions

7. Do you have a regular meeting with the end users of framework agreement to discuss on procurement related problems?

Yes  No

8. How is a framework agreement advertised?

Using Addis Zemen only  Using Herald   
Using Addis Zemen & Herald  Using PPPDS website   
Using all

9. How much is the duration of FAs applied by PPPDS?

1 year  2 year  3year

10. Is a framework agreement open for all international bidders?

Yes  No

11. Do you have a checklist to control the activities of contract administration?

Yes  No

12. Delay in supplying of goods is one of the problems that should be improved by PPPDS.

Strongly agree  Strongly disagree

Agree  Disagree  Neutral

13. PPPDS customers are satisfied by the service they obtained.

Strongly agree  Strongly disagree

Agree  Disagree  Neutral

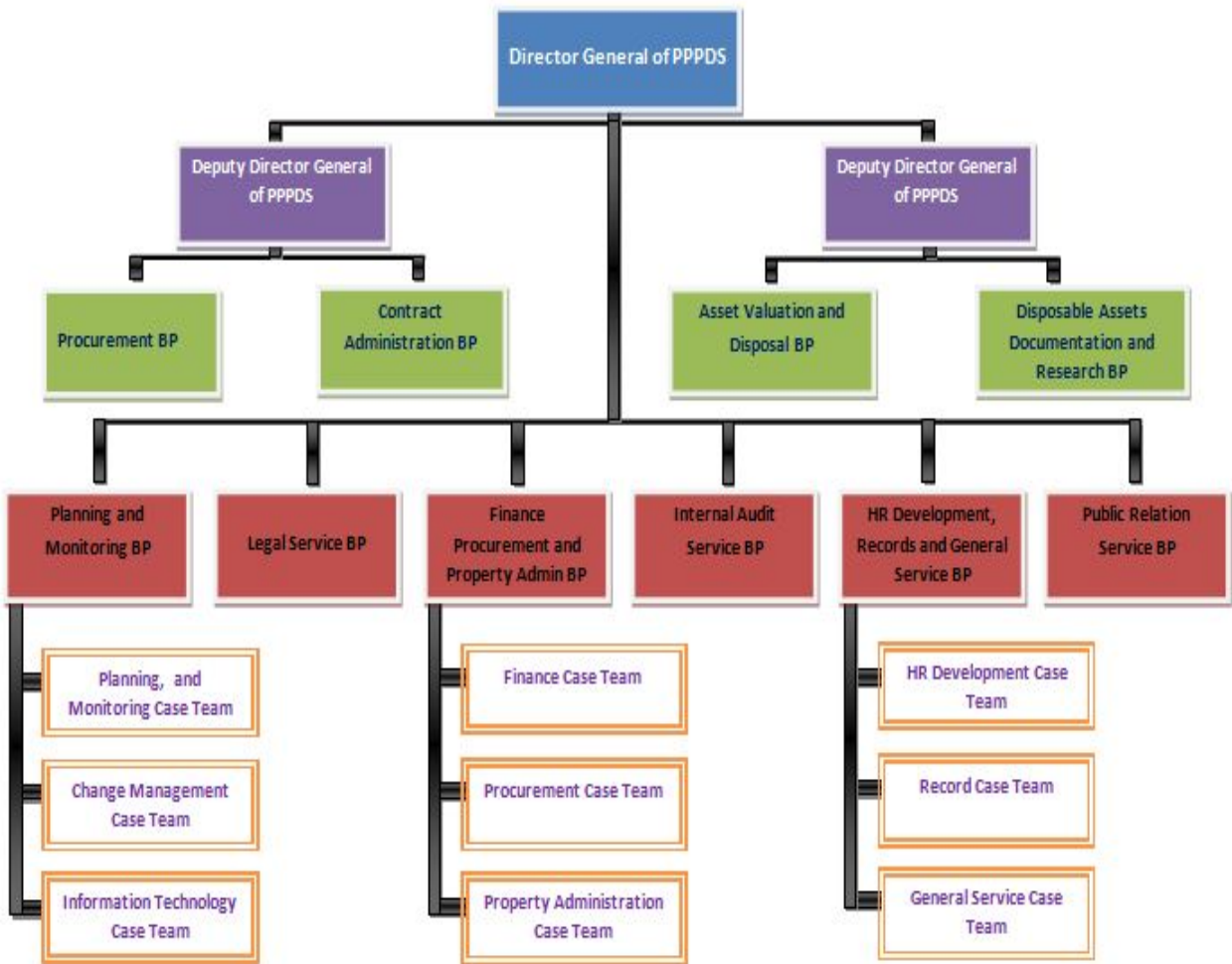
14. PPPDS has sufficient human power

Strongly agree  Strongly disagree

Agree  Disagree

### APPENDIX III

#### Public Procurement and Property Disposal Service (PPPDS) organizational structure



**PPPDS Organizational Structure**



